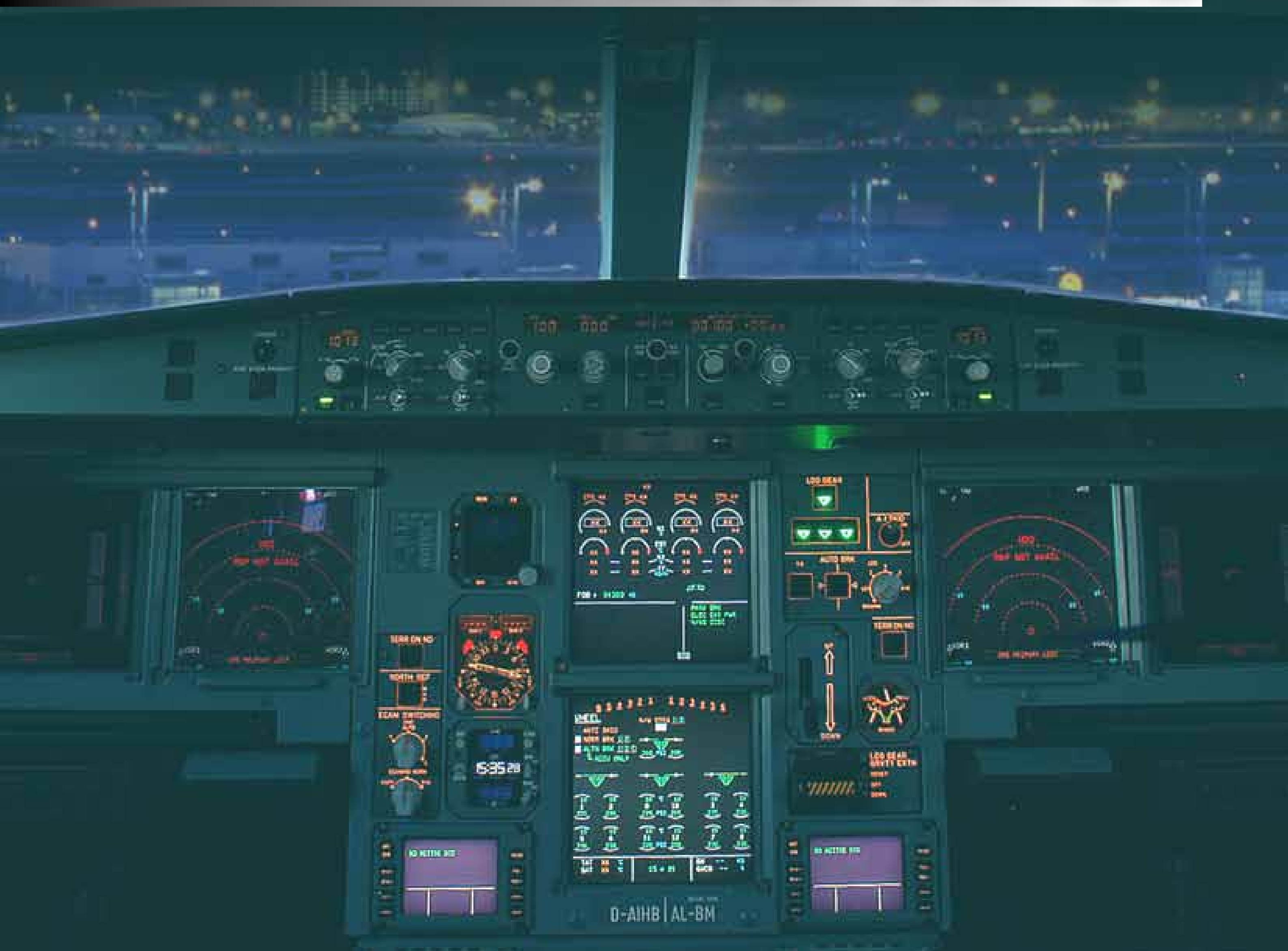
avation PLC

PROSPECTUS



This document comprises a prospectus relating to Avation PLC prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 to admit the transferable securities to trading on the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with the Prospectus Rules. Application will be made to the Financial Services Authority for all of the Ordinary Shares to be admitted to the Official List. Application will also be made to the London Stock Exchange for all such Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. If you sell or have sold or otherwise transferred all of your Ordinary Shares, please send this document at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

AVATION PLC

(Incorporated in England and Wales under the Companies Act 2006 with company number 5872328)

Admission to the Official List (by way of a Standard Listing) and to trading on the London Stock Exchange's main market for Listed Securities
26,219,010 Ordinary Shares in issue following Admission

Investors should rely only on the information in this document. In particular, your attention is drawn to the letter from the Chairman of the Company that is set out on page 21 of this document. Your attention is also drawn to the Risk Factors section set out in this document.

It is expected that Admission will become effective and that dealings in the Ordinary Shares on the London Stock Exchange's main market for listed securities will commence on or around 6 October 2010.

The Ordinary Shares will not be, registered under the Securities Act or under the relevant laws of any State of the United States or any state, province or territory of Australia, Canada, Japan, New Zealand or the Republic of South Africa. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Application will be made for the Ordinary Shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Primary Listings on the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules and/or any provision of the Model Code, nor to impose sanctions in respect of any failure by the Company to so comply.

TABLE OF CONTENTS

Page

SUMMARY

This summary section should be read as an introduction to the Prospectus which comprises the whole of this document. Any decision to invest in the Company's securities should be based on a consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Introduction

The Company is proposing to apply for the admission to trading of the whole of its issued ordinary share capital to the Official List of the London Stock Exchange by way of a Standard Listing.

The Company

The Company is a public company limited by shares incorporated in England and Wales on 11 July 2006. Its shares are admitted to trading on the PLUS-quoted exchange.

Principal Activities

The Company's main activity is the leasing of commercial aircraft. Directly and through its subsidiaries, the Company leases twelve commercial passenger jet aircraft which are leased to various airlines across Europe, the United States and Australia.

Group Structure and History

The Company was formed via a special dividend from Skywest Airlines Ltd with shares distributed in specie to all of the then Skywest Airlines Ltd shareholders. The Company was incorporated on 11 July 2006 with the intention of supporting Skywest Airlines Ltd by providing aircraft leasing facilities and continues to do so.

The Company has two wholly owned subsidiaries, F100 Pty Ltd and MSN 429 Limited, both of whose principal activities is the leasing of aircraft. F100 Pty Ltd was incorporated in Australia on 15 November 2006 as a wholly owned subsidiary of the Company. MSN 429 Limited was incorporated in England and Wales on 24 March 2010 as a wholly owned subsidiary of the Company.

Additionally, the Company has a 51.18% holding in Capital Lease Aviation PLC whose shares are admitted to trading on AIM. Prior to Capital Lease Aviation PLC's pre-admission fundraising round in July 2007, it was a wholly owned subsidiary of the Company. Capital Lease Aviation PLC is an aircraft leasing company whose focus is on a different customer base to the Company, which itself has two wholly owned aircraft leasing subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and Capital Lease Malta Limited.

The Company also owns 99.96% of Avation.net Inc., a subsidiary incorporated in Delaware. Avation.net Inc operates a procurement business for airlines and broadcasters.

Key Assets

The Group leases eight 107-seat passenger capacity Fokker 100 jets, two 164-seat passenger capacity Airbus A320-200 jets and two 185-seat passenger capacity Airbus A321-200 jets.

Each Fokker 100 is entered on the Australian Civil Aircraft Register and is operated by Skywest Airlines (Australia) Pty Ltd in accordance with the rules and procedures of the Australian Government's Civil Aviation Safety Authority. One Airbus A320-200 is operated by US Airways in the USA and is registered with the Federal Aviation Administration. Both A321-200 aircraft are operated by Thomas Cook Airlines Scandinavia A/S and are registered with The Civil Aviation Administration of Denmark. The second A320-200 is registered with the Australian Government's Civil Aviation Safety Authority and the issuance of the Certificate of Airworthiness is currently pending with the Australian Government's Civil Aviation Safety Authority. It is leased to Skywest Airlines (Australia) Pty Ltd..

Aircraft leases

The summary on the leases entered into by the Group is set out below:

Aircraft type	Lessor company	Airline lessee	Commencement date	Lease term (months)	Monthly fixed rent (US$)
Fokker 100 11484 (VH-FNY)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	3 April 2007	66	85,000
Fokker 100 11489 (VH-FNJ)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	23 April 2004	117	75,000
Fokker 100 11488 (VH-FNR)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	2 August 2004	117	75,000
Fokker 100 11373 (VH-FNU)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	8 August 2008	72	90,000
Fokker 100 11391 (VH-FSW)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	19 August 2008	64	106,000
Fokker 100 11326 (VH-FNN)	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	26 October 2007	60	99,000
Fokker 100 11334 (VH-FNC)	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 February 2008	60	100,000
Fokker 100 11461 (VH-FNT)	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 October 2007	60	99,000
Airbus A320-200 52 (N620AW)	Wilmington Trust Company*	US Airways Inc	28 September 1990	267	185,000
Airbus A321-200 1881 (OY-VKA)	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	1 April 2003	144	375,000
Airbus A321-200 1921 (OY-VKB)	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	28 February 2003	144	375,000
Airbus A320-200 429 (VH-FNP)	Avation PLC – MSN 429 Limited as sub-lessor	Skywest Airlines (Australia) Pty Ltd	4 April 2010	36**	190,000

* Capital Lease Aviation PLC is the beneficial owner
** with an option to extend for a further 36 months

The lessees are responsible for all operational costs, insurance costs, maintenance and repairs, airframe and engine overhauls, for obtaining consents and approvals and compliance with conditions for the return of aircraft on lease expiry. Some of the lessees also pay maintenance rent based on the number of hours flown and are entitled to some reimbursement of maintenance expenses as a result. On expiry of each lease, the lessee is obliged to ensure in the handback process that the aircraft possesses a valid certificate of airworthiness with life-limited parts to have a minimum number of flight hours remaining.

Financing

The Group has following finance facilities in place as at 29 September 2010, being the latest practicable date before printing of this document:

- A USD 47,786,655 senior loan facility which is secured by a cross collateralised mortgage over two Airbus A321 aircraft and one A320 aircraft. The finance period matches the lease term on each underlying aircraft with the residual final payments totalling USD 20,500,000.

- Attached to the senior loan facility for the Airbus assets is a guarantee from CaptiveVision Capital Limited for AUD 2,089,967 provided on a monthly rolling basis. This guarantee can be replaced with a cash equivalent deposit at the election of the lessee.

- A USD 108,000 unsecured rolling credit facility, in the name of F100 Pty Ltd.

- A USD 7,390,738 senior loan facility, which is secured by a mortgage over three Fokker F100 aircraft. The finance periods match the lease term on each underlying aircraft and amortises to nil with the exception of Fokker 100 MSN 11334 owned by Capital Lease Australian Portfolio One Pty Ltd, which has a USD 927,600 final payment attached.

- F100 Pty Ltd has a USD 22,121,000 senior loan facility, which is secured by mortgages over its five Fokker F100 aircraft. The finance periods match the lease terms on each underlying aircraft and amortise to nil.

- The Company and its wholly owned subsidiary, MSN 429 Limited have an arrangement over three years with the vendor for USD 7,800,000 in respect of its acquisition of an Airbus A320-200 pursuant to a lease purchase agreement. The three year vendor lease matches the sub-lease term with the airline customer.

Strategy

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 dynamic in the aircraft leasing market by identifying and acquiring additional aircraft. The Company will adopt a flexible approach to the type of aircraft it purchases and this will depend principally on the requirements of its growing customer base.

- *Leasing aircraft to 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.

- *Efficiently raising capital to execute its growth strategy:* the Company expects to fund its growth strategy through a mix of retained cashflow, debt and equity financing in order to maintain an efficient capital structure. The Company may utilize a broad range of funding options to support its growth strategy. The Company expects to use appropriate financing and hedging strategies to manage interest and exchange rate volatility.

- *Continuing to support Skywest Airlines Ltd:* The Company was originally incorporated in order to support Skywest Airlines Ltd by providing aircraft leasing facilities. Although the Group now also provides aircraft leasing facilities to other airlines, Skywest Airlines Ltd will continue to be an important customer of the Group and it is intended that the Group will assist Skywest with its ongoing aircraft leasing requirements.

Financial Performance

Set out below is a summary of audited financial results of the Group for the periods ended 30 June 2007, 2008 and 2009 together with the Unaudited Half Year Reports for the Six Month Periods ended 31 December 2008 and 31 December 2009:

	30 June 2007 £	30 June 2008 £	30 June 2009 £	Six months to 31 December 2008 £	Six months to 31 December 2009 £
Revenue	1,806,251	5,031,679	16,278,212	7,828,643	7,556,268
Gross profit	1,246,009	4,903,940	15,406,718	7,027,557	1,343,540
Profit before taxation	779,339	8,145,212*	4,986,321	4,750,706	1,530,695
Profit after taxation	547,585	7,363,177*	4,231,913	4,251,373	1,343,540
Earnings per share	3.91 pence	28.75 pence*	10.40 pence	10.19 pence	3.14 pence
Total Assets	11,996,942	70,365,393	86,994,059	100,688,354	90,384,606
Total liabilities	7,997,527	57,767,480	49,141,293	69,945,615	57,097,252

*the results for the year ended 30 June 2008 includes an exceptional item of £5,503,165

Reasons for moving from PLUS to the Official List

The Group's balance sheet has grown significantly since its admission to trade on PLUS in November 2006. The Board now considers that the Company's share price does not reflect the Company's true value. This is because, currently, the Company's market capitalisation is lower than the value of its Net Tangible Assets and the Directors believe a move to the Official List should promote a greater correlation between the Company's financial performance and its share price. Furthermore, the Official List will be a more appropriate platform than PLUS for the continued growth of the Group.

The Directors further believe that being on the Official List will raise the Company's profile in the market which will assist the Company in raising future finance, whether through the issue of new shares or through bank finance.

The Company will also be able to attract a wider base of institutional (some of which are unable to invest in companies on PLUS) and non-institutional shareholders with a listing on the Official List. This should also help to improve the liquidity of the Ordinary Shares.

Risk Factors

The principal risk factors affecting the Company and the Ordinary Shares which are known to the Directors are:

(a) Standard Listing

The Ordinary Shares are expected to have a Standard Listing. A company with a Standard Listing is not subject to the more rigorous ongoing requirements and protections which are applicable to companies with Premium Listing. Therefore, an investment in a company with a Standard Listing is potentially more risky than an investment in a company with a Premium

Listing.

(b) Ordinary Shares

The price of the Ordinary Shares will be determined by the interaction of supply and demand in the market. The market price of the Ordinary Shares is therefore likely to fluctuate. The liquidity of the Ordinary Shares may be lesser than if the Company had a Premium Listing.

(c) Unforeseen difficulties and costs associated with the acquisition and/or management of the aircraft portfolio could reduce or prevent future growth and profitability of the Company

The growth strategy of the Company and its subsidiaries will involve future acquisitions and leasing of aircraft. The Company may experience difficulties in acquiring aircraft on favourable terms, or at all. Increased competition for aircraft could reduce the Company's acquisition opportunities or may result in a requirement to pay higher prices. There can be no assurance that any future acquisition of aircraft will be profitable to the Company nor that it will generate sufficient cash flow to justify the investment.

(d) A deterioration in the financial condition of the commercial airline industry would have an adverse impact on the Company's ability to lease its aircraft following expiry of the current leases

The Company will lease its aircraft principally to commercial airline customers. Hence, the ability of the Company to lease its aircraft following expiry of the current leases in place (the earliest of which to expire is September 2012) will depend on the financial condition and growth of the commercial airline industry. If the financial condition of the commercial airline industry deteriorates, the Company may be adversely affected.

(e) The Company will need additional capital to finance its growth, and it may not be able to obtain it on suitable terms, or at all

The Company may require additional financing to develop and grow its business through the acquisition of aircraft. Financing may only be available on terms that are not favourable or may indeed not be available at all. In addition, the terms of any other indebtedness incurred by the Company may restrict its ability to incur additional debt. If the Company is unable to raise additional funds or obtain capital on acceptable terms, it may have to delay, change or abandon some or all of its growth strategies, which in turn may affect its financial performance.

(f) As the leases of the aircraft expire, the Company may not be able to re-lease the aircraft on favourable terms, or at all, or may not be able to sell the aircraft on favourable terms

The business strategy of the Company requires it to re-lease aircraft as the existing leases expire in order to generate sufficient revenues to finance its growth and operations (the earliest lease expiry is September 2012). The ability to re-lease aircraft following expiry of the current leases will depend on general market and competitive conditions at the relevant time. If the Company is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. If the Company is not able to stagger the lease expiry dates of its aircraft, it may also face difficulty in re-leasing all its aircraft as and when such leases expire. The ability of the Company to re-lease or sell aircraft on favourable terms could be adversely affected by depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war and the sale of other aircraft by companies or other factors.

(g) Aircraft values and achievable lease rates could reduce in the future

Any decrease in the values of and achievable lease rates for the Company's portfolio of aircraft following expiry of the current leases (the earliest lease expiry is September 2012) could have a material adverse effect on the Company's financial condition and business prospects.

(h) If demand for leased aircraft does not increase, the Company may not be able to expand its business

If the aggregate demand for aircraft (including leased aircraft) does not expand, then the Company may be unable to implement its growth strategy through aircraft acquisitions. Failure to expand the aircraft portfolio would impair the Company's ability to grow or sustain its revenues.

RISK FACTORS

Shareholders should carefully consider all the information in this document, including the risks described below. The Directors have identified these risks as the material risks relating to the Company and an investment in the Ordinary Shares of which the Directors are aware as at the date of this document. Additional risks and uncertainties not presently known to the Directors, or that the Directors consider immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and the Ordinary Share price could be materially adversely affected. In that case the trading price of the Ordinary Shares could decline and investors could lose some or all of their investments in the Company.

For the avoidance of doubt, none of the risk factors detailed below seeks to qualify the working capital statement set out in paragraph 15 of Part IV of this document.

Standard Listing

The Ordinary Shares are expected to be admitted to a Standard Listing on the Official List and as a consequence additional on-going requirements and protections applicable to a Premium Listing under the Listing Rules will not apply to the Company

The Company will be listed under Chapter 14 of the Listing Rules (*Standard Listing (shares)*) and as a consequence a significant number of the Listing Rules will not apply to the Company. Shareholders in the Company will therefore not receive the full protections of the Listing Rules otherwise associated with a Premium Listing.

Listing Rule 14.3 sets out the continuing obligations applicable to the Company and requires that the Company's listed securities must be admitted to trading on a regulated market at all times. The Company must have at least 25% of the shares of any listed class in public hands at all times in one or more EEA States and the FSA must be notified as soon as possible if these holdings fall below that level.

The continuing obligations under Chapter 14 also include requirements as to:

- forwarding of circulars and other documentation to the National Storage Mechanism, and related notification to a RIS;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FSA in relation to compliance with the Listing Rules and Disclosure and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- notifying an RIS in relation to changes to equity and debt capital; and
- compliance with, in particular, Chapters 4, 5 and 6 of the Disclosure Rules and Transparency Rules.

As a company with a Standard Listing, the Company will not be required to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules, which set out more onerous requirements for issuers with Premium Listings of equity securities. These include provisions relating to listing principles, the requirement to appoint a sponsor, various continuing obligations, significant transactions, related party transactions, dealings in own securities and treasury shares and contents of circulars.

The Company intends to comply with the Listing Principles set out in Chapter 7 of the Listing Rules which would otherwise apply to the Company if it were to obtain a Premium Listing on the Official List. The Company is not, however, subject to such Listing Principles and will not be required to comply with them. The Directors intend to ensure that Shareholders are provided with sufficient information in order for them to make an informed decision on any matter which they need to approve, and the Directors will also take independent financial advice where appropriate.

The Company is not required to, and does not intend to, appoint a listing sponsor under Chapter 8 of the Listing Rules in order to guide the Company in understanding and meeting its responsibilities under the Listing Rules.

The provisions of Chapter 9 of the Listing Rules (*continuing obligations*) will not apply to the Company. Chapter 9 includes provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10% of market value, notifications, and the content requirements of certain financial information.

Although the Company is not required to comply with Chapter 9 of the Listing Rules, it will voluntarily:

- publish its preliminary statement of annual results (or the information from its annual financial report that is required to be communicated to the media pursuant to the Disclosure and Transparency Rules) through an RIS as soon as possible after it has been approved and in any event within four months of the end of the period to which it relates and only after it has been agreed with the Company's auditors;

- notify an RIS as soon as possible after the Directors have approved any decision to pay or make any dividend or other distribution or to withhold any dividend or interest payment; and

- publish its half yearly report to an RIS as soon as possible after it has been approved and in any event within two months of the end of the period to which it relates.

The Company is not required to comply with the Model Code on Directors' dealings in shares of the Company set out in Chapter 9 of the Listing Rules. However, the Company adopted a share dealing code at the time of its PLUS listing that is broadly consistent with the provisions of the Model Code and will continue to follow such dealing code following Admission.

The Company is not required to comply with Chapters 10, 11 and 12 of the Listing Rules (*significant transactions*, *related party transactions*, *dealing in own securities and treasury shares*). The Company does, however, currently comply with the requirements of the PLUS Rules in relation to substantial transactions, related party transactions, reverse takeovers and fundamental change of business (PLUS Rules 43 to 49) and intends that it will continue to conduct its activities as if such requirements continued to apply to it following Admission (in so far as reasonably practicable). It should be noted that neither the UKLA nor the London Stock Exchange will have the authority to monitor the Company's voluntary compliance with, nor impose sanctions in the event of a breach of, any such provisions.

Chapter 13 of the Listing Rules contains provisions relating to the content of circulars and is only applicable to companies with a Premium Listing. Consequently, the Company is not required to comply the provisions of that chapter.

The Company confirms that, notwithstanding that upon Admission neither Listing Rule 5.2.5 (cancellation of listing) nor the equivalent protection currently provided under the PLUS Rules will be applicable, in the event a cancellation of its listings were to be proposed, it would in any event seek shareholder approval as if Listing Rule 5.2.5 of the Listing Rules was applicable to it. Pursuant to Listing Rule 5.2.5 this will mean, *inter alia*, that the Company would send a circular to its Shareholders containing certain information as specified in the Listing Rules and obtain the approval of not less than

75% of its Shareholders in the event that it proposes to seek a cancellation of its listing.

It should be noted that the UK Listing Authority will not have the authority to monitor the Company's voluntary compliance with any of the Listing Rules applicable to companies with a Premium Listing (and will not do so) nor will it impose sanctions in respect of any breach of such requirements by the Company.

Standard Listings have only recently been available for UK companies and relatively few UK companies have come to market with a Standard Listing. Therefore it may not yet be possible to predict how UK companies with Standard Listings will be viewed by analysts and institutional investors.

A company with a Standard Listing is not currently eligible for inclusion in any of the FTSE indices (i.e. FTSE100, FTSE350 etc). This may mean that certain institutional investors are unable to invest in them.

The Company may be adversely affected by "type" faults in a particular type of aircraft

Eight of the twelve aircraft currently owned by the Group are of one type of aircraft, the Fokker F100, and, until such time as a more diversified portfolio of aircraft is acquired, the Company may be adversely affected by design, safety or other issues which may affect aircraft of that type. In the event that there is a "type" fault in a particular type of aircraft, all aircraft of that type may be required to be taken out of service for checks until the nature of the fault is fully ascertained although that does not obviate each lessee's obligation to make rental payments due. This may impact the ability of the Company to re-lease its aircraft in the future (after the current leases expire, from September 2012 onwards) or may cause unforeseen expense, since some of the current aircraft leases oblige the Company to cover the cost of any rectification in a recall event.

The Company currently has a limited customer base

The Company's aircraft are leased to three customers, Skywest Airlines (Australia) PTY Ltd, Thomas Cook Airlines Scandinavia A/S and US Airways Inc. Should any of its customers face an unexpected failure of its business this would impact the ability of the Company to receive monthly rental payments from that customer. If such an event were to occur it would adversely affect the Company's cash flow, even if adequate remedies were available to the Company under the terms of the lease agreements or otherwise in law. However, should any leases be terminated following an unexpected failure of a customer's business, the Company will remain the owner of the aircraft which could then be re-marketed by sale or new lease. If the Group is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. To the extent that aircraft were disposed of on unfavourable terms, this may adversely affect the Company's net assets.

Unforeseen difficulties and costs associated with the acquisition and/or management of the aircraft portfolio of the Company could reduce or prevent future growth and profitability of the Company

The growth strategy of the Company will involve future acquisitions and leasing of aircraft. The Company and its subsidiaries may experience difficulties in acquiring aircraft on favourable terms, or at all. Increased competition for aircraft could reduce the Company's acquisition opportunities or may result in a requirement to pay higher prices. There can be no assurance that any future acquisition of aircraft will be profitable to the Company, nor that it will generate sufficient cash flow to justify the investment.

A deterioration in the financial condition of the commercial airline industry would have an adverse impact on the Company's ability to lease its aircraft

The Group will lease its aircraft principally to commercial airline customers. Hence, the ability of the Group to lease its aircraft will depend on the financial condition and growth of the commercial airline industry and the appetite of the commercial airline industry to lease, rather than purchase, aircraft. If the financial condition of the commercial airline industry deteriorates, the Group may be adversely affected by:

- reduced demand for the aircraft in its portfolio and reduced market lease rates and lease margins;
- a higher incidence of lessee defaults, lease restructurings, repossessions and airline bankruptcies and restructurings, resulting in lower lease margins due to maintenance and legal costs associated with the repossession, as well as lost revenue for the time the aircraft are off-lease and possibly lower lease rates from the new lessees;
- an inability to lease aircraft on commercially acceptable terms, resulting in lower lease margins due to aircraft not earning revenue and resulting in storage, insurance and maintenance costs; and
- financial loss if any aircraft in the Group's portfolio is damaged or destroyed by an event specifically excluded from an insurance policy, such as dirty bombs, bio-hazardous materials and electromagnetic pulsing.

The Company will need additional capital to finance its growth, and it may not be able to obtain it on suitable terms, or at all

The Company will require additional financing to grow its business over and above any current projections through the acquisition of aircraft. Such debt or equity financing may only be available on terms that are not favourable or may indeed not be available at all. In addition, the terms of any other indebtedness incurred by the Company may restrict its ability to incur additional debt. If the Company is unable to raise such additional funds or obtain capital on acceptable terms, it may have to delay, change or abandon some or all of its intended growth strategies or in taking the available finance it may see its projected returns on any aircraft investment lessened by the terms of such finance, for example, due to higher interest rates.

As the leases of the aircraft expire, the Company may not be able to re-lease the aircraft on favourable terms, or at all, or may not be able to sell the aircraft on favourable terms

The business strategy of the Group requires it to re-lease aircraft as the existing leases expire in order to generate sufficient revenues to finance its growth and operations at the time which the existing leases expire. The earliest lease to expire of any of the Group's current aircraft is September 2012. The ability to re-lease aircraft will depend on general market and competitive conditions at the time of expiry. If the Group is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. If the Group is not able to stagger the lease expiry dates of its aircraft, it may also face difficulty in re-leasing all its aircraft as and when such leases expire. The ability of the Group to re-lease or sell aircraft on favourable terms could be adversely affected by depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war and the sale of other aircraft by companies or other factors.

Aircraft values and achievable lease rates could reduce in the future

Any decrease in the values of, and achievable lease rates for, the Group's portfolio of aircraft on new leases after the current leases expire (from September 2012 onwards) could have a material adverse effect on the Company's financial condition and business prospects. Factors that may affect the value and/or achievable lease rates of the aircraft include, *inter alia*, the following:

- the particular maintenance and operating history of the airframes and engines;
- the number of operators using that type of aircraft or engine and/or oversupply in the market of that type of aircraft or engine;
- the age of the aircraft;
- any tax, customs, regulatory and other legal requirements that must be satisfied when an aircraft is purchased, sold or re-leased;
- compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type; and
- the creditworthiness of the lessees.

If demand for leased aircraft does not increase, the Company may not be able to expand its business

If the aggregate demand for aircraft (including leased aircraft) does not expand, then the Company may be unable to implement its growth strategy through aircraft acquisitions. Failure to expand the aircraft portfolio would impair the Company's ability to grow or sustain its revenues.

The Company is dependent on its lessees' financial condition and the continued performance of their lease obligations

The success of the Company depends upon the financial strength of the Group's lessees (including the creditworthiness of the credit support provider of such lessees and the performance by the credit support provider, if any, of its obligations). The ability of each lessee to perform its obligations under its lease will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors beyond the control of the Group, including:

- competition;
- fare levels;
- air cargo rates;
- passenger air travel and air cargo demand;
- geopolitical and other events, including war, acts of terrorism, disease and natural disasters;
- operating costs, availability and cost of jet fuel and general economic conditions affecting the lessees;
- operations;
- labour difficulties;
- economic conditions and currency fluctuations in the countries and regions in which the lessee operates;
- government regulation; and

- adverse currency and interest rates.

The Company could be exposed to the political, economic and social conditions in the jurisdictions where the Group's lessees are located, and whence they operate

The Group could be exposed to political, economic and social events in the jurisdictions where aircraft lessees are located, and in the markets they serve (the aircraft operate predominantly in Australia, Scandinavia and USA). Such events include political unrest, interest rate and currency exchange rate fluctuations, the nationalisation or expropriation of private assets, strikes, war, economic instability, and other events such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks and other events beyond the control of the Group that may adversely affect local economies, infrastructures and livelihoods. The resulting instability may adversely affect the Company's sub ownership interest in its aircraft or the ability of lessees which operate in these markets to meet their lease obligations either or both of which could impact on the Company's revenues.

Failure by the lessees to perform their maintenance obligations on the aircraft could materially and adversely affect the Company's revenues and cash flows

The Group's lessees are typically primarily responsible for maintaining the aircraft and complying with all governmental requirements applicable to the relevant lessee and aircraft, including operational, maintenance, and registration requirements and airworthiness directives. A lessee's failure to perform required maintenance during the term of a lease could result in a reduction in the value of an aircraft, an inability to re-lease the aircraft at favourable rates or at all and may require the Group to incur expenditure to restore the aircraft to an acceptable condition prior to any sale or re-leasing, following expiry of the current leases (from September 2012 onwards) all and each of which could negatively affect the business, financial condition and results of operations of the Company, whether or not any appropriate remedies are available to the Company in respect of any such lessee's failure.

Failure to obtain certain required licences, consents and approvals could negatively affect the ability of the Company to re-lease or sell aircraft

Aircraft leases often require specific licences, consents or approvals. These include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or de-registration of the aircraft. Subsequent changes in applicable law or administrative practice may increase these requirements. In addition, a governmental consent, once given, might be withdrawn. Furthermore, consents needed in connection with future re-leasing or sale of an aircraft may not be forthcoming. Any of these events could adversely affect the ability of the Group to re-lease or sell aircraft, which could negatively affect its business, financial condition and results of operations.

The Company is subject to risks inherent in investing in a single industry

The Company's principal activity directly and through its subsidiaries is to own and invest in a portfolio of aircraft intended to operate under medium to long-term leases. By concentrating the vast majority of its operations and investments in the airline market, the Company is susceptible to a downturn in that market which may correlate with a decline in demand for aircraft leasing and could result in the Company's income being adversely affected when the current leases end (from September 2012 onwards) and the Company is required to re-lease the aircraft. The Company's other activities would not alone allow the Company to meet its growth and development goals in the event of a downturn in the aircraft leasing industry at that point.

The Company depends on certain key personnel; the loss of any key personnel may adversely affect its operations

The Company's performance depends, in part, upon the recruitment, engagement, continued service and performance of key staff members. These key personnel may leave the Company in the future and compete with the Company. The loss of any of these individuals could have a material adverse effect on the Company's business, financial condition and the results of operations. In particular, Robert Chatfield has significant experience in the airline and aircraft leasing industry and his loss or departure could seriously affect the future financial condition and business prospects of the Company.

The Company may engage in hedging transactions, which can limit gains and increase exposure to losses

The Company may enter into hedging transactions to protect itself from the effects of interest rate fluctuations on floating-rate debt and also to protect the Company's portfolio from interest rate and prepayment fluctuations due to early termination options, defaults, and other unscheduled lease terminations and lease extension options. Hedging activities may not have the desired beneficial impact on the results of operations or financial condition of the Company and may not completely insulate the Company from the risks associated with changes in interest rates. Moreover, interest rate hedging could fail to protect the Company or even adversely affect the Company or may be difficult or costly to obtain.

No assurance that all lessees will comply with the registration requirements in the jurisdictions where they operate

Generally, failure by a lessee to maintain the registration of a leased aircraft would be a default under the applicable lease, entitling the lessor to exercise its rights and remedies thereunder. If an aircraft were to operate without a valid registration, the lessee operator or, in some cases, the owner or lessor might be subject to penalties, which could constitute or result in a lien being placed on such aircraft. Failure to comply with any necessary registration requirements also could have other adverse effects, including the inability to operate the aircraft and loss of insurance. The Company can give no assurance that all lessees will comply with these requirements. Some jurisdictions in which the Company operates, or may operate, may impose penalties for failure to comply with their requirements.

Government regulations could require substantial expenditure which may reduce the Company's profitability

To the extent that a lessee fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other manufacturer requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, then the Company may have to bear the cost of such compliance.

Aircraft might be adversely affected if not adequately managed and maintained

In circumstances where lessees are not already doing so in accordance with the terms of the relevant lease agreements, should the Group fail to provide adequate management and maintenance of the aircraft, the value of the Company's aircraft might be adversely affected. This could adversely affect the re-lease or sale value of those aircraft and any remedies available to the Company in respect of such inadequate management or maintenance may not adequately compensate the Company for the fall in value.

The imposition of withholding tax on lease payments would have an adverse impact on cash flow

There can be no assurance that upon the expiry or termination of the existing leases, the aircraft will necessarily be leased to a lessee located in a jurisdiction that does not impose withholding tax on aircraft lease payments. Any withholding tax incurred by the Company may have an adverse effect on its cash flow.

Income earned in the jurisdictions in which the aircraft operate or where the lessees are located may be subject to tax, resulting in decreased cash available for the Company

The Company may be subject to income or other taxes in other jurisdictions by reason of where the

Group's aircraft operate or where the lessees of its aircraft (or others in possession of their aircraft) are located. If such taxes are levied on the Company, it may decrease net income and cash flow.

Operational costs will increase as the Company's aircraft age

The cost of re-delivering an aircraft under a re-lease, including maintenance and modification expenditures, increases with the age of the aircraft. The costs of converting an ageing passenger aircraft to a cargo aircraft are also substantial. The incurrence of these greater expenses as the Group's fleet ages could adversely affect its financial condition and results of operations.

As high fuel prices continue to affect the profitability of the airline industry, the airline lessees might not be able to meet their lease payment obligations to the Company

Fuel costs represent a major expense to companies operating within the airline industry, and fuel prices fluctuate widely depending primarily on international market conditions, geo-political and environmental events, currency exchange rates and natural disasters. In 2008, fuel prices were at historically high levels. A return to such a high cost of fuel may have a material adverse impact on airline profitability. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their customers by increasing fares. If they pass on the higher costs, it may adversely affect demand for air travel, which would reduce their revenues. In addition, airlines may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices return to historically high levels, they are likely to cause the airline lessees to incur higher costs or experience reduced revenues. Consequently, if such conditions persisted in the longer term, beyond the scope of lessees' hedging strategies and risk management policies, this may:

- affect the lessees' ability to make rental and other lease payments due to the Group;
- result in lease restructurings and aircraft repossessions;
- increase the Group's costs of servicing and marketing aircraft;
- impair the Group's ability to re-lease the aircraft following expiry of the current leases from September 2012 onwards or otherwise dispose of the assets on a timely basis at favourable rates; and
- reduce the proceeds received for the aircraft upon any disposal.

The effects of terrorist attacks and geo-political conditions may negatively affect the airline industry

Terrorist attacks and geo-political conditions have adversely affected the airline industry, and concerns about geo-political conditions and further terrorist attacks could harm airlines in the future as a result of various factors, including:

- higher costs to airlines due to increased security measures;
- the inconvenience of additional security measures;
- the price and availability of jet fuel and the cost, practicability and effectiveness of obtaining fuel hedges under current market conditions; and
- significantly higher costs of aircraft insurance coverage for claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available.

Future terrorist attacks, war or armed hostilities, or the fear of such events, may further increase airline costs, depress air travel demand, cause certain aviation insurance to become available only at significantly increased premiums or may not be available at all and could have a further adverse impact on the airline industry and on the financial condition and liquidity of the Group's airline lessees, aircraft values and rental rates, all of which could adversely affect the financial condition and results of operations of the Company.

The effects of epidemics may negatively affect the airline industry

The spread of Severe Acute Respiratory Syndrome ("SARS") was linked to air travel early in its development and had a severe adverse impact on the aviation industry, which was evidenced by a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs. In addition, there have been several outbreaks of avian influenza, or "Bird Flu", beginning in Asia and, most recently, spreading to certain parts of Africa and Europe and "Swine Flu" which began in Mexico before spreading globally. Further outbreaks of SARS, Bird Flu, Swine Flu or other epidemics, or the fear of such events, could provoke responses, including government imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry. This in turn could adversely affect the ability of Company to re-lease aircraft to the extent that once the current leases expire (from September 2012 onwards) lessees of aircraft may find their own financial condition and liquidity adversely affected and consequently cease to trade or reduce the number of aircraft they lease.

The Company operates in a highly competitive market for investment opportunities in aircraft and other aviation assets

The leasing and re-marketing of commercial jet aircraft is highly competitive. The Group competes in leasing, re-leasing and selling aircraft with other aircraft leasing companies. The competitors of the Group may have significantly greater resources. In addition, some competing aircraft lessors have a lower overall cost of capital and may provide financial services, maintenance services or other inducements to potential lessees that the Group cannot provide. If the Group is unable to maintain its competitiveness in the market and is unable to dispose of its aircraft in a timely manner or on favourable terms, the results of operations and financial conditions of the Company could be materially and adversely affected.

In addition, the Directors consider that the Company may encounter competition from other entities, such as airlines, aircraft manufacturers, financial institutions (including those seeking to dispose of repossessed aircraft at distressed prices), aircraft brokers, public and private partnerships and investors and funds with more capital to invest in aircraft and engines. The Company may compete with Capital Lease Aviation PLC, a non-wholly owned subsidiary, when seeking to acquire aircraft as there is a relationship agreement in place between Capital Lease Aviation PLC and the Company to ensure independent operation of the two companies' boards. This could result in the Company paying more for a specific aircraft than it would have done so otherwise or failing to obtain a specific aircraft at all.

The variability of supply and demand for aircraft and other aviation assets could depress lease rates and the value of leased assets

The aviation leasing and sales industry has experienced periods of aircraft over-supply and under-supply. The over-supply of a specific type of aircraft or other aviation asset in the market is likely to depress lease rates and values. This would have an impact on the Group's cost of acquiring aircraft or other aviation assets, and could delay or prevent the aircraft from being re-leased or sold (as the case may be) at the expiry of their respective leases (the earliest lease expiry is September 2012), and may impact on the ability of the Company to raise debt on favourable terms and to meet any new debt conditions on expiry of its current facilities. Currently, each facility matches the term of the relevant underlying lease so that no facilities expire prior to September 2012. This could have an adverse effect on the Company's financial condition and results of operations.

The Company depends on the financial stability of aircraft and engine manufacturers and their ability to continue producing aircraft and engines

The Company depends on the financial stability of aircraft manufacturers and their ability to continue producing aircraft and related components, and provide support services, which meet airlines' demands. Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfil their contractual obligations, the Group may experience an inability to acquire aircraft and related components on terms that will allow the Group to lease those aircraft and related components to customers at profitable levels. This may also result in a reduction in the Group's competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and may adversely affect the value of its portfolio and its ability to remarket or sell some of the aircraft in its portfolio when the current leases end from September 2012 onwards.

Currency Risk

Any future income from the leases may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions. In addition, the Company expects to report its financial results in Sterling (£), although the majority of its business may be conducted in US$. As a result, it may be subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs and the translation of its results.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	1 October 2010
Admission of the Ordinary Shares to the Official List and dealings in the Ordinary Shares commence	6 October 2010

Notes:

(1) The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by the Company, in which event details of the new dates will be notified, as required, to the UK Listing Authority and the London Stock Exchange and, where appropriate, to Shareholders.

DEALING CODES

The dealing codes for the Ordinary Shares will be as follows:

ISIN	GB00B196F554
Ticker/Symbol	AVAP

IMPORTANT NOTICES

Shareholders should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Ordinary Shares, (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Ordinary Shares. Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

Forward looking statements

This Prospectus contains forward looking statements including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, Shareholders are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by any appropriate regulatory authority or by law, including the FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 4 of Part III of this document.

DIRECTORS AND ADVISERS

Directors	Robert Jeffries Chatfield *(Chairman)* Andrew Charles Baudinette Bryant James McLarty
	All of: Georgian House 63 Coleman Street London EC2R 5BB
Company Secretaries	Siobhán Mary Macgroarty Cool 29 Kismis Green Singapore 596261
	Carissa Gina Tan 510 Thomson Road #12-04 SLF Building Singapore 298135
Legal Advisers to the Company	Speechly Bircham LLP 6 New Street Square London EC4A 3LX
Auditor	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
Registrars	Computershare Investor Services PLC P O Box 82 The Pavilions Bridgewater Road Bristol BS13 8AE

PART I
CHAIRMAN'S LETTER

AVATION PLC

(Incorporated in England and Wales with company number 5872328)

Directors:	*Registered Office:*
Robert Jeffries Chatfield *(Chairman)* Andrew Charles Baudinette Bryant James McLarty	Georgian House 63 Coleman Street London EC2R 5BB

30 September 2010

Dear Shareholder,

Proposed Admission of the Ordinary Shares of Avation PLC to the Official List of the London Stock Exchange by way of a Standard Listing

Introduction

The Company announced on 26 July 2010 that the Board was considering a proposal to move from the PLUS quoted market to the Main Market of the London Stock Exchange. After further consideration, the Board has decided to proceed and I am now writing to give you details of the proposed move.

Pursuant to the PLUS Rules for Issuers, the move from PLUS to the Main Market does not require shareholder approval. However, under the Prospectus Rules, the Company must produce a prospectus containing certain information relating to the Company and its shares. The prospectus can be found on the Company's website www.avation.net/investors.html or a hard copy can be obtained from the Company's advisors.

I commend Avation PLC as a company worthy of your consideration and investment. The Company has grown over the last four years into an aircraft leasing company of substance and your directors believe that the aviation industry is one where nimble growth companies, such as Avation PLC, can prosper.

Your directors intend to take advantage of the industry and to continue to grow the profitability and balance sheet of the Company. We intend to continue to reward our shareholders with an established trend of dividends and appropriate capital management, such as share buybacks.

Reasons for moving to the Main Market

As noted when the Company first announced its intention to move from PLUS, the Board remains convinced that a move to the Main Market from PLUS will benefit the Company and the long term prospects of its shareholders for a number of reasons.

Principally, your Board does not believe that the Company's value is reflected in the current share price in view of the historic financial performance and balance sheet growth, in particular the value of the Net Tangible Assets, of the Company. A move to the Main Market may promote a greater correlation between the company's financial performance and its share price. Additionally, a move to the Main Market should improve the liquidity of the Ordinary Shares and ensure more accurate market values in future.

In being a company on the Main Market, the Board further considers that raising new debt or equity finance if required in the future will be easier than had the Company remained on PLUS.

Admission and Dealings

Applications will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the Official List with a Standard Listing under Chapter 14 of the Listing Rules and to the London Stock Exchange for such shares to be admitted to trading on its market for listed securities. It is expected that Admission will occur, and that dealings will commence, on 6 October 2010. On Admission, the Ordinary Shares will be withdrawn from the PLUS-quoted market.

Following Admission it is intended that the Ordinary Shares will also be capable of being traded through the PLUS-traded platform. The PLUS-traded platform is a quote-driven electronic trading platform which offers an execution venue for trading securities listed on the Main Market (as well as other markets throughout Europe).

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 10 of Part V of this document.

Shareholders should note that the Ordinary Shares are qualifying investments for a stocks and shares ISA and will constitute permitted investments for the purposes of a SIPP. Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

Costs of the Admission

The Company's expenses in connection with the Admission are estimated to amount to approximately III 8.1
£61,000 (exclusive of VAT). These expenses will be borne by the Company.

You need take no action in relation to this document.

Yours faithfully,

Robert Jeffries Chatfield
(Chairman)

PART II
INFORMATION ON THE COMPANY

Introduction

The Company is a public company limited by shares, which was incorporated in England and Wales on 11 July 2006.

The Company is principally an aircraft leasing company which directly and through its subsidiaries either owns or leases twelve commercial passenger jet aircraft which are leased or sub-leased to various airlines in Europe, the United States and Australia.

As at 30 June 2009, the Company had total assets of £86,994,509.

Principal Activities

The Company's main activity is the leasing of commercial aircraft. Directly and through its subsidiaries, the Company owns or leases twelve commercial passenger jet aircraft which are leased to various airlines across Europe, the United States and Australia.

The aircraft are leased for terms of at least 36 months and, in most cases, considerably longer. Monthly rental payments are due under each operating lease agreement which provides the Company with a stable cash flow. The Company believes that its services will become increasingly in demand as airlines look to reduce capital expenditure by renting, rather than purchasing, aircraft.

As a secondary activity, the Company offers a procurement service for both airlines and media broadcasters to purchase consumables, although this activity is not a significant contributor to the Company's revenues or balance sheet.

Group Structure and History

The Company was incorporated on 11 July 2006 with the object of supporting Skywest Airlines Ltd by providing aircraft leasing facilities and continues to do so. Its initial membership base was formed via a special dividend from Skywest Airlines Ltd with shares distributed in specie to all of the then Skywest Airlines Ltd shareholders pursuant to a share exchange transaction between the Company and Skywest Airlines Ltd. The Company's shares have been admitted to trading on the PLUS-quoted market since 7 November 2006.

The Company has two wholly owned subsidiaries, F100 Pty Ltd and MSN 429 Limited, both of whose principal activities is the leasing of aircraft. F100 Pty Ltd was incorporated in Australia on 15 November 2006 as a wholly owned subsidiary of the Company. MSN 429 Limited was incorporated in England and Wales on 24 March 2010 as a wholly owned subsidiary of the Company.

Additionally, the Company has a 51.18% holding in Capital Lease Aviation PLC whose shares are admitted to trading on AIM. Prior to Capital Lease Aviation PLC's pre-admission fundraising round in July 2007, Capital Lease Aviation PLC was a wholly owned subsidiary of the Company. Capital Lease Aviation PLC is an aircraft leasing company which itself has two wholly owned aircraft leasing subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and Capital Lease Malta Limited.

The Company owns 99.96% of Avation.net Inc., a subsidiary incorporated in Delaware, through which the Group's procurement business is operated.

Principal Markets

The Group's principal markets are Europe, the United States and Australia. The following table shows a breakdown by country of the location of the net book value of the Group's aircraft for the financial years ended 30 June 2007, 2008 and 2009:

Country			Net Book Value £
	2007	2008	2009
Australia	9,471,658	22,203,425	31,866,651
United States of America	-	6,418,583	6,093,330
Denmark	-	38,897,029	45,093,718

Aircraft leases
Information on the leases entered into by the Group is set out below:

MSN	Aircraft Type	Lessor Company	Airline Lessee	Commencement Date (Original Date)	Lease Term (Months)	Monthly Fixed Rent (US$)	Areas of Operation
11484 (VH-FNY)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	3 April 2007	66 months	85,000	Western Australia, Northern Territory, Bali (Indonesia)
11489 (VH-FNJ)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	23 April 2004	117 months	75,000	Western Australia, Northern Territory, Bali (Indonesia)
11488 (VH-FNR)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	2 August 2004	117 months	75,000	Western Australia, Northern Territory, Bali (Indonesia)
11373 (VH-FNU)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	8 August 2008	72 months	90,000	Western Australia, Northern Territory, Bali (Indonesia)
11391 (VH-FSW)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	19 August 2008	64 months	106,000	Western Australia, Victoria
11326 (VH-FNN)	Fokker 100	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	26 October 2007	60 months	99,000	Western Australia, Victoria
11334 (VH-FNC)	Fokker 100	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 February 2008	60 months	100,000	Western Australia, Charter Operations
11461 (VH-FNT)	Fokker 100	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 October 2007	60 months	99,000	Western Australia, Victoria
52 (N620AW)	Airbus A320-200	Wilmington Trust Corporation*	US Airways Inc	28 September 1990	267 months	185,000	North America
1881 (OY-VKA)	Airbus A321-200	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	1 April 2003	144 months	375,000	Europe, Scandinavia
1921 (OY-VKB)	Airbus A321-200	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	28 February 2003	144 months	375,000	Europe, Scandinavia
429 (VH-FNP)	Airbus A320-200	MSN 429 Limited	Skywest Airlines (Australia) Pty Ltd	4 April 2010	36 months**	190,000	Western Australia, Bali, Victoria (anticipated)

*Capital Lease Aviation PLC as beneficial owner ** with an option to extend for a further period of 36 months

The lessees are responsible for all operational costs, insurance costs, maintenance and repairs, airframe and engine overhauls, for obtaining consents and approvals and compliance with conditions for the return of aircraft on lease expiry. Some of the lessees also pay maintenance rent based on the number of hours flown and are entitled to some reimbursement of maintenance expenses as a result. On expiry of each lease, the lessee is obliged to ensure in the handback process that the aircraft possesses a valid certificate of airworthiness with life-limited parts required to have a minimum number of flight hours remaining.

Financing

The Group has following finance facilities in place as at 29 September 2010, being the latest practicable date before publication of this document:

- A USD 47,786,655 senior loan facility which is secured by a cross collateralized mortgage over two Airbus A321 aircraft and one A320 aircraft. The finance period matches the lease term on each underlying aircraft with the residual final payments totalling USD 20,500,000.

- Attached to the senior loan facility for the Airbus assets is a guarantee from CaptiveVision Capital Limited for AUD 2,089,967 provided on a monthly rolling basis. This guarantee can be replaced with a cash equivalent deposit at the election of the lessee.

- A USD 108,000 unsecured rolling credit facility, in the name of F100 Pty Ltd.

- A USD 7,390,738 senior loan facility, which is secured by a mortgage over three Fokker F100 aircraft. The finance periods match the lease term on each underlying aircraft and amortises to nil with the exception of Fokker 100 MSN 11334 owned by Capital Lease Australian Portfolio One Pty Ltd, which has a USD 927,600 final payment attached.

- F100 Pty Ltd has a USD 22,121,000 senior loan facility, which is secured by mortgages over its five Fokker F100 aircraft. The finance periods match the lease terms on each underlying aircraft and amortise to nil.

- The Company and its wholly owned subsidiary, MSN 429 Limited have an arrangement over three years with the vendor for USD 7,800,000 in respect of its acquisition of the Airbus A320-200 pursuant to a lease purchase agreement. The three year vendor lease matches the sub-lease term with the airline customer.

The Board

The Directors have overall responsibility for the Company's activities.

The Board consists of three Directors and their biographies are as follows:

Robert Jeffries Chatfield (Chairman). Mr Chatfield is Chairman of the Company and was a founding director, appointed on 11 July 2006. He is also the Executive Chairman of Skywest Airlines Ltd, and Chairman of Capital Lease Aviation PLC. 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 is the author of a variety of patents held by the Company and its subsidiaries. He has a Bachelor of Engineering and a Masters in Engineering Science from the University of Western Australia. He is a member of the Australian Institute of Company Directors and the Singapore Institute of Directors. He was born in Perth, Australia and is a Permanent Resident of Singapore.

Andrew Charles Baudinette

Mr Baudinette was appointed as a founding Director of the Company on 11 July 2006. He is an Australian citizen and a resident of the Republic of Singapore. An experienced marketer and manager, he has a 25 year history in media, having held management positions in the Australian radio and newspaper industries. Prior to this, he was a broadcaster and radio programmer in regional Australian radio. He was appointed as Chief Executive Officer of the Company's subsidiary, Avation.net Inc in 2003 and became its Managing Director in 2005.

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

Bryant James McLarty

Mr McLarty was appointed as a Non-Executive Director on 28 November 2007.

Mr McLarty has a practical working knowledge in Australian securities and equities markets. He also has extensive experience in both start-up and established companies, listed and unlisted, both as a Managing or Non-Executive Director. He is currently an Executive Director of Pharmaust Limited, a pharmaceutical company listed on the ASX. He is an Australian citizen, resident in Western Australia.

Other Group directors

Additionally, with the exception of Mr Chatfield, the directors of Capital Lease Aviation PLC are different from the Directors of the Company. They are as follows:

Richard Headon Sinclair

Mr Sinclair is the Chief Executive Officer of Capital Lease Aviation PLC. He has worked for public listed companies such as Westfield Ltd and Allco (Singapore) Ltd. Mr Sinclair holds a Bachelor of Economics degree from University of Adelaide and is a member of the Certified Practicing Accountants of Australia.

Soeren Eric Ferré

Mr Ferré is a Non-Executive Director of Capital Lease Aviation PLC. His career in the aviation industry began more than 20 years ago with Airbus. Since 2003, Mr Ferré has worked for AerCap Holding N.V., where he has held various senior management positions, including as the Head of EMEA & Asia-Pacific Regions and CEO of AerCap’s servicing company. He holds a Bachelor of Science (Engineering) degree from l’École Nationale d’Aviation Civile.

Peter Anthony Freeman

Mr Freeman is a Non-Executive Director of Capital Lease Aviation PLC. He is a Director of Loeb Aron & Co Ltd (a Corporate Finance firm authorised and regulated by the Financial Services Authority) and was previously a director of OFEX Plc and OFEX Holdings Plc (now PLUS Markets Group Plc).

Olivier Pierre-Yves Garrigue

Mr Garrigue is a Non-Executive Director of Capital Lease Aviation PLC. He is also Chairman of Mapesbury Capital Partners and was formerly an investment banker with Dresdner Kleinwort Benson and Bear Stearns. Mr Garrigue holds a BSc degree from ESCE Paris and an MBA degree from the Cranfield School of Management.

Ronald Lewis Aitkenhead

Mr Aitkenhead is a director of F100 Pty Ltd, the Australian subsidiary of the Company. He is a qualified Justice of the Peace and former Chairman of the Fremantle Port Authority. Mr Aitkenhead is interested in several sporting and community groups.

Performance

The Group has experienced substantial growth since 30 June 2007 with Net Equity (excluding Minority Interest) growing by 383% to GBP 19,298,064 and annual Pre Tax Profit growing by 540% to GBP 4,986,321 for the year ended 30 June 2009.

This has been achieved through the acquisition of aircraft assets on lease to a subsidiary of Skywest Airlines Ltd as well as through the growth of its 51.18% owned subsidiary, Capital Lease Aviation PLC.

In July 2007, the Company diluted its interest in Capital Lease Aviation PLC via the issuance of new shares and realised a gain of GBP 5,503,165.

Please refer to the Financial Statements in Part III of this document for detailed financial information.

Dividend Policy

The Company's dividend policy is, subject to having the reserves to do so, to declare a dividend if the Board considers that it is in the best long-term interests of the Company and its shareholders. The policy is a progressive dividend policy, in that if reserves are available the dividend shall increase.

Since its incorporation, the Company has made three dividends; an interim dividend of 0.5p per share in the financial year ended 30 June 2007 (a total of £126,800), a final dividend of 0.5p per share in the financial year ended 30 June 2008 (a total of £127,903) and a final dividend of 0.5p per share in the financial year ended 30 June 2009 (a total of £131,095).

Borrowing Policy and Requirements

In financing assets, the Group has relationships with numerous lenders and seeks to obtain the most competitive finance available for the specific asset or project under consideration.

In order to minimize risk, the term of the finance is matched to the lease period or to the life of the underlying asset or project. Fixed interest finance is sought if the future income stream is fixed. Where contracts are linked to floating interest rates, the Group would seek finance with an appropriate floating rate in order to minimize interest rate risk.

Generally, currency risk is managed by matching the asset and income stream to the financing in terms of currency. If a material multi-currency transaction is entertained, the Group will consider various hedging alternatives to minimize currency risk.

Administration and Company Secretarial Arrangements

The Company has two members of its company secretariat who provide advice and support to the Board. An external share registrar, Computershare Investor Services PLC, handles matters concerning shareholder movements and dividend payments.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous twelve months which may have, or have had in the recent past, significant effects on the Company's and/or Group's financial position or profitability.

Significant Change

There has been no significant change in the financial or trading position of the Group which has occurred since 31 December 2009, the end of the last financial period for which interim financial information has been published.

Financial Statements

The Company prepares its financial statements in accordance with IFRS.

Reports to Shareholders and AGMs

The Company's annual report and financial statements are prepared up to 30 June each year. The Company's AGMs are usually held in December of each year.

PART III
FINANCIAL INFORMATION RELATING TO THE COMPANY

The historical financial information of the Group is presented in this Part III as follows:

Part III Section A – the unaudited half year reports for the six month period ended 31 December 2009 with comparatives to 31 December 2008.

Part III Sections B, C and D – historical financial information extracted without adjustment directly from the financial statements prepared by Avation Plc for the following periods in accordance with the Companies Act 1985, the Companies Act 2006 and IFRS and which have been filed with the Registrar of Companies:

- Audited financial statements for the year ended 30 June 2009 with comparatives.
- Audited financial statements for the year ended 30 June 2008 with comparatives.
- Audited financial statements for the year ended 30 June 2007 with comparatives.

The Company's Auditor has given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Company and of its total return and cash flows for each of the three financial years ended 30 June 2009, 2008 and 2007.

The Auditor of the Company for the financial years ended 30 June 2007, 2008 and 2009 was Kingston Smith LLP of Devonshire House, 60 Goswell Road, London, EC1M 7AD. Kingston Smith LLP is a member of the Institute of Chartered Accountants in England and Wales.

Part III section E

- Selected financial information
- Capitalisation and indebtedness statement for Avation Plc

Avation Plc unaudited half year report for the six month period ended 31 December 2009 with comparatives to 31 December 2008

Unaudited Consolidated Statement of Comprehensive Income for the six months ended 31 December 2009

In Great Britain Pounds

	6 months ended 31 December 2009	6 months ended 31 December 2008
Continuing operations		
Revenue	7,556,268	7,828,643
Cost of sales	(593,826)	(801,086)
Gross profit	6,962,442	7,027,557
Other operating income	2,686	2,383,162
Administrative expenses	(408,296)	(444,084)
Other operating expenses	(3,419,063)	(2,353,761)
Finance expense	(1,607,074)	(1,862,168)
Profit before tax	1,530,695	4,750,706
Income tax	(187,155)	(499,333)
Total profit	1,343,540	4,251,373
Other comprehensive income:		
Revaluation gains on property, plant and equipment	339,982	4,453,572
Foreign currency translation differences	2,339,896	929,176
	2,679,878	5,382,748
Total comprehensive income	4,023,418	9,634,121
Profit attributable to:		
Equity holder of the Company	801,941	2,578,548
Minority interest	541,599	1,672,825
	1,343,540	4,251,373
Total comprehensive income attributable to:		
Equity holder of the Company	2,458,990	7,037,291
Minority interest	1,564,428	2,596,830
	4,023,418	9,634,121
Earnings per share:	3.14p	10.19p

Reclassification of Comparative figures

Certain reclassifications have been made to the prior period financial statements to enhance comparability with the current period financial statements

	Adjustment Dr/(Cr) GBP
Other operating expenses (Maintenance claim expenses)	286,847
Finance expense	115,285
Administrative expenses	(402,132)

Unaudited Consolidated Statement of Financial Position for the six months ended 31 December 2009

In Great Britain Pounds

	As at 31 Dec 2009	As at 31 Dec 2008
ASSETS		
Current assets:		
Cash and cash equivalents	1,737,101	2,446,203
Trade and other receivables	1,690,986	1,378,786
Inventories	512	11,382
Total current assets	3,428,599	3,836,371
Non-current assets		
Property, plant and equipment	85,631,466	95,527,442
Goodwill	1,324,541	1,324,541
Total non-current assets	86,956,007	96,851,983
Total assets	90,384,606	100,688,354
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	4,608,132	4,033,950
Provision for taxation	299,414	1,178,631
Loans and borrowings	8,000,510	8,372,297
Short-term provisions	1,695,889	560,670
Total current liabilities	14,603,945	14,145,548
Non-current liabilities:		
Trade and other payables	570,761	738,635
Loans and borrowings	38,384,142	51,718,349
Deferred tax liabilities	3,538,404	3,343,083
Total non-current liabilities	42,493,307	55,800,067
Equity attributable to shareholders:		
Share capital	256,190	255,805
Share premium	1,231,258	1,223,086
Reserves	9,585,449	8,918,932
Retained earnings	10,699,714	9,837,345
	21,772,611	20,235,168
Minority Interest	11,514,743	10,507,571
	33,287,354	30,742,739
Total liabilities and equity	90,384,606	100,688,354

Unaudited Sonsolidated Statement of Cash Flows for the six months ended 31 December 2009

In Great Britain Pounds

	6 months ended 31 December 2009	6 months ended 31 December 2008
Cash flows from operating activities		
Profit before tax	1,530,695	4,750,706
Adjustments for:		
Depreciation expenses	2,244,704	2,066,914
Claim on maintenance reserve	1,053,876	-
Interest expense	1,498,315	1,746,883
Interest income	(2,686)	(10,305)
Operation profits before working capital changes	6,324,904	8,554,198
Trade and other receivables	(115,208)	(1,015,920)
Inventories	(19)	(10,647)
Trade and other payables	776,927	2,205,829
Short term provisions	(501,976)	261,334
Cash generated from operations	6,484,628	9,994,794
Interest paid	(1,498,315)	(1,746,883)
Interest received	2,686	10,305
Income tax paid	(130,155)	(85,084)
Net cash generated from operating activities	4,858,844	8,173,132
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,171)	(4,492,740)
Net cash used in investing activities	(1,171)	(4,492,740)
Cash flow generated from financing activities		
Proceeds from borrowings	-	3,537,715
Repayment of borrowings	(4,195,171)	(4,187,760)
Net proceeds from issuance of subsidiary's shares to minority	21,800	-
Proceeds from issuing shares (net of cost)	15,557	12,421
Net cash used in financing activities	(4,157,814)	(637,624)
Net effect of exchange rates in consolidating subsidiaries	(2,079)	(1,854,090)
Net increase in cash	697,780	1,188,678
Cash and cash equivalent at beginning of period	1,039,321	1,257,525
Cast and cash equivalent at end of period	1,737,101	2,446,203

Notes

1) The results for the Period are derived from continuing activities.

2) The calculation on earnings per shares have been on a weighted average 25,565,173 (2008 : 25,303,751) ordinary shares in issue during the 6 months period.

3) The un-audited results have been prepared on a going concern basis and on the basis of the accounting policies adopted in the audited accounts for the period ended 30 June 2009 and 30 June 2008. The interim figures have not been audited.

4) The interim statement for 2009 was approved by the board of Directors. Copies of this statement will be available to shareholders and members of the public, free of charge, from its corporate adviser (Loeb Aron & Co, Georgian House, 63 Coleman Street London EC2 5BB) and the Company's registered office and the Company website at www. avation. net.

5) The exchange rate applying at 31 December 2009 was USD – GBP 0.6279. The average rate applied during the six months period ended 31 December 2009 was USD – GBP 0.6111.

Part III Section B

Avation Plc Audited financial statements for the year ended 30 June 2009

Report of the Auditors

Independent Auditors' Report to the Shareholders of Avation plc

We have audited the financial statements of Avation plc for the year ended 30 June 2009 which comprise Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Matthew Meadows

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

26 November 2009

Consolidated Income Statement for the Financial Year ended 30 June 2009

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

Consolidated Balance Sheet as at 30 June 2009

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

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

R J (Jeff) Chatfield
Director

Company Balance Sheet as at 30 June 2009

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

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

R J (Jeff) Chatfield
Director

Statement of Changes in Equity for the Financial Year ended 30 June 2009

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

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

Statement of Changes in Equity for the Financial Year ended 30 June 2009

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

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

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

Statement of Changes in Equity for the Financial Year ended 30 June 2009

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

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

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

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

Company Cash Flow Statement for the Financial Year ended 30 June 2009

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

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

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

Notes to Financial Statements for the Financial Year ended 30 June 2009

1 GENERAL

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

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

2 STATEMENT OF COMPLIANCE

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

n) FOREIGN CURRENCIES - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(ii) Maintenance reserve claim

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

(iii) Income taxes

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

Notes to Financial Statements for the Year Ended 30 June 2009

5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

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

International Accounting Standards (IAS/IFRS)	Effective Date
IFRS 2 Amendments to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statement (Revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)	
IFRC 18 Transfers of Assets from customers	1 July 2009

6 FINANCIAL RISK MANAGEMENT

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

i) Airline Industry Risks

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

ii) Credit risk

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

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

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

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

1) Financial assets that are neither past due nor impaired

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

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

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

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

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

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

iii) Interest rate risk

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

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

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

iv) Foreign currency risk

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

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

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

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

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

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

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

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

(v) Liquidity risk

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

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

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

(vi) Capital risk

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

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

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

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

(vi) Fair value of financial assets and financial liabilities

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

Notes to Financial Statements for the Year Ended 30 June 2009

7 RELATED PARTY TRANSACTIONS

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

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

(a) Compensation of directors and key management personnel

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

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

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

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

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

(b) Significant related party transactions:

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

8 REVENUE

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

9 OTHER OPERATING INCOME

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

10 EXCEPTIONAL ITEM

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

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

11 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

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

12 FINANCE EXPENSES

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

Notes to Financial Statements for the Year Ended 30 June 2009

13 STAFF COSTS

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

14 TAXATION

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

15 EARNINGS PER SHARE

a) Basic earnings per share ("EPS")

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

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

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

b) Diluted earnings per share

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

16 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

17 INVENTORIES

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

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

18 INVESTMENT IN SUBSIDIARIES

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

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

Details of the subsidiaries are as follows:

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

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

Significant transactions with subsidiaries are as follows:

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

Notes to Financial Statements for the Year Ended 30 June 2009

19 PROPERTY, PLANT AND EQUIPMENT

Group

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

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

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

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

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

20 GOODWILL ON CONSOLIDATION

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

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

21 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

22 LOAN AND BORROWINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All the loans are denominated in United States Dollars.

The carrying amounts of the borrowings approximate their fair values.

23 SHORT TERM PROVISIONS

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

24 DEFERRED TAX LIABILITIES

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

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

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

Movement in temporary differences during the financial year:

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

Movement in temporary differences during the last financial year:

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

25 SHARE CAPITAL

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

26 SHARE-BASED PAYMENTS

a) Share options and warrants

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

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

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

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

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

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

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

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

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

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

26 SHARE-BASED PAYMENTS (cont'd)

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

27 OPERATING LEASES

a) Leases as Lessor

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

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

b) Contingencies

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

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

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

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

28 SEGMENT INFORMATION

a) Segment reporting policy

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

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

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

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

b) Primary reporting segment – business segments

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

28 SEGMENT INFORMATION (cont'd)

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

28 SEGMENT INFORMATION (cont'd)

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

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

c) Second reporting segment – geographical segments

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

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2009

29 CONTINGENT LIABILITIES

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

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

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

30 RECLASSIFICATION AND COMPARATIVE FIGURES

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

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

31 APPROVAL OF FINANCIAL STATEMENTS

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

Part III Section C

Avation Plc Audited financial statements for the year ended 30 June 2008

Report of the Directors and Financial Statements for the Financial Year ended 30 June 2008

Report of the Auditors

Independent Auditors' Report to the Shareholders of Avation plc

We have audited the Group and parent financial statements of Avation plc for the year ended 30 June 2008 which comprise of the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance sheet, the Consolidated Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records. The information given in the Report of the Directors includes the specific information presented in the Chairman's statement that is cross-referenced from the Business Review Section of the Report of the Directors.

We read other information contained in the Annual Report and consider whether it is inconsistent with the audited financial statements. The other information comprises of the Directors' Report and Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view in accordance with IFRS as adopted by the European Union, of the state of the group's and the company's affairs as at 30th June 2008 and of the group's profit for the period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985;
- The information given in the Report of the Directors is consistent with the financial statements.

Kingston Smith LLP

Kingston Smith LLP
Chartered Accountants and Registered Auditors
Devonshire House
60 Goswell Road
London
EC1M 7AD

3 November 2008

Consolidated Income Statement for the Financial Year ended 30 June 2008

	Note	Year ended 30 June 2008 £	Period ended 30 June 2007 £
<u>Continuing operations and acquisitions</u>			
Revenue	6	5,031,679	1,806,251
Cost of sales		(127,739)	(560,242)
Gross profit		4,903,940	1,246,009
Other operating income	7	53,114	53,457
Administrative expenses	9	(890,923)	(175,395)
Exceptional item	8	5,503,165	-
Other operating expenses	9	(1,115,199)	(165,257)
Finance income and expenses	10	(308,885)	(179,415)
Profit before taxation		8,145,212	779,399
Taxation	12	(782,035)	(231,814)
Profit after tax		7,363,177	547,585
Minority interests		(397,262)	-
Attributable to the shareholders		6,965,915	547,585
Earnings per share for continuing and total operations	13		
- Basic		28.75 pence	3.01 pence
- Fully Diluted		25.40 pence	1.96 pence

Consolidated Balance Sheet as at 30 June 2008

	Note	2008 £	2007 £
ASSETS			
Current assets:			
Cash and cash equivalents		1,257,525	828,345
Trade and other receivables	14	362,866	369,813
Inventories	15	735	697
Total current assets		1,621,126	1,198,855
Non-current assets			
Property, plant and equipment	17	67,419,726	9,473,546
Goodwill	18	1,324,541	1,324,541
Total non-current assets		68,744,267	10,798,087
Total assets		70,365,393	11,996,942
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	19	1,963,385	192,323
Provision for taxation		586,368	197,458
Loans and borrowings	20	6,263,715	985,890
Short-term provisions	21	299,336	-
Deferred income		279,968	121,198
Total current liabilities		9,392,772	1,496,869
Non-current liabilities:			
Trade and other payables	19	323,403	242,063
Loans and borrowings	20	37,599,720	5,319,577
Deferred tax liabilities	22	1,825,398	939,018
Total non-current liabilities		39,748,521	6,500,658
Equity attributable to shareholders:			
Share capital	23	252,700	191,142
Share premium		1,213,770	1,155,094
Asset revaluation reserve		4,454,006	2,130,503
Share option reserve		12,788	-
Foreign currency translation reserve		(6,605)	(24,909)
Retained earnings		7,386,700	547,585
		13,313,359	3,999,415
Minority Interest		7,910,741	-
		21,224,100	3,999,415
Total liabilities and equity		70,365,393	11,996,942

Approved by the board and authorised for issue on 3 November 2008

R J (Jeff) Chatfield
Director

Company Balance Sheet as at 30 June 2008

	Note	2008 £	2007 £
ASSETS			
Current assets:			
Cash and cash equivalents		64,348	30,982
Trade and other receivables	14	231,428	47,000
Total current assets		295,776	77,982
Non-current asset:			
Investment in subsidiaries	16	1,440,286	1,440,286
Total non-current asset		1,440,286	1,440,286
Total assets		1,736,062	1,518,268
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	19	19,900	116,274
Provision for taxation		90,926	-
Total current liabilities		110,826	116,274
Capital and reserves:			
Share capital	23	252,700	191,142
Share premium		1,213,770	1,155,094
Retained earnings		158,766	55,758
Net equity		1,625,236	1,401,994
Total liabilities and equity		1,736,062	1,518,268

Approved by the board and authorised for issue on 3 November 2008

R J (Jeff) Chatfield
Director

Statement of Changes in Equity for the Financial Year ended 30 June 2008

	Note	Share capital £	Share premium £	Asset revaluation reserve £	Foreign currency translation reserve £	Share option reserve £	Retained earnings £	Total £	Minority Interest £	Total equity £
Group										
Balance at 30 June 2007		191,142	1,155,094	2,130,503	(24,909)	-	547,585	3,999,415	-	3,999,415
Revaluation of property, plant and equipment	25	-	-	2,323,503	-	-	-	2,323,503	2,212,585	4,536,088
Foreign currency										-
Translation adjustment		-	-	-	18,304	-	-	18,304	550	18,854
Net income recognised directly in equity		-	-	2,323,503	18,304	-	-	2,341,807	2,213,135	4,554,942
Net profit for the financial period		-	-	-	-	-	6,965,915	6,965,915	397,262	7,363,177
Total recognised income		-	-	2,323,503	18,304	-	6,965,915	9,307,722	2,610,397	11,918,119
Share warrant scheme – value of services		-	-	-	-	12,788	-	12,788	12,179	24,967
Dividend relating to 2007 paid		-	-	-	-	-	(126,800)	(126,800)	-	(126,800)
Dilution of a subsidiary		-	-	-	-	-	-	-	5,288,165	5,288,165
Increase in issued share capital		63,500	188,000	-	-	-	-	251,500	-	251,500
Share buyback		(1,942)	(129,324)	-	-	-	-	(131,266)	-	(131,266)
Balance at 30 June 2008		252,700	1,213,770	4,454,006	(6,605)	12,788	7,386,700	13,313,359	7,910,741	21,224,100

	Note	Share capital £	Share premium £	Asset revaluation reserve £	Foreign currency translation reserve £	Share option reserve £	Retained earnings £	Total £	Minority Interest £	Total equity £
Group										
Balance at 11 July 2006 (date of incorporation)		-	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment		-	-	2,130,503	-	-	-	2,130,503	-	2,130,503
Foreign currency Translation adjustment		-	-	-	(24,909)	-	-	(24,909)	-	(24,909)
Net income recognised directly in equity		-	-	2,130,503	(24,909)	-	-	2,105,594	-	2,105,594
Net profit for the financial period		-	-	-	-	-	547,585	547,585	-	547,585
Total recognised income		-	-	2,130,503	(24,909)	-	547,585	2,653,179	-	2,653,179
Increase in issued share capital	23	194,142	1,191,094	-	-	-	-	1,385,236	-	1,385,236
Share buyback	23	(3,000)	(36,000)	-	-	-	-	(39,000)	-	(39,000)
Balance at 30 June 2007		191,142	1,155,094	2,130,503	(24,909)	-	547,585	3,999,415	-	3,999,415

Statement of Changes in Equity for the Financial Year ended 30 June 2008

	Note	Share capital £	Share premium £	Asset revaluation reserve £	Share option reserve £	Retained earnings £	Total £
Company							
Balance at 1 July 2007		191,142	1,155,094	-	-	55,758	1,401,994
Net profit or the financial period period		-	-	-	-	229,808	229,808
Total recognised income		-	-	-	-	229,808	229,808
Dividend relating to 2007 paid		-	-	-	-	(126,800)	(126,800)
Increase of issued share capital	23	63,500	188,000	-	-	-	251,500
Share buyback	23	(1,942)	(129,324)	-	-	-	(131,266)
Balance at 30 June 2008		252,700	1,213,770	-	-	158,766	1,625,236

	Share capital £	Share premium £	Asset revaluation reserve £	Share option reserve £	Retained Earnings £	Total £
Company						
Balance at 11 July 2006 (date of incorporation)	-	-	-	-	-	-
Increase in issued share capital	194,142	1,191,094	-	-	-	1,385,236
Share buyback	(3,000)	(36,000)	-	-	-	(39,000)
Net profit for the financial period	-	-	-	-	55,758	55,758
Balance at 30 June 2007	191,142	1,155,094	-	-	55,758	1,401,994

The profit for the company for the financial year was £229,808. The company is exempt from publishing its profit and loss account pursuant to Section 230 of the Companies Act 1985.

During the year the company paid a final dividend for the year ended 30 June 2007 of 0.5 pence per ordinary share.

Consolidated Cash Flow Statement for the Financial Year ended 30 June 2008

	30 June 2008 £	30 June 2007 £
Cash flows from operating activities:		
Total profit	7,363,177	547,585
Adjustments for:		
Income tax	782,035	231,814
Depreciation expense	1,115,198	163,240
Gain on dilution	(5,503,165)	-
Share option expense	24,968	-
Interest expense	655,713	186,197
Interest income	(346,828)	(8,950)
Operating profit before working capital changes	4,091,098	1,119,886
Trade and other receivables	6,947	(369,813)
Inventory	(38)	(697)
Trade and other payables	1,852,402	434,387
Short-term provisions	299,336	-
Deferred income	158,770	121,198
Cash from operations	6,408,515	1,304,961
Interest paid	(655,713)	(186,197)
Interest received	346,828	8,950
Corporation tax paid	(201,384)	(34,356)
Net cash from operating activities	5,898,246	1,093,358
Cash flows from investing activities:		
Purchase of property, plant and equipment	(53,735,874)	(6,585,135)
Net cash used in investing activities	(53,735,874)	(6,585,135)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	251,500	-
Share buyback	(131,266)	-
Net proceeds from issuance of subsidiary's shares to minority	10,791,329	-
Dividends paid	(126,800)	-
Proceeds from borrowings	39,332,659	6,620,655
Repayment of borrowings	(1,774,691)	(315,188)
Net cash from financing activities	48,342,731	6,305,467
Net effect of exchange rate changes in consolidating subsidiaries	(75,923)	14,655
Net increase in cash	429,180	828,345
Cash and cash equivalent at beginning of financial year	828,345	-
Cash and cash equivalent at end of financial year	1,257,525	828,345

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

	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Pounds Sterling	165,916	81,070
United States Dollars	1,030,331	722,649
Australian Dollars	17,801	24,502
Euro	1,593	-
Singapore Dollars	41,884	124
	1,257,525	828,345
Interest earning balances	1,215,641	745,917

The rate of interest for the cash on interest earning accounts is at 4.5% to 6% (2007:4.50% to 5.85%) per annum. These approximate the weighted effective interest rate.

Notes to Financial Statements for the Year Ended 30 June 2008

1 GENERAL

Avation plc is a public limited company incorporated in England and Wales under the Companies Act 1985 (Registration Number 5872328). The address of the registered office is given on the inside back cover.

As disclosed in the Report of the Directors, the principal activity of the Company is to own and lease of aircraft.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for 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 International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with the historical cost convention, as modified by the revaluation of aircraft.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Aircraft	-	25 years
Furniture and equipment	-	3 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

n) FOREIGN CURRENCIES - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pound Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

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

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

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

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

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

iii) 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.

iv) 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.

v) 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).

vi) 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.

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

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

4 FINANCIAL RISK MANAGEMENT

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

i) Airline Industry Risks

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

ii) Credit risk

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

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

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

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

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

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 company 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.

(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.

(vi) Fair value of financial assets and financial liabilities

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

5 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 unless otherwise stated.

(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**	
	Year Ended 30 June 2008	**Period Ended 30 June 2007**	**Year Ended 30 June 2008**	**Period Ended 30 June 2007**
	£	**£**	**£**	**£**
Key management of the Group				
- Director's fee	27,000	12,000	27,000	12,000
- Directors of the Company	39,900	50,203	-	-

Notes to Financial Statements for the Year Ended 30 June 2008

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

	Group	
	Year Ended 30 June 2008	Period Ended 30 June 2007
	£	£
Aggregate emoluments	39,900	50,203
Company contributions to money purchase pension scheme	-	-
	39,900	50,203

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

During the financial year, two directors exercised/assigned 2,800,000 warrants and the aggregate amount of gains made by these directors on exercise of the share options amounted to £2,067,000.

(b) Significant related party transactions:

	Group		Company	
	Year Ended 30 June 2008	Period Ended 30 June 2007	Year Ended 30 June 2008	Period Ended 30 June 2007
	£	£	£	£
Interest expense paid to a director of the company	-	7,768	-	-
Sales of goods to a related party [5]	143,529	388,653	-	-
Management fee paid to a related party [1]	120,000	-	-	-
Service fee paid to a related party [2]	56,979	-	-	-
Maintenance rent received from a related party [3]	1,432,665	422,571	-	-
Rental income received from a related party [4]	3,128,561	738,329	-	-

[1] - Paid to Epsom Assets Ltd in which a director of the company is a member.

[2] - Paid to Sinclair Management in which a director of the subsidiary is a member.

[3] - Received from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.

[4] - Received from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.

[5] - Sales of goods to Skywest Airlines Pty Ltd.

6 REVENUE

	Group	
	Year Ended 30 June 2008	Period Ended 30 June 2007
	£	£
Rental income	3,422,596	738,329
Maintenance rent	1,432,664	422,571
Sales of finished goods	175,559	643,287
Management and service income	860	-
Royalties and commission	-	2,064
	5,031,679	1,806,251

Notes to Financial Statements for the Year Ended 30 June 2008

7 OTHER OPERATING INCOME

	Group	
	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Incentive income	37,046	50,095
Foreign currency exchange adjustment gain	16,068	3,362
	53,114	53,457

8 EXCEPTIONAL ITEM

	Group	
	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Gain on dilution of interest in subsidiary	5,503,165	-

On 4 July 2007, the Group diluted the interest in its subsidiary, Capital Lease Aviation Plc from 100% to 51.22% shareholding through the issue of 47,708,339 new ordinary shares of £0.001 each at a premium of £0.239 per ordinary share.

9 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Group	
	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Depreciation of property, plant and equipment	1,115,198	163,240
Auditors' remuneration for audit services (company £16,000)	59,652	16,831
Auditors' remuneration for non-audit services		
- Corporate finance	19,000	-
- Corporate taxation	13,178	-

10 FINANCE INCOME AND EXPENSES

	Group	
	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Interest income	(346,828)	(8,950)
Interest expense on secured borrowings	655,713	186,197
Amortisation	-	2,168
	308,885	179,415

11 STAFF COSTS

There were no staff costs during the financial year ended 30 June 2008 and 30 June 2007 except for fees paid to directors. See Note 5 for details.

Notes to Financial Statements for the Year Ended 30 June 2008

12 TAXATION

	Group	
	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Current tax expense		
- United Kingdom	100,132	-
- Overseas	482,742	204,892
Deferred tax expense – United Kingdom	196,521	-
Deferred tax expense - overseas	2,640	26,922
	782,035	231,814

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

	Group	
	Year Ended 30 June 2008 £	Period Ended 30 June 2007 £
Profit before income tax	8,145,212	779,399
Tax calculated at tax rate of 30%	2,443,564	233,820
Effects of:		
Deferred tax benefits not recorded	61,347	-
Non-taxable item	(1,728,715)	-
Different tax rates of other countries	4,750	(2,006)
Adjustment to tax charge in respect of previous periods	1,089	-
Total income tax expense	782,035	231,814

13 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	
	30 June 2008	**30 June 2007**
	£	**£**
Net profit attributable to equity holders of the Company	6,965,915	547,585
Weighted average number of ordinary shares	24,229,660	18,171,382
Basic earnings per share	28.75 pence	3.01 pence

b) Diluted earnings per share

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

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

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

	Group	
	30 June 2008	**30 June 2007**
	£	**£**
Net profit attributable to equity holders of the Company	6,965,915	547,585
Weighted average number of ordinary shares	24,229,660	18,171,382
Adjustment for:		
- Warrants	3,200,000	9,750,000
	27,429,660	27,921,382
Diluted earnings per share	25.40 pence	1.96 pence

Notes to Financial Statements for the Year Ended 30 June 2008

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	£	£	£	£
Subsidiaries	-	-	231,428	47,000
Related parties	53,806	11,007	-	-
Trade receivables	298,797	163,066	-	-
Other receivables	4,747	156,506	-	-
Prepayment	-	10,748	-	-
Deposits	5,014	27,451	-	-
Advances	502	1,035	-	-
	362,866	369,813	231,428	47,000

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

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	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	£	£	£	£
Pounds Sterling	2,498	-	-	47,000
United States Dollars	336,758	221,355	231,428	-
Australian Dollars	21,720	143,399	-	-
Singapore Dollars	1,890	5,059	-	-
	362,866	369,813	231,428	47,000

15 INVENTORIES

	Group		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	£	£	£	£
Finished goods, at cost	735	697	-	-

The cost of inventories recognised as an expense and included in the cost of sales amounts to £175,560 (2007 : 643,288).

Notes to Financial Statements for the Year Ended 30 June 2008

16 INVESTMENT IN SUBSIDIARIES

	Company	
	30 June 2008	30 June 2007
	£	£
Unquoted equity shares, at cost	1,390,186	1,440,286
Quoted equity shares, at cost	50,100	-
	1,440,286	1,440,286
Quoted equity shares, at market value	41,833,500	-

All the subsidiaries acquired during the current financial year were dormant on the date of acquisition and the purchase price of these subsidiaries was equivalent to the net assets of the company at the date of acquisition. All holdings are of ordinary shares.

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation/	Company's cost of investment		Group's effective equity interest	
			30 Jun '08	30 Jun '07	30 Jun'08	30 June '07
			£	£	%	%
The subsidiaries held directly by the company:						
Avation.net Inc (a)	Procurement	United States of America	1,390,181	1,390,181	99.96	99.96
Capital Lease Aviation Plc (b)	Leasing of aircraft	England & Wales	50,100	50,100	51.22	100.00
F100 Pty Ltd (c)	Leasing of aircraft	Australia	5	5	100.00	100.00
The subsidiaries held by Capital Lease Aviation Plc :						
Capital Lease Australian Portfolio Pty Ltd (c)	Leasing of aircraft	Australia	-	-	51.22	-
Capital Lease Malta Ltd (d)	Leasing of aircraft	Malta	-	-	51.22	-

(a) Audited by Jasmine Chua and Associates, Singapore
(b) Audited by Kingston Smith LLP, London, UK
(c) Audited by Moore Stephens, Perth, Australia
(d) Audited by Kingston Smith LLP, London, UK for consolidation purposes only.

Significant transactions with subsidiaries are as follows:

	Company	
	Year Ended 30 June 2008	Period Ended 30 June 2007
	£	£
Management and service income	458,200	47,000
Dividend income received from subsidiary	-	50,100

Notes to Financial Statements for the Year Ended 30 June 2008

17 PROPERTY, PLANT AND EQUIPMENT

Group

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

2007	**Furniture and equipment £**	**Aircraft £**	**Total £**
Cost or valuation:			
At beginning of year	-	-	-
Additions	748	6,584,387	6,585,135
Acquisition of subsidiaries	3,099	-	3,099
Revaluation surplus on acquisitions	-	3,043,576	3,043,576
Currency realignment	(247)	-	(247)
At end of year	3,600	9,627,963	9,631,563
Representing:			
Cost	3,600	-	3,600
Valuation	-	9,627,963	9,627,963
	3,600	9,627,963	9,631,563
Accumulated depreciation:			
At beginning of year	-	-	-
Depreciation for the year	1,051	162,189	163,240
Acquisition of subsidiaries	760	-	760
Currency realignment	(99)	(5,884)	(5,983)
At end of year	1,712	156,305	158,017
Net book value:			
At beginning of year	-	-	-
At end of year	1,888	9,471,658	9,473,546

17 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

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

The Group's aircraft were revalued in May and June 2008 by independent valuers, on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders equity.

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

	Group	
	30 June 2008	**30 June 2007**
	£	**£**
Cost	60,429,593	6,587,387
Accumulated depreciation	(1,003,678)	(156,305)
Net carrying value	59,425,915	6,431,082

18 GOODWILL

	Group	
	30 June 2008	**30 June 2007**
	£	**£**
Cost		
Balance at beginning of financial year	1,324,541	-
Acquisition of subsidiary	-	1,324,541
Balance at end of year	1,324,541	1,324,541

Notes to Financial Statements for the Year Ended 30 June 2008

19 TRADE AND OTHER PAYABLES

	Group		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Current	£	£	£	£
Subsidiaries (Note 16)	-	-	18	86,697
Related parties (Note 5)	23,400	50,253	691	-
Trade payables	1,418,532	15,491	-	-
Other payables	60,266	68,639	-	-
Accrued expenses	461,188	57,940	19,191	29,577
	1,963,386	192,323	19,900	116,274

	Group		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Non-current	£	£	£	£
Other payables	323,403	242,063	-	-
	323,403	242,063	-	-

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

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

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

	Group		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Current	£	£	£	£
Pound Sterling	127,863	28,211	19,191	116,274
United States Dollar	1,745,209	100,121	18	-
Australian Dollar	54,158	7,454	-	-
Euro	2,485	-	-	-
Singapore Dollar	33,671	56,537	691	-
	1,963,386	192,323	19,900	116,274

	Group		Company	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Non-current	£	£	£	£
United States Dollar	323,403	242,063	-	-
	323,403	242,063	-	-

Notes to Financial Statements for the Year Ended 30 June 2008

20 LOAN AND BORROWINGS

	Group		Company	
	30 June 2008	**30 June 2007**	**30 June 2008**	**30 June 2007**
	£	**£**	**£**	**£**
Secured borrowing I	3,692,874	4,310,967	-	-
Secured borrowing II	1,679,203	1,994,500	-	-
Secured borrowing III	1,607,446	-	-	-
Secured borrowing IV	4,261,900	-	-	-
Secured borrowing V	12,660,350	-	-	-
Secured borrowing VI	13,161,750	-	-	-
Unsecured borrowing VII	1,002,800	-	-	-
Secured borrowings VIII	3,471,620	-	-	-
Secured borrowings IX	2,325,492	-	-	-
Total	43,863,435	6,305,467	-	-
Less: current portion of loan borrowings	(6,263,715)	(985,980)	-	-
	37,599,720	5,319,577	-	-

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

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

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

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

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

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2008

20 LOAN AND BORROWINGS (Cont'd)

The Group has secured mezzanine finance facility of US$2,000,000 from a related party, CaptiveVision Capital Ltd ("CVC") which expires in October 2008. CVC granted a lender of the secured borrowings of the Group a charge over its assets for US$2,000,000.

CVC charged the Group interest at 14% per annum based on the committed asset amount of A$2,089,967.

The subsidiary, CLA has also secured a facility from the Company and its related companies for US$800,000, which expires in October 2008. See Note 19 for details.

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

All the loans are denominated in United States Dollars.

The carrying amounts of the borrowings approximate their fair values.

21 SHORT TERM PROVISIONS

	Group	
	30 June 2008	**30 June 2007**
	£	**£**
Maintenance reserve claim	299,336	-
	-	-

	Group	
	30 June 2008	**30 June 2007**
	£	**£**
Movement in provision for maintenance reserve claim is as follows:		
Beginning of financial year	-	-
Provision made	299,336	-
End of financial year	299,336	-

A provision of £299,336 was made during the year ended 30 June 2008 to cover expected drawdown on the maintenance reserves over the lease period of the aircraft.

There were no drawdowns on the reserves for the year ended 30 June 2008.

Notes to Financial Statements for the Year Ended 30 June 2008

22 DEFERRED TAX LIABILITIES

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

Group	Assets 30 June 2008 £	Liabilities 30 June 2008 £	Net 30 June 2008 £
Property, plant and equipment	-	1,921,497	1,921,497
Other items	(143,409)	47,310	(96,099)
Tax (assets) / liabilities	(143,409)	1,968,807	1,825,398

Group	Assets 30 June 2007 £	Liabilities 30 June 2007 £	Net 30 June 2007 £
Property, plant and equipment	-	945,842	945,842
Other items	(7,199)	375	(6,824)
Tax (assets) / liabilities	-	946,217	939,018

Movement in temporary differences during the financial year:

Group	Balance 1 July 2007 £	Recognised in profit and loss £	Recognised in equity £	Balance 30 June 2008 £
Property, plant and equipment	945,842	288,399	687,219	1,921,460
Other items	(6,824)	(89,238)	-	(96,062)
	939,018	199,161	687,219	1,825,398

Movement in temporary differences during the last financial year:

Group	Balance 11 July 2006 £	Recognised in profit and loss £	Recognised in equity £	Balance 30 June 2007 £
Property, plant and equipment	-	32,769	913,073	945,842
Other items	-	(6,824)	-	(6,824)
	-	25,945	913,073	939,018

Notes to Financial Statements for the Year Ended 30 June 2008

23 SHARE CAPITAL

	Company	
	30 June 2008	**30 June 2007**
	£	**£**
Authorised:		
100,000,000 ordinary shares of 1 penny each	1,000,000	1,000,000
Allotted, called up and fully paid:		
25,270,000 (2007: 19,114,197) ordinary shares of 1 penny each	252,700	191,142

On 13 July 2007, the Company issued 3,225,000 ordinary shares of 1 penny each following the exercise of warrants by the warrant holders.

On 17 August 2007, the Company issued 2,000,000 ordinary shares of 1 penny following the exercise of warrants by the warrant holders.

On 3 January 2008, the Company purchased 40,000 ordinary shares on market through PLUS Markets at 80 pence per ordinary share for cancellation.

On 7 January 2008, the Company purchased 19,197 ordinary shares on market through PLUS Markets at 79 pence per ordinary share for cancellation.

On 8 January 2008, the Company purchased 25,000 ordinary shares on market through PLUS Markets at 78 pence per ordinary share for cancellation.

On 16 January 2008, the Company purchased 10,000 ordinary shares on market through PLUS Markets at 74 pence per ordinary share for cancellation.

On 1 February 2008, the Company purchased 10,000 ordinary shares on market through PLUS Markets at 69 pence per ordinary share for cancellation.

On 24 March 2008, the Company issued 125,000 ordinary shares of 1 penny each following the exercise of warrants by warrant holders.

On 24 March 2008, the Company issued 1,000,000 ordinary shares of 1 penny each following the exercise of warrants by warrant holders.

On 1 April 2008, the Company purchased 40,000 ordinary shares on market through PLUS Markets at 60 pence per ordinary share for cancellation.

On 3 April 2008, the Company purchased 20,000 ordinary shares on market through PLUS Markets at 58 pence per ordinary share for cancellation.

On 2 May 2008, the Company purchased 30,000 ordinary shares on market through PLUS Markets at 49 pence per ordinary share for cancellation.

Notes to Financial Statements for the Year Ended 30 June 2008

24 SHARE-BASED PAYMENTS

Share options and warrants issued by the Company

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

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

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

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

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

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/ Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 30 Oct 2006	7,325,000	-	(4,125,000)	-	3,200,000	29 Oct 2010	4.0 p	0.3 p
(2) 30 Oct 2006	725,000	-	(725,000)	-	-	6 Nov 2007	4.0 p	0.2 p
(3) 22 Dec 2006	1,000,000	-	(1,000,000)	-	-	6 Nov 2007	4.0 p	0.1 p
(4) 4 Jan 2007	500,000	-	(500,000)	-	-	3 Jan 2008	3.5 p	0.1 p
(5) 4 Dec 2007	-	485,000	-	-	485,000	3 Dec 2008	81.925 p	1.49p

The value of the warrants granted during the year was £7,227 which has not been provided in these accounts as it is not material.

The weighted average fair value of the warrants granted during the financial year is 1.49 pence. Warrants were priced using a 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 1 year.

	Warrant series
Inputs into the model	Series 5
Grant date share price	80 pence
Exercise price	81.925 pence
Expected volatility	15%
Warrant life	1 year
Dividend yield	0%
Risk free interest rate	6.3%

The company issued a total of 485,000 warrants during the financial year at 81.925 pence when the then market price was 80 pence.

Notes to Financial Statements for the Year Ended 30 June 2008

24 SHARE-BASED PAYMENTS (cont'd)

The weighted average exercise price of the following groups of options are as follows:

Outstanding at the beginning of the period	3.97 pence
Granted during the period	81.925 pence
Exercised during the period	3.96 pence
Outstanding at the end of the period	14.26 pence

The weighted average exercise price at date of exercise is 72.12 pence.

The weighted average remaining contractual life of share option outstanding at end of period is 2.08 years.

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

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

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

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

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

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

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/ Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 20 Jul 2007	-	3,247,916	-	-	3,247,916	13 Dec 2009	24.0 p	24.0 p
(2) 2 Aug 2007	-	2,000,000	-	-	2,000,000	13 Oct 2008	82.5 p	24.0 p
(3) 27 Nov 2007	-	97,916	-	-	97,916	13 Dec 2009	24.0 p	25.5 p

The weighted average fair value of the warrants granted during the financial year is 24 pence. Warrants were priced using a 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 1 year.

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

The total expense recognised in the income statement arising from the share based payments is £24,968.

25 OPERATING LEASES

a) Leases as Lessor

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

	Group	
	30 June 2008	30 June 2007
	£	£
Within one year	9,370,823	1,407,462
In the second to fifth years inclusive	40,247,879	5,629,848
More than five years	5,277,235	1,624,571

b) Contingencies

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

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

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

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

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

As at 30 June 2008, Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd had received £1,839,994 (2007 : £422,571) in maintenance rent.

The future claims against the maintenance reserves cannot be estimated with any reliability.

Notes to Financial Statements for the Year Ended 30 June 2008

26 SEGMENTAL INFORMATION

a) Segmental reporting policy

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

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

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

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

Notes to Financial Statements for the Year Ended 30 June 2008

26 SEGMENTAL INFORMATION (Cont'd)

b) Primary reporting segment – business segments

During the year ended 30 June 2008, 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 is no inter-segment transaction recorded during the financial period.

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

Group Financial year ended 30 June 2008	Aircraft leasing £	Procurement business £	Total £
Results			
Segment results	4,855,260	48,680	4,903,940
Finance income			346,828
Finance expense			(394,020)
Gain on dilution			5,503,165
Unallocated corporate expenses			(2,214,700)
Profit before taxation			8,145,213
Taxation			(782,035)
Profit after taxation			7,363,178
Other segment items			
Capital expenditure and valuation movements			
- property, plant and equipment	59,068,513	-	59,068,513
Depreciation	1,113,999	1,199	1,115,198

Group Financial year ended 30 June 2008	Aircraft leasing £	Procurement business £	Total £
Segment assets	68,871,824	104,680	68,976,504
Unallocated assets			64,348
Consolidated total assets			69,040,852
Segment liabilities			
Provisions of taxation	495,442	-	495,442
Loans and borrowings			43,863,435
Unallocated liabilities			4,691,490
Consolidated total liabilities			49,050,367

Notes to Financial Statements for the Year Ended 30 June 2008

26 SEGMENTAL INFORMATION (Cont'd)

Group Financial year ended 30 June 2007	**Aircraft leasing** **£**	**Procurement business** **£**	**Total** **£**
Revenue			
- External sales	1,160,900	645,351	1,806,251
- Other income			97,100
Total of all segments			1,903,351
Less : elimination			(97,100)
Consolidated revenue			1,806,251

Group Financial year ended 30 June 2007	**Aircraft leasing** **£**	**Procurement business** **£**	**Total** **£**
Results			
Segment results	1,024,020	(23,863)	1,000,157
Finance income			8,950
Finance expense			(188,365)
Unallocated corporate expenses			(41,342)
Profit before taxation			779,400
Taxation			(231,814)
Profit after taxation			547,585
Other segment items			
Capital expenditure			
- property, plant and equipment	6,584,387	3,600	6,587,987
Depreciation	156,305	1,712	158,017

Group Financial year ended 30 June 2007	**Aircraft leasing** **£**	**Procurement business** **£**	**Total** **£**
Segment assets	9,761,497	82,562	9,844,059
Unallocated assets			2,152,883
Consolidated total assets			11,996,942
Segment liabilities	455,901	70,108	526,009
Provisions of taxation			197,458
Loans and borrowings			6,305,466
Unallocated liabilities			968,594
Consolidated total liabilities			7,997,527

Notes to Financial Statements for the Year Ended 30 June 2008

26 SEGMENTAL INFORMATION (Cont'd)

c) Second reporting segment – geographical segments

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

Group Financial year ended 30 June 2008	Revenue £	Capital expenditure and valuation movements £	Total assets £
Australia	4,737,644	13,714,516	23,448,780
United States	281,480	6,456,968	6,626,861
Denmark*	12,555	38,897,029	38,897,263
Singapore	-	-	3,600
Libya	-	-	-
Nigeria	-	-	-
Other	-	-	64,348
	5,031,679	59,068,513	69,040,852

Group Financial year ended 30 June 2007	Revenue £	Capital expenditure and valuation movements £	Total assets £
Australia	1,553,840	6,584,387	11,831,952
Singapore	6,786	3,600	83,920
Libya	59,883	-	-
Nigeria	182,796	-	-
Other	2,947	-	81,070
	1,806,252	6,587,987	11,996,942

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

Group Financial year ended 30 June 2007	Net Book Value Aircraft £
Australia	9,471,658
United States	-
Denmark*	-
	9,471,658

* Note: the capital expenditure in respect to Danish revenue was incurred on 30 June 2008 hence is disproportional.

27 CONTINGENT LIABILITIES

	Group	
	30 June 2008	30 June 2007
	£	£
Guarantees	36,883,912	6,137,000

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

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

28 CAPITAL COMMITMENT

	Group	
	30 June 2008	30 June 2007
	£	£
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	-	2,446,000

29 COMPARATIVE FIGURES

The financial statements for 30 June 2008 cover the 12 months ended 30 June 2008. The financial statements for 30 June 2007 cover the financial period from the date of incorporation (11 July 2006) to 30 June 2007.

30 SUBSEQUENT EVENTS

Subsequent to the end of the financial period:

On 18th August 2008, the Company agreed to pay US $6.4m for the purchase of a Fokker F100 aircraft, which it will lease out to Skywest Airlines Pty Ltd at a rate of $106,000 per month plus maintenance reserves for 64 months. The Company will use its cash and finance facility to finance the purchase. The Company has secured a fixed interest US$5,120,000 finance facility from an international equipment finance arm of a major British commercial bank. The salient terms of the finance facility are as follows:

(a) The facility has a 60-month expiry with total cost funds and margin interest fixed at 6.57%;
(b) The Facility will be fully amortizing in principle and interest over its term to expiry;
(c) There are no convertible to equity elements to the facility.

30 SUBSEQUENT EVENTS (cont'd)

On 8th October 2008, the Company's subsidiary, Capital Lease Avation PLC ("CLA") announced that it has been successful in obtaining a further finance facility for US $100 million, with provision for a further US $50m subject to a syndicated book build. The salient terms of the finance facility are as follows:

(a) The facility is from a major European Bank and is a facility to provide a full recourse, senior secured, revolving warehouse facility (the "Facility") to partially fund the purchase price of assorted aircraft. The Facility is underwritten by the bank in the amount of US $100m, with provision for an additional US $50m which is subject to a syndicated book build;
(b) The Facility is a revolving facility which allows drawings and re-drawings over a 2 year period with a 3 year term out;
(c) The Facility has a 60-month expiry term with a senior margin of 2.25% above the banks cost of funds, which is at or about LIBOR. Drawings may be made up to 80% of the value of individual aircraft, with the balance being funded by CLA;
(d) The use of proceeds is to purchase new generation Airbus A330-200 / 300, Airbus A320 family and Boeing 737 NG leased aircraft;
(e) The security is in the form of a registered mortgage over each aircraft purchased using the facility.

31 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

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

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

International Accounting Standards (IAS/IFRS)	**Effective Date***
IFRS 2 Amendments to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statement (Revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 12 Service Concession Arrangement	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2008

32 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 2008 were authorised for issue by the Board of Directors on 3 November 2008.

Part III Section D

Avation Plc Audited financial statements for the year ended 30 June 2007

Report of the Directors and Financial Statements for the Financial Year ended 30 June 2007

Report of the Auditors

Independent Auditors' Report to the Shareholders of Avation plc

We have audited the financial statements of Avation plc for the period ended 30 June 2007 which comprise of the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance sheet, the Consolidated Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is inconsistent with the audited financial statements. The other information comprises only of the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view in accordance with IFRS as adopted by the European Union, of the state of the group's and the company's affairs as at 30th June 2007 and of the group's profit for the period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985;
- The information given in the Report of the Directors is consistent with the financial statements.

Kingston Smith LLP
Chartered Accountants and Registered Auditors
Devonshire House
60 Goswell Road
London
EC1M 7AD

15th October 2007

Consolidated Income Statement for the Financial Year ended 30 June 2007

	Note	2007 £
Continuing operations		
Revenue	6	1,806,251
Cost of sales		(560,242)
Gross profit		1,246,009
Other operating income	7	53,457
Administrative expenses		(175,395)
Other operating expenses	8	(165,257)
Profit from operations	9	958,814
Finance income and expenses	11	(179,415)
Profit before taxation		779,399
Taxation	12	(231,814)
Profit after tax for continuing operations		547,585
Profit for the period from continuing operations		547,585
Attributable to the shareholders		547,585
Earnings per share	13	
- Basic		3.01 pence
- Fully Diluted		1.96 pence

Consolidated Balance Sheet as at 30 June 2007

	Note	2007 £
ASSETS		
Current assets		
Cash and cash equivalents		828,345
Trade and other receivables	14	369,813
Inventories	15	697
Total current assets		1,198,855
Non-current assets		
Property, plant and equipment	18	9,473,546
Goodwill on consolidation	17	1,324,541
Total non-current assets		10,798,087
Total assets		11,996,942
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	19	192,323
Provision for Taxation		197,458
Loan and borrowings	20	985,890
Deferred income		121,198
Total current liabilities		1,496,869
Non-current liabilities:		
Trade and other payables	19	242,063
Loan and borrowings	20	5,319,577
Deferred tax liabilities	21	939,018
Total non-current liabilities		6,500,658
Capital and reserves:		
Share capital	22	191,142
Share premium		1,155,094
Assets revaluation reserve	24	2,130,503
Foreign currency translation reserve	24	(24,909)
Retained earnings		547,585
Net equity		3,999,415
Total liabilities and equity		11,996,942

Approved by the board on 15th October 2007

R J (Jeff) Chatfield
Director

Company Balance Sheet as at 30 June 2008

	Note	2007 £
ASSETS		
Current assets		
Cash and cash equivalents		30,982
Trade and other receivables	14	47,000
Total current assets		77,982
Non-current assets		
Investment in subsidiaries	16	1,440,286
Total non-current assets		1,440,286
Total assets		1,518,268
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	19	116,274
Total current liabilities		116,274
Capital and reserves:		
Share capital	24	191,142
Share premium		1,155,094
Retained earnings		55,758
Net equity		1,401,994
Total liabilities and equity		1,518,268

Approved by the board on 15th October 2007

R J (Jeff) Chatfield
Director

Statement of Changes in Equity for the Financial Year ended 30 June 2007

	Note	Share Capital £	Share Premium £	Assets revaluation Reserve £	Foreign currency translation Reserve £	Retained earnings £	Total £
Group							
Balance at 11 July 2006 (date of incorporation)		-	-	-	-	-	-
Revaluation of property, plant and equipment	24	-	-	2,130,503	-	-	2,130,503
Foreign currency translation adjustment	24	-	-	-	(24,909)	-	(24,909)
Net income recognised directly in equity		-	-	2,130,503	(24,909)	-	2,105,594
Net profit for the financial period		-	-	-	-	547,585	547,585
Total recognised income		-	-	2,130,503	(24,909)	547,585	2,653,179
Increase in issued share capital	22	194,142	1,191,094	-	-	-	1,385,236
Share buyback	22	(3,000)	(36,000)	-	-	-	(39,000)
Balance at 30 June 2007		191,142	1,155,094	2,130,503	(24,909)	547,585	3,999,415

	Note	Share Capital £	Share Premium £	Retained earnings £	Total £
Company					
Balance at 11 July 2006 (date of incorporation)		-	-	-	-
Increase in issued share capital	22	194,142	1,191,094	-	1,385,236
Share buyback	22	(3,000)	(36,000)	-	(39,000)
Net profit for the financial period		-	-	55,758	55,758
Balance at 30 June 2007		191,142	1,155,094	55,758	1,401,994

Consolidated Cash Flow Statement for the Financial Year ended 30 June 2007

	Period Ended 30 June 2007 £
Cash flows from operating activities:	
Profit before Taxation	779,399
Adjustments for:	
Depreciation expense	163,240
Interest expense	186,197
Interest income	(8,950)
Operating profit before working capital changes	1,119,886
Trade and other receivables	(369,813)
Inventories	(697)
Trade and other payables	434,387
Deferred income	121,198
Cash from operations	1,304,961
Interest paid	(186,197)
Interest received	8,950
Corporation tax paid	(34,356)
Net cash from operating activities	1,093,358
Cash flows from investing activities:	
Purchase of property, plant and equipment	(6,585,135)
Net cash used in investing activities	(6,585,135)
Cash flows from financing activities:	
Repayment of borrowings	(315,188)
Proceeds from borrowings	6,620,655
Net cash from financing activities	6,305,467
Net effect of exchange rate changes in consolidating subsidiaries	14,655
Net increase in cash	828,345
Cash and cash equivalent at beginning of financial period	-
Cash and cash equivalent at end of financial period	828,345

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

	Period Ended 30 June 2007 £
Pounds Sterling	81,070
United States Dollars	722,649
Australian Dollars	24,502
Singapore Dollars	124
	828,345
Interest earning balances	745,917

The rate of interest for the cash on interest earning accounts is at 4.50% to 5.85% per annum. These approximate the weighted effective interest rate.

Notes to Financial Statements for the Year Ended 30 June 2007

1 GENERAL

Avation plc is a public limited company incorporated in England and Wales under the Companies Act 1985 (Registration Number 5872328). The address of the registered office is given on page 5.

As disclosed in the Report of the Directors, the principal activity of the Company is that of an investment holding company.

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 for 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 International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board, and have been prepared in accordance with the historical cost convention.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) SHORT-TERM INVESTMENTS – Investments held for short-term are stated at the lower of cost or market value determined on a portfolio basis.

(f) INVENTORIES – Inventories of consumable spare parts are stated at the lower of cost and net realisable value.

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

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

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

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

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

Aircraft	-	25 years
Furniture and equipment	-	3 years

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

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

(h) IMPAIRMENT OF ASSETS - At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

(j) SHARE OPTIONS – The directors have considered the potential charge for share-based payments and do not consider the amounts involved to be material for the period under review. When exercised, the exercise price is allocated between issued capital and share premium accordingly.

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

(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) Rental income is recognised in the income statement on a straight line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(ii) Sale of goods are recognised when goods are delivered and title has passed.

(iii) 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.

(iv) Dividend income from investments is recognised when the shareholders' rights 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, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(n) RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense when incurred.

(o) EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet.

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized 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 and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(q) FOREIGN CURRENCIES - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pound Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

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

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

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

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) 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.

(iv) 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.

(v) 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).

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

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

Notes to Financial Statements for the Year Ended 30 June 2007

4 FINANCIAL RISKS MANAGEMENT

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

(i) Airline Industry Risks

The Group faces risks specific to the aviation sector, war, terrorism, equipment failure and risks specific to the aviation business. These exposures are managed through the equipment of the airlines that lease the companies assets to maintain insurance, adequate maintenance policies as well as requirement that lessees 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.

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Those exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

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 Pounds Sterling, Australian dollars, United States dollars and Singapore dollars. 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.

(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.

(vi) **Fair value of financial assets and financial liabilities**

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

5 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 key management personnel

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 Period Ended 30 June 2007 £	**Company Period Ended 30 June 2007** £
Key management of the Group:		
- Directors' fee	12,000	12,000
- Directors of the Company	50,203	-

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

	Group Period Ended 30 June 2007 £
Aggregate emoluments	50,203
Company contributions to money purchase pension schemes	-
	50,203

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

(b) Significant related party transactions:

	Group Period Ended 30 June 2007 £	**Company Period Ended 30 June 2007** £
Interest expense paid to a director of the company	7,768	-
Sales of goods to a related party	388,653	-
Rental income received from a related party	738,329	-
Maintenance rent received from a related party	422,571	-

Notes to Financial Statements for the Year Ended 30 June 2007

6 REVENUE

	Group Period Ended 30 June 2007 £
Rental income	738,329
Maintenance rent	422,571
Sales of finished goods	643,287
Royalties and commission	2,064
	1,806,251

7 OTHER OPERATING INCOME

	Group Period Ended 30 June 2007 £
Incentive income	50,095
Foreign currency exchange adjustment gain	3,362
	53,457

8 OTHER OPERATING EXPENSES

	Group Period Ended 30 June 2007 £
Foreign currency exchange adjustment loss	2,017
Depreciation of property, plant and equipment	163,240
	165,257

9 PROFITS FROM OPERATIONS

	Group Period Ended 30 June 2007 £
Auditors' remuneration for audit services	16,831

10 STAFF COSTS

	Group Period Ended 30 June 2007 £
Staffs cost (excluding directors remuneration) during the period:	
Wages and salaries	-
Social security costs	-
	-

	Group Period Ended 30 June 2007 Number
Average number of persons employed	Nil

Notes to Financial Statements for the Year Ended 30 June 2007

11 FINANCE INCOME AND EXPENSES

	Group Period Ended 30 June 2007 £
Interest income on bank deposits	(8,950)
Interest expense on secured borrowings	186,197
Amortisation	2,168
	179,415

12 TAXATION

	Group Period Ended 30 June 2007 £
Current tax expense - overseas	204,892
Deferred tax expense - overseas	26,922
	231,814

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

	Group Period Ended 30 June 2007 £
Profit before income tax	779,399
Tax calculated at tax rate of 30%	233,820
Effects of:	
Different tax rates of other countries	(2,006)
Total income tax expense	231,814

13 EARNINGS PER SHARE

Basic earnings per share ("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	
	Basic 30 June 2007 £	Diluted 30 June 2007 £
Net profit attributable to members of Avation plc	547,585	547,585
Weighted average number of ordinary shares	18,171,382	18,171,382
Adjustment for dilutive potential ordinary shares	-	9,750,000
Weighted average number of ordinary shares used to compute EPS	18,171,382	27,921,382

Notes to Financial Statements for the Year Ended 30 June 2007

14 TRADE AND OTHER RECEIVABLES

	Group 30 June 2007 £	Company 30 June 2007 £
Subsidiaries	-	47,000
Related parties	11,007	-
Trade receivables	163,066	-
Other receivables	156,506	-
Prepayment	10,748	-
Deposits	27,451	-
Advances	1,035	-
	369,813	47,000

The amounts due from subsidiaries are unsecured, interest-free, without fixed repayment terms and payable on demand. The average credit period generally granted to non-related trade receivables customers is 30 to 60 days.

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

	Group 30 June 2007 £	Company 30 June 2007 £
Pounds Sterling	-	47,000
United States Dollar	221,355	-
Australia Dollar	143,399	-
Singapore Dollar	5,059	-
	369,813	47,000

15 INVENTORIES

	Group 30 June 2007 £	Company 30 June 2007 £
Finished goods, at cost	697	-

Notes to Financial Statements for the Year Ended 30 June 2007

16 INVESTMENT IN SUBSIDIARIES

	Company 30 June 2007 £
Unquoted equity shares, at cost	1,440,286

Name of company	Principal activities	Country of incorporation/ operations	Company's cost of investment 30 Jun 2007 £	Group's effective equity interest 30 Jun 2007 %
The subsidiaries held directly by the company:				
Avation.net Inc. (a)	Procurement business	United States of America	1,390,181	99.96
Capital Lease Aviation Plc (b)	Leasing of aircraft	England & Wales	50,100	100.00
F100 Pty Ltd (c)	Leasing of aircraft	Australia	5	100.00

(a) Audited by Jasmine Chua & Associates, Singapore
(b) Audited by Kingston Smith LLP, London, UK
(c) Audited by Moore Stephens, Perth, Australia

Significant transactions with subsidiaries are as follows:

	Company Period Ended 30 June 2007 £
Management fee income received from subsidiary	47,000
Dividend income received from subsidiary	50,100

Notes to Financial Statements for the Year Ended 30 June 2007

17 ACQUISITION OF SUBSIDIARIES

Subsidiary acquired	Principal activities	Date of acquisition	Proportion of shares acquired %	Cost of acquisition £
Avation.net Inc.	Procurement business	19 July 2006	99.96	1,390,181

Avation.net Inc.	Book value £	Fair value adjustment £	Fair value on acquisition £
Current assets:			
Cash and cash equivalent	107	-	107
Trade and other receivables	94,196	-	94,196
Inventories	5,716	-	5,716
Non-current assets:			
Property, plant and equipment	2,338	-	2,338
Current liabilities:			
Trade and other payables	(36,717)	-	(36,717)
	65,640	-	65,640
Goodwill on acquisition			1,324,541
Consideration - shares			1,390,181

On 19 July 2006, the Company issued 18,639,195 ordinary shares at 1p each with share premium of 6.2655p per ordinary share for the acquisition of 99.96% of Avation.net Inc.

The loss of Avation.net post acquisition for the 11 month period to June 2007 was £23,863.

Notes to Financial Statements for the Year Ended 30 June 2007

18 PROPERTY, PLANT AND EQUIPMENT

Group	Aircraft £	Furniture and equipment £	Total £
Cost or valuation:			
At beginning of period	-	-	-
Additions	6,584,387	748	6,585,135
Acquisition of subsidiaries	-	3,099	3,099
Revaluation surplus on acquisitions	3,043,576	-	3,043,576
Currency realignment	-	(247)	(247)
At end of period	9,627,963	3,600	9,631,563
Representing:			
Cost	-	3,600	3,600
Valuation	9,627,963	-	9,627,963
	9,627,963	3,600	9,631,563
Accumulated depreciation:			
At beginning of period	-	-	-
Depreciation for the period	162,189	1,051	163,240
Acquisition of subsidiaries	-	760	760
Currency realignment	(5,884)	(99)	(5,983)
At end of period	156,305	1,712	158,017
Net book value:			
At beginning of period	-	-	-
At end of period	9,471,658	1,888	9,473,546

The Group's aircraft were revalued prior to 30 June 2007 by independent valuers, on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders equity.

19 TRADE AND OTHER PAYABLES

Current	Group 30 June 2007 £	Company 30 June 2007 £
Subsidiaries	-	86,697
Related parties	50,253	-
Trade payables	15,491	-
Other payables	68,639	-
Accrued expenses	57,940	29,577
	192,323	116,274

	Group 30 June 2007 £	Company 30 June 2007 £
Non-current		
Other payables	242,063	-
	242,063	-

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

Current	Group 30 June 2007 £	Company 30 June 2007 £
Pounds Sterling	28,211	116,274
United States Dollar	100,121	-
Australia Dollar	7,454	-
Singapore Dollar	56,537	-
	192,323	116,274

	Group 30 June 2007 £	Company 30 June 2007 £
Non-current		
United States Dollar	242,063	-

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

Notes to Financial Statements for the Year Ended 30 June 2007

20 LOAN AND BORROWINGS

	Group 30 June 2007 £
Secured borrowing I	4,310,967
Secured borrowing I I	1,994,500
Total	6,305,467
Less : Non-current portion of secured borrowings	5,319,577
Current portion of secured borrowings	985,890

a) Secured borrowing

The borrowings are secured by fixed and floating charges over all aircraft purchased by the Company's subsidiary, F100 Pty Ltd and the secured borrowings are denominated in United States dollars.

b) Maturity of borrowings

The non-current borrowings have the following maturity:

	Group 30 June 2007 £
Later than one year and not later than five years	4,640,745
More than five years	678,832

c) Interest rates and year of maturity

	Group 30 June 2007	
	Nominal interest rate %	Year of maturity
Secured borrowing I	6.71%	2013
Secured borrowing I I	6.56%	2012

d) Carrying amount and fair values

The carrying amounts of current borrowings approximate their fair values. The carrying amounts and fair values of non-current borrowings are as follows:

	Group 30 June 2007	
	Face Value £	Carrying Value £
Secured borrowing I	5,171,355	4,310,967
Secured borrowing I I	2,368,799	1,994,500
Total	7,540,154	6,305,467

Notes to Financial Statements for the Year Ended 30 June 2007

21 DEFERRED TAX LIABILITIES

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

Group	Assets 30 June 2007 £	Liabilities 30 June 2007 £	Net 30 June 2007 £
Property, plant and equipment	-	945,842	945,842
Other items	(7,199)	375	(6,824)
Tax (assets) / liabilities	(7,199)	946,217	939,018
Tax	-	-	-
Net tax (assets) / liabilities	(7,199)	946,217	939,018

Movement in temporary differences during the period:

Group	Balance 11 July 2006 £	Recognised in profit or loss £	Recognised in equity £	Balance 30 June 2007 £
Property, plant and equipment	-	32,769	913,073	945,842
Other items	-	(6,824)	-	(6,824)
	-	25,945	913,073	939,018

22 SHARE CAPITAL

	Company 30 June 2007 £
Authorised:	
100,000,000 ordinary shares of 1p each	1,000,000
Allotted, called up and fully paid: 19,114,197 ordinary shares of 1p each	191,142

On the date of incorporation, the Company issued 2 ordinary shares at 1p each for working capital purposes.

On 19 July 2006, the Company issued 18,639,195 ordinary shares at 1p each with share premium of 6.2655p per ordinary share for the acquisition of 99.96% of Avation.net Inc.

On 26 March 2007, the Company bought back and cancelled 300,000 ordinary shares at 13p each for the purpose of capital management.

On 5 June 2007, the Company issued 325,000 ordinary shares at 1p each with share premium of 3p per ordinary share due to the exercise of warrants.

On 15 June 2007, the Company issued 250,000 ordinary shares at 1p each with share premium of 3p per ordinary share due to the exercise of warrants.

On 27 June 2007, the Company issued 200,000 ordinary shares at 1p each with share premium of 3p per ordinary share due to the exercise of warrants.

Notes to Financial Statements for the Year Ended 30 June 2007

23 SHARE-BASED PAYMENTS

Employee share scheme

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 options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of warrants granted is approved by the shareholders at a previous annual general meeting. The number of warranted rewards to the directors and senior management of the Group against the extent of the Group's and individual's achievement against both qualitative and quantitative criteria from the following financial measures:

• 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 Issued on	Balance at Beginning of year	Granted during the year	Exercised during the year	Expired/ Cancelled	Balance at end of year	Expiry Date	Exercise Price	Fair value at grant date
(1) 30 Oct 2006	-	7,325,000	-	-	7,325,000	29 Oct 2010	4 pence	0.3 pence
(2) 30 Oct 2006	-	1,500,000	(575,000)	-	925,000	6 Nov 2007	4 pence	0.2 pence
(3) 22 Dec 2006	-	1,000,000	-	-	1,000,000	6 Nov 2007	4 pence	0.1 pence
(4) 4 Jan 2007	-	500,000	-	-	500,000	3 Jan 2008	3.5 pence	0.1 pence
	-	10,325,000	(575,000)	-	9,750,000			

The weighted average fair value of the warrants granted during the financial year is 0.28 pence. Warrants were priced using a 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 1 year.

Warrant series

Inputs into the model	Series 1	Series 2	Series 3	Series 4
Grant date share price	4 pence	4 pence	3.5 pence	3.5 pence
Exercise price	4 pence	4 pence	4 pence	3.5 pence
Expected volatility	15%	15%	15%	15%
Warrant life	1 year	0.67 year	1 year	0.5 year
Dividend yield	0%	0%	0%	0%

The Company issued a total of 9,825,000 warrants during the financial year at the then market price of 4 pence and 500,000 warrants at the then market price of 3.5 pence.

Notes to Financial Statements for the Year Ended 30 June 2007

24 OTHER RESERVES

a) Composition	Group 30 June 2007 £	Company 30 June 2007 £
Asset revaluation reserve	2,130,503	-
Foreign currency translation reserve	(24,909)	-
	2,105,594	-

b) Movement	Note	Group 30 June 2007 £	Company 30 June 2007 £
i) Asset revaluation reserve			
Balance at 11 July 2006 (date of incorporation)		-	-
Revaluation gain on property, plant and equipment	18	3,043,576	-
Deferred tax on revaluation gain	21	(913,073)	-
		2,130,503	-
ii) Foreign currency translation reserve			
Net currency translation differences of financial statements of foreign subsidiaries		(24,909)	-
		(24,909)	-

25 OPERATING LEASES

a) Leases as Lessor

The Company's subsidiary, F100 Pty Ltd leases out its aircraft held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	Group 30 June 2007 £
Within one year	1,407,462
In the second to fifth years inclusive	5,629,848
More than five years	1,624,571

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, before such claims are allowed.

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

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

Consequently, F100 Pty Ltd has 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.

As at 30 June 2007, F100 Pty Ltd had received £422,571 in maintenance rent.

The future claims against the maintenance reserves cannot be estimated with any reliability.

27 SEGMENT INFORMATION

a) Segment reporting policy

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

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

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

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

b) Primary reporting segment – business segments

At 30 June 2007, the Group is organised into two main business segments:

i) Aircraft leasing; and
ii) Business procurement.

Other operations of the Group mainly comprise investment holding and television advertisement licensing service, neither of which constitutes a separate reportable segment. There is no inter-segment transaction recorded during the financial period.

Group Financial year ended 30 June 2007	Aircraft leasing £	Business procurement £	Total £
Revenue			
- External sales	1,160,900	645,351	1,806,251
- Other income			97,100
Total of all segments			1,903,351
Less : elimination			(97,100)
Consolidated Revenue			1,806,251

Notes to Financial Statements for the Year Ended 30 June 2007

<u>Group</u> <u>Financial year ended 30 June 2007</u>	Aircraft leasing £	Business procurement £	Total £
Results			
Segment results	1,024,020	(23,863)	1,000,157
Finance income			8,950
Finance expense			(188,365)
Unallocated corporate expenses			(41,343)
Profit before taxation			779,399
Taxation			(231,814)
Profit after taxation			547,585
Other segment items			
Capital expenditure			
- property, plant and equipment	6,584,387	3,600	6,587,987
Depreciation	156,305	1,712	158,017

	Aircraft leasing £	Business procurement £	Total £
Segment assets	9,761,497	82,562	9,844,059
Unallocated assets			2,152,883
Consolidated total assets			11,996,942
Segment liabilities	455,901	70,108	526,009
Provisions of taxation			197,458
Loans and borrowings			6,305,466
Unallocated liabilities			968,594
Consolidated total liabilities			7,997,527

c) Second reporting segment – geographical segments

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

<u>Group</u> <u>Financial year ended 30 June 2007</u>	Revenue £	Capital expenditure £	Total assets £
Australia	1,553,840	6,584,387	11,831,952
Singapore	6,786	3,600	83,920
Libya	59,883	-	-
Nigeria	182,796	-	-
Other	2,947	-	81,070
	1,806,252	6,587,987	11,996,942

Notes to Financial Statements for the Year Ended 30 June 2007

28 CONTINGENT LIABILITIES

	Group
	30 June 2007
	£
Guarantees	6,137,000

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

The company has guaranteed the loan of its subsidiary, F100 Pty Ltd.

29 CAPITAL COMMITTMENTS

	Group
	30 June 2007
	£
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	2,446,000

30 COMPARATIVE FIGURES

The financial statements for 30 June 2007 cover the financial period from the date of incorporation (11 July 2006) to 30 June 2007 being the first set of financial statements, and thus no comparative information is available.

31 SUBSEQUENT EVENTS

Subsequent to the end of the financial period:

a) On 4 July 2007, the Company's subsidiary, Capital Lease Aviation Plc ("CLA") has raised a total of £11,450,001.36 (gross of issue costs) through the issue of 47,708,339 new ordinary shares of 0.1 pence each at a price of 24 pence per ordinary share. The total number of ordinary shares in issue in CLA was 97,808,339 and the Company now holds 50,100,000 ordinary shares in CLA, representing a 51.22% holding in the enlarged share capital of CLA.

b) On 13 & 14 July 2007, the Company has issued a total of 3,225,000 ordinary shares of 1 pence each following the exercise of warrants by:

1. H & Q Asia Ventures II LLC (administered by H&Q Asia Pacific) has exercised 500,000 warrants;

2. A company in which Mr. R. J. Chatfield (Chairman of Avation) is one of the beneficial holders has exercised 1,400,000 warrants;

3. Mr. Andrew C. Baudinette, a director of the Company, who placed a total of 2 million warrants with Silex Nominees Limited for a consideration of £580,000; Mr Baudinette then exercised 600,000 warrants;

4. Mrs. Siobhan Cool, the Company Secretary, who exercised 150,000 warrants;

5. Former Directors of the Company, who exercised a total of 225,000 warrants.

6. A further 350,000 warrants have been exercised.

c) On 4 July 2007 the Company appointed Mr Richard Sinclair as Finance Director and Ms Loh Chuen Thim as an additional Company Secretary.

d) On 23 July 2007, the Company's subsidiary CLA secured a further US$48 million finance facility and on 22 August 2007 it entered into a sale agreement to purchase two Fokker 100 jet Aircraft.

Notes to Financial Statements for the Year Ended 30 June 2007

31 SUBSEQUENT EVENTS (con't)

e) On 25 July 2007, a Director of the Company, Mr Andrew Baudinette purchased 2,500 shares of the Company at a price of 77.5 pence per share.

A company in which the Chairman of the Company, Mr. R. J. Chatfield, is one of the beneficial holders, has sold 1,000,000 shares at a price of 81p per share.

f) On 31 July 2007, the Company's subsidiary CLA has acquired its fourth aircraft for US$4.9 million. The aircraft is currently operated by a European airline for a lease rate of about US $1 million per year plus maintenance reserves

g) On 17 August 2007, the Company issued a total of 2,000,000 ordinary shares of 1 pence following the exercise of warrants by Silex Nominees Ltd and received a total of £80,000 as a result of the exercise of those Warrants.

h) On 26 September 2007, the Group has secured a fixed interest US$7,574,000 finance facility for its leasing subsidiary Capital Lease Aviation PLC. The group intends to use a portion of the proceeds to fully fund the purchase of additional commercial passenger aircraft. The facility is being provided by a subsidiary of a major UK commercial bank and the currency of the facility is United States Dollars. The finance facility has a term to expiry of 60 months with interest fixed at 6.5% and there are no convertible to equity elements to the facility.

i) On 25 September 2007, the Company's subsidiary CLA has acquired its fifth aircraft for US$5.9 million. The aircraft has been leased to Skywest Airlines for operation in Australia at a lease rate of about approximately US$1.18 million per year plus maintenance reserves.

j) On 28 September 2007, the Company's subsidiary CLA has contracted to purchase its' sixth aircraft for US$5.10m. With final net cash outlays after acquisition inspection and adjustments, the final purchase price is US$4.63 million. The aircraft has been leased to Skywest Airlines for operation in Australia at a lease rate of approximatelyabout US$1.18 million per year plus maintenance reserves

32 ADOPTION OF FUTURE IFRS

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 July 2007. The Company and the Group does not expect that adoption of these accounting standards or interpretations will have a material impact on the financial statements of the Company and the consolidated financial statements of the Group.

33 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 2007 were authorised for issue by the Board of Directors on 15th October 2007.

PART III SECTION E

Selected financial information

The key audited figures that summarise the Company's financial condition in respect of the three financial years ended 31 July 2007, 2008 and 2009 and the six month periods to 31 December 2008 and 31 December 2009, which have been extracted without material adjustment from the historical financial information referred to in this Part III, are set out in the following table

	30 June 2007 £	30 June 2008 £	30 June 2009 £	Six months to 31 December 2008 £	Six months to 31 December 2009 £
Revenue	1,806,251	5,031,679	16,278,212	7,828,643	7,556,268
Gross profit	1,246,009	4,903,940	15,406,718	7,027,557	6,962,442
Profit before taxation	779,399	8,145,212	4,986,321	4,750,706	1,530,695
Profit after taxation	547,585	7,363,177	4,231,913	4,251,373	1,343,540
Earnings per share	3.01 pence	28.75 pence	10.40 pence	10.19 pence	3.14 pence
Total Assets	11,996,942	70,365,393	86,994,059	100,688,354	90,384,606
Total liabilities	7,997,527	49,141,293	57,767,480	69,945,615	57,097,252

Capitalisation and Indebtedness

Set out below is a statement of capitalisation and indebtedness in relation to the Group. The financial information for capitalisation has been prepared from the published results as at 31 December 2009. Although the information is older than 90 days there has been no material change since the last published financial statements, other than (i) an increase in other reserves to £10,714,594 due to an increase in the foreign currency translation reserve because of a change in the presentational currency of the Capital Lease Aviation PLC group accounts from GBP to US$ and (ii) an increase in the secured current debt to £9,429,315 due to the acquisition of an aircraft in April 2010 using debt financing.

The financial information for indebtedness is extracted from the unaudited management accounts as at 30 June 2010.

Total current debt	£
Secured	7,603,799
Unsecured	396,711
	8,000,510
Total non-current debt (excluding current portion of long term debt)	
Secured	38,384,142
	38,384,142
Shareholders' equity	
Share capital	256,190
Share premium account	1,231,258
Other reserves (1)	9,585,449
	11,072,897
Total	57,457,549

(1) excludes retained earnings

Indebtedness based on 30 June 2010 unaudited figures

Net indebtedness of the Group as at 30 June 2010 is set out below:

Cash and cash equivalent	1,227,881
Liquidity	1,227,881
Current portion of loans and borrowings	9,429,315
Net current financial indebtedness	8,201,434
Non current financial indebtedness	39,296,414
Net financial indebtedness	47,497,848

Availability of annual reports

Copies of the Company's audited annual reports and financial statements for the three financial years ended 30 June 2007, 2008 and 2009 are available for inspection at the Company's registered office and are also available at the Company's website, www.avation.net/results.html.

PART IV
GENERAL INFORMATION

1. Responsibility

The Company, whose registered office appears at paragraph 2.1.2 of this Part IV, and the Directors, whose names and functions appear on page 20 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company

2.1 ***Incorporation***

2.1.1 The Company was incorporated in England and Wales on 11 July 2006 under the Companies Act 1985. The Company is registered as a public limited company with registered number 5872328.

2.1.2 The registered office of the Company is Georgian House, 63 Coleman Street, London, EC2R 5BB.

2.1.3 The Company's Ordinary Shares of £0.01 each are currently admitted to trading on the PLUS Quoted Market. The ISIN of the Ordinary Shares is GB00B196F554. Upon Admission, the admission to trading of the Company's Ordinary Shares to PLUS will be cancelled.

2.1.4 The principal legislation under which the Company operates is the 2006 Act and regulations promulgated thereunder. The Company is domiciled in England and Wales.

2.2 ***Principal Activities of the Company***

The principal activities of the Company are aircraft leasing and procurement and it conducts its business in Europe, the United States, Asia and Australia through the following subsidiaries:

2.2.1 Capital Lease Aviation PLC, a 51.18% owned UK subsidiary which, through its two wholly owned subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and Capital Lease Malta Limited, owns three Fokker F100 passenger jet aircraft, and two Airbus A321-200s. Capital Lease Aviation PLC itself is the beneficial owner of an American Trust instrument that owns one Airbus A320-200.

2.2.2 F100 Pty Ltd, a wholly owned Australian incorporated subsidiary which owns five Fokker F100 passenger jets.

2.2.3 MSN 429 Limited a wholly owned UK subsidiary which is acquiring one Airbus 320 by way of a finance lease.

2.2.4 Avation.net inc, a 99.96% owned Delaware subsidiary.

2.2.5 Avation.net Inc (Singapore branch), a branch of Avation.net Inc established in Singapore.

3. Structure

	Name	*Country of incorporation*	*Shares directly held by*	*Proportion of equity held by shareholding entity*
1.	Capital Lease Aviation PLC	England and Wales	The Company	51.18%
2.	Capital Lease Australian Portfolio One Pty Ltd	Australia	Capital Lease Aviation PLC	100%

3.	Capital Lease Malta Limited	Malta	Capital Lease Aviation PLC	100%
4.	F100 Pty Ltd	Australia	The Company	100%
5.	MSN 429 Limited	England and Wales	The Company	100%
6.	Avation.net Inc	USA, Delaware	The Company	99.96%
7.	Avation.net Inc (Singapore Branch)	n/a	n/a	n/a

4. Share Capital

4.1 The following table shows the issued share capital of the Company as at 30 June 2009 (being the last date in respect of which the Company has published financial information) and as at 29 September 2010 (being the latest practicable date prior to the publication of this document):

	30 June 2009		*29 September 2010*	
	Nominal Value (£)	*Number of Ordinary Shares*	*Nominal Value (£)*	*Number of Ordinary Shares*
Issued share capital (fully paid)	255,555.10	25,555,510	262,190.10	26,219,010

4.2 The following table shows the details of warrants over shares in the Company's capital as at 30 June 2009 (being the last date in respect of which the Company has published financial information) and as at 29 September 2010 (being the latest practicable date prior to the publication of this document)

30 June2009					*29 September 2010*				
Warrant holder	*Number of Ordinary Shares*	*Grant date*	*Expiry date*	*Exercise price per share*	*Warrant holder*	*Number of Ordinary Shares*	*Grant date*	*Expiry date*	*Exercise price per share*
Epsom Assets Ltd*	2,600,000	30 October 2006	29 October 2010	4 pence	Epsom Assets Ltd*	2,000,000	30 October 2006	29 October 2010	4 pence
Epsom Assets Ltd*	289,490	30 October 2006	29 October 2010	4 pence	Epsom Assets Ltd*	289,490	30 October 2006	29 October 2010	4 pence
Epsom Assets Ltd*	200,000	5 December 2008	4 December 2009	24.5 pence	Epsom Assets Ltd*	200,000	22 December 2009	21 December 2011	35.5 pence
Giant Mix Enterprises Limited	75,000	5 December 2008	4 December 2009	24.5 pence	Ronald Lewis Aitkenhead	100,000	22 December 2009	21 December 2011	35.5 pence
Bryant James McLarty	50,000	5 December 2008	4 December 2009	24.5 pence	Giant Mix Enterprises Limited	75,000	22 December 2009	21 December 2011	35.5 pence
					Bryant James McLarty	50,000	22 December 2009	21 December 2011	35.5 pence

* Epsom Assets Limited is a company in which Robert Jeffries Chatfield is interested.
** Giant Mix Enterprises Limited is a company in which Andrew Charles Baudinette is interested.

4.3 All warrants currently in force are capable of being extended for a period between twenty business days and one month after the expiry date (depending on the specific terms of the relevant deed of warrant grant) in the event that the holder is precluded from exercising the warrant due to a trading blackout or the holder being in possession of price sensitive information.

4.4 With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in both certificated and uncertificated form. No temporary documents of title will be issued. All of the Ordinary Shares issued or to be issued by the Company will be in registered form and are capable of being held in certificated and uncertificated form.

4.5 The Company's issued share capital history during the last three financial years and since 30 June 2009 is as follows:

(i) in the financial year ended 30 June 2007 the Company:

(a) issued 2 Ordinary Shares at par on incorporation;

(b) issued 18,639,195 Ordinary Shares at a share premium of 6.2655p per share in exchange for the acquisition of 99.96% of Avation.net Inc;

(c) bought back and cancelled 300,000 Ordinary Shares at 13p each; and

(d) issued 775,000 Ordinary Shares at a premium of 3p per Ordinary Share on the exercise of certain warrants.

(ii) in the financial year ended 30 June 2008:

(a) on 13 July 2007, the Company issued 3,225,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;

(b) on 17 August 2007, the Company issued 2,000,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;

(c) on 3 January 2008, the Company purchased 40,000 Ordinary Shares on market through PLUS Markets at 80 pence per ordinary share for cancellation;

(d) on 7 January 2008, the Company purchased 19,197 Ordinary Shares on market through PLUS Markets at 79 pence per ordinary share for cancellation;

(e) on 8 January 2008, the Company purchased 25,000 Ordinary Shares on market through PLUS Markets at 78 pence per ordinary share for cancellation;

(f) on 16 January 2008, the Company purchased 10,000 Ordinary Shares on market through PLUS Markets at 74 pence per ordinary share for cancellation;

(g) on 31 January 2008, the Company purchased 10,000 Ordinary Shares on market through PLUS Markets at 69 pence per ordinary share for cancellation;

(h) on 24 March 2008, the Company issued 125,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;

(i) on 24 March 2008, the Company issued 1,000,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;

(j) on 1 April 2008, the Company purchased 40,000 Ordinary Shares on market through PLUS Markets at 60 pence per ordinary share for cancellation;

(k) on 3 April 2008, the Company purchased 20,000 Ordinary Shares on market through PLUS Markets at 58 pence per ordinary share for cancellation; and

(l) on 25 April 2008, the Company purchased 30,000 Ordinary Shares on market through PLUS Markets at 49 pence per ordinary share for cancellation.

(iii) in the financial year ended 30 June 2009:

(a) on 11 December 2008, the Company issued 310,510 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders; and

(b) on 11 February 2009, the Company purchased 25,000 Ordinary Shares on market through PLUS Markets at 28 pence per ordinary share for cancellation.

(iv) in the period from 1 July 2009 to 29 September 2010, being the latest date prior to publication of this document, the Company has issued 663,500 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders.

5. Memorandum and Articles

The Memorandum of Association and the Articles contain, amongst other things, material provisions as summarised in paragraphs 5.1 and 5.2 below.

5.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the Company's objective is to carry on as a general commercial company.

5.2 *Articles of Association*

Set out below is a summary of the provisions of the Company's Articles.

5.2.1 *Share capital*

The Articles provide that the Company's share capital consists of Ordinary Shares only.

The Ordinary Shares have such rights, preferences and restrictions attached to them as are set out in the Articles.

The Articles do not confer any additional rights for the holders of Ordinary Shares to share in any surplus in the event of liquidation of the Company other than rights provided by legislation.

5.2.2 *Share rights*

(i) Subject to the provisions of the Articles and the Companies Acts, and in particular those conferring rights of redemption, and without prejudice to any special rights conferred on the holders of any shares or class of shares, any shares in the Company may be issued with or have attached to them such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

(ii) Subject to the provisions of the Companies Acts, any shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company may by special resolution determine.

5.2.3 *Share warrants*

(i) The Board may issue share warrants to bearer in respect of any fully paid shares under the Seal or in any other manner authorised by the Board. Any share while represented by such warrant shall be transferrable by delivery of the warrant relating to it. The Board may provide for the payment of dividends or other moneys on shares represented by the warrants by coupons or otherwise. The Board may decide, either generally or in any particular case that any signature on a warrant may be applied by mechanical means or printed on it or that the warrant need not be signed by any person.

The Board may determine, and from time to time vary, the conditions on which share warrants to bearer shall be issued and, in particular, the conditions on which: (a) a new warrant or coupon shall be issued in place of one worn-out, defaced, lost or destroyed (but no new warrant shall be issue unless the Company is satisfied beyond reasonable doubt that the original has been destroyed); or (b) the bearer shall be entitled to attend and vote at general meetings; or (c) a warrant may be surrendered and the name of the bearer entered in the Register in respect of the shares specified in the warrant.

(ii) Subject to those conditions and to the provisions of the Companies Acts, the bearer shall be deemed to be a member and shall have the same rights and privileges as he would have if his name had been included in the Register as the holder of the shares comprised in the warrant.

5.2.4 *Variation of rights*

(i) Subject to the Companies Act and terms of the shares issued, all or any of the rights and restrictions for the time being attached to any share or class of shares issued may from time to time be varied, added to or abrogated by a special resolution passed at a separate meeting of the holders of the relevant class of shares in accordance with the Companies Acts.

(ii) The rights conferred upon the holders of any shares or class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority to them for payment of a dividend or repayment of capital but shall not, unless otherwise expressly provided, or the rights attaching to, or the terms of issue of, such shares, be deemed to be varied or abrogated by:

(a) the creation or issue of further shares ranking pari passu with them or subsequent to them save as to the date from which such new shares shall rank for dividends; or

(b) subject to the Articles, a purchase by the Company of its own shares.

5.2.5 *Allotment*

Subject to the provisions of the Companies Acts and the Articles relating to authority, pre-emption rights or otherwise and of any resolutions of the Company, all unissued shares shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, and for such consideration and upon such terms as the Board may determine.

5.2.6 Commission

The Company may in connection with the issue of any shares exercise all powers of pay commission and brokerage conferred or permitted by the Companies Acts as consideration for subscribing or agreeing to subscribe (whether absolutely or conditionally) or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares. The commissions and brokerage may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

5.2.7 Shares held in uncertificated form

The Company may issue shares which may be held, evidenced and transferred through a relevant system in uncertificated form. Where any share is held in uncertificated form, the Company shall not issue, and no person shall be entitled to receive, a certificate in respect of such share at any time and for so long as the title to that share is evidenced otherwise than by a certificate, and transfers may be made otherwise than by a written instrument by virtue of the Uncertificated Securities Regulations. Title to shares in issue at the date of adoption of the Articles may be transferred and evidenced by a relevant system.

5.2.8 *Dividends*

The Company may, subject to the provisions of the Companies Acts and the Articles, from time to time declare dividends to be paid to shareholders not exceeding the amount recommended by the Board. In so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends. Any dividend, unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Board resolves, be forfeited and revert to the Company.

5.2.9 *Transfer of Ordinary Shares*

(i) Subject to any restrictions in the Articles, a shareholder may transfer all or any of his shares, in the case of certificated shares, by an instrument of transfer in the usual common form or in any other manner (whether or not by written instrument) approved by the Board. Any written instrument of transfer shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee.

(ii) The Board may decline, without giving any reason, to register any transfer of any share:

(a) which is not a fully paid up share providing such refusal will not prevent dealings in the shares from taking place on an open and proper basis;

(b) to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health.

(iii) The Board may also decline to register any share transfer unless:

(a) any written instrument of transfer, duly stamped, is lodged with the Company at the Registered Office or such other place as the Board may appoint accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person or a holder of such shares in respect of whom the Company is not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such shares); and

(b) there is provided such evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so; and

(c) any instrument of transfer is in respect of only one class of share; and

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

(iv) If the Board declines to register a transfer it shall, within ten business days or such period (if any) as may be prescribed by the Companies Acts, send to the transferee notice of the refusal.

5.2.10*Alteration of share capital*

(i) Without prejudice to the rights attached to any then existing share or class of shares, the Company may from time to time by ordinary resolution increase its capital by the creation of shares of such nominal amounts and carrying such rights and restrictions as the resolution may specify but unless the shares so created are uniform in all respects with a class of shares in the capital of the Company prior to such resolution, such new shares shall be subject to the provisions of these Articles with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise as the shares in the existing share capital.

(ii) Subject to the provisions of the Companies Acts, the Company may by resolution increasing its capital direct that the new shares or any of them shall be offered in the first instance to all holders for the time being of shares of any class or class in proportion to the number of such shares held by them respectively or may make any provisions as to the issue of new shares.

(iii) The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;

(b) subject to the provision of the Companies Acts, sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association and so that resolution where by any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have such deferred or qualified rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares; and

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

(iv) The Company may reduce its share capital in accordance with the Companies Acts

5.2.11 *Purchase of own Ordinary Shares*

Subject to the provisions of the Companies Acts the Company may purchase all or any of its shares of any class including any redeemable shares. Every contract for the purchase of, or under which the Company may become entitled or obliged to purchase, shares in the Company shall be authorised by such resolution of the Company as may be required by the Companies Acts and by a special resolution passed at a separate general meeting of the holders of any shares which at the date on which the contract is authorised by the Company in general meeting entitle them, either immediately or at any time later on, to convert all or any of the shares of that class held by them into equity share capital of the Company.

5.2.12 *General meetings*

(i) *Notice*

General meetings and annual general meetings shall be held in accordance with the Companies Acts and the Articles at such time and place as the Board may determine. Any general meeting of the Company other than an annual general meeting shall be called a general meeting.

The Board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened on such requisition, or in default may be convened by such requisition as provided by the Companies Acts. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any Director or any shareholder of the Company may call a General Meeting. In the case of a general meeting called in pursuance of a requisition, no business shall be transacted except that stated by the requisition or proposed by the Board.

An annual general meeting shall be called by not less than 21 clear days' notice in writing. A meeting other than annual general meetings shall be called by not less than 14 clear days' notice in writing. Notwithstanding that a general meeting is called on shorter notice, it shall be deemed duly called if it is so convened:

(a) in the case of an annual general meeting, by all the shareholders entitled to attend and vote at the meeting; and

(b) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

The notice shall specify the nature of the meeting, the place, day and time of the meeting, the general nature of the business and include any details of any arrangements made for the general meeting to be held in more than one location or for persons entitled to be able to view and hear the recordings of the general meeting. These shall appear with reasonable prominence in every such notice and statement that a shareholder is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him and that a proxy need not be a shareholder.

(ii) *Quorum*

No business shall be transacted unless two shareholders are present in person or by proxy are entitled to attend and to vote. If within 15 minutes or such longer period (not exceeding one hour as the Chairman of the meeting may determine to wait) as the Chairman in his absolute discretion thinks fit, after the time appointed for the meeting a quorum is not present, or if a quorum ceases to be present during a meeting, the meeting if convened on the requisition of shareholders, shall be dissolved. In any other case it shall stand adjourned to such other day (being not less than seven days thereafter) at the same time and place, or as the Chairman may determine.

(iii) *Right to vote*

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held at a general meeting, on a show of hands every shareholder who is present in person or by proxy and is entitled to vote in his own right and the duly authorised representative of one or more corporations shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for each share of which he is a holder.

(iv) *Voting*

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is duly demanded before or no the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least three shareholders present in person or by proxy and entitled to attend and vote at the meeting; or

(c) or any shareholder or shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting; or

(d) or any shareholder or shareholders present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all shares conferring that right.

5.2.13 *Directors*

(i) Unless otherwise determined by the Company by ordinary resolution, the number of

Directors shall not be less than two, and there shall not be any maximum number of Directors.

(ii) Each of the Directors who does not hold executive office shall be paid a fee at such rate as may from time to time determined by the Board (or for the avoidance of doubt any duly authorised committee of the Board) provided that the aggregate of all such fees paid to such Directors (excluding amounts payable under any other Article) shall not exceed £50,000 per annum, or such higher sum as may be determined from time to time by ordinary resolution of the Company, except that any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only be entitled to a sum in proportion to the time during the period which he has held office.

(iii) Each Director who does not hold executive office may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company and shall be paid all expenses properly and reasonably properly incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any such Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. Such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other provision of these Articles.

(iv) At every annual general meeting, one third of the Directors for the time being or, if their number is not a multiple of three, the number nearer to and not exceeding one third shall retire from office. Each Director shall retire from office at least once every three years.

(v) No shareholding qualification for Directors shall be required.

(a) If a situation arises in which a Director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company (a "Relevant Situation") the Directors may for the purposes of section 175 of the Act, resolve to authorise:

(i) if a Relevant Situation arises from the appointment or proposed appointment of a person as a Director of the Company, the appointment of the Director and the Relevant Situation, subject to any limits or conditions which the directors may determine; or

(ii) if the Relevant Situation arises in circumstances other than as set out in (vi)(a)(i), the Relevant Situation and the continuing performance by the Director of his duties, subject to any limits or conditions which the Directors may determine,

and any such authorisation will be subject only to any limits or conditions which the Directors expressly impose.

(b) The interested Director, and any other Director with a similar interest, cannot vote, or be counted in the quorum, on a resolution to authorise his interest.

(c) Any limits or conditions determined by the Directors under the Relevant Situation may be imposed at the time of authorisation or may be imposed or varied subsequently and may include (without limitation):

(i) whether the interested Director(s) may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;

(ii) the exclusion of the interested Director(s) from all information and discussion by the company of the Relevant Situation; and

(iii) the imposition of a specific duty of confidentiality for any confidential information of the company relating to the Relevant Situation.

(d) An interested Director must act in accordance with any limits or obligations imposed by the Directors under the Relevant Situation.

(e) Subject to the Articles, any authorisation shall be dealt with in the same way as any other matter that may be decided by the Directors under the Articles.

(f) Any authorisation of a Relevant Situation given by the Directors may provide that, where the interested Director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

(g) Whilst there is a Relevant Situation, the general duties which the interested Director owes to the Company under Sections 171 to 177 of the 2006 Act will not be infringed if he:

(i) absents himself from meetings of the Directors or from the discussion of any matter at a meeting relating to the Relevant Situation; and / or

(ii) makes arrangements for papers to be received and read by a professional adviser on his behalf which may relate to the Relevant Situation; and / or

(iii) behaves in any other way authorised by any guidance which may be issued by the Directors from time to time.

(h) Subject to the provisions of the Companies Acts and the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or employment or as a vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the shareholders for any remuneration, profit or other benefit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established or to vacate the office of Director.

(i) A Director who to his knowledge is in any, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A declaration of interest may also be made in writing in accordance with the provisions of section 185 of the 2006 Act. For the purposes of this Article, a general notice to the Board by a Director to the effect that:

(i) he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm, or

(ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him within the meaning of the Act,

shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Board or otherwise in accordance with section 185 of the 2006 Act.

(j) Subject to the provisions of the Companies Act, and provided that he has disclosed to the Board the nature and extent of any material interest of his, a Director, notwithstanding his office:

(i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(iii) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and not such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

(k) Save as otherwise provided by the Articles, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

(i) the giving to him of a guarantee, security or indemnity in respect of money lent to or an obligation incurred by him for the benefit of the Company or any of its subsidiary undertakings;

(ii) the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(iii) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the Company or any of its subsidiary undertakings, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;

(iv) the resolution relates in any way to any proposal concerning a retirement, death or disability benefits scheme or a share option scheme, share incentive scheme or profit-sharing scheme which either relates to both employees and directors and/or directors of any subsidiary undertaking and does not provide to any Director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates or has been approved by or is conditional on approval by the Inland Revenue for tax purposes;

(v) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest representing one per cent or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);

(vi) any proposal concerning an insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any Directors or persons who include the Directors;

An interest of a person who is, for any purpose of the Act (excluding any statutory modification thereof not in force when this Article becomes binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise.

(l) If any question arises at any meeting of the Board as to the entitlement of any Director (other than the chairman) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, it shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (as known to such Director) has not been fairly disclosed to the chairman of the meeting. If any question as aforesaid shall arise in respect of the chairman of the meting the question shall be decided by a resolution of the Board (for which purpose such chairman shall be counted in the quorum but shall not vote on the issue). Such resolution shall be final and conclusive except in the case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

(m) The Company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of Directors or of a committee of Directors.

5.2.14 *Borrowing powers and limit*

Subject as provided in the Articles and subject to the Companies Acts, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present or future) and uncalled capital or any part thereof and (subject to section 551 of the 2006 Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise the Board can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Group and for the time being owing to persons outside the Group less the aggregate amount of Current Asset Investments (as defined at article 145.2(e)) shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to four times the Adjusted Capital and Reserves (as defined at article 145.2(b)).

5.2.15 *Reserves*

The Board may, before recommending any dividend, (whether preferential or otherwise) set aside out of the profits of the Company such sums as it thinks proper as reserves which shall (subject to the Companies Acts), at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any purpose to which the profits of the Company may be properly applied. Pending any such application such reserves may, also at such discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit, so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

5.2.16 *Capitalisation of reserves*

The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) and not required for payment of dividend on any shares with a preferential right to dividend, whether or not the same is available for distribution, and accordingly that such amount be set free for distribution among the shareholders or any class of shareholder who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such shareholders respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted, distributed and credited as fully paid up to and amongst such shareholders, or partly in one way and partly in the other and the Board shall give effect to such resolution provided that for the purposes of this Article, a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such shareholders credited as fully paid and that no unrealised profits shall be used in paying up any amounts unpaid on any issued shares.

5.2.17 *Uncertificated Shares*

(a) The Company may issue shares which may be held, evidenced and transferred through a relevant system in uncertificated form pursuant and subject to the uncertificated securities regulations (the Regulations). Where any share is held in uncertificated form, the Company shall not issue, and no person shall be entitled to receive, a certificate in respect of such share at any time and for so long as the title to that share is evidenced otherwise than by a certificate, and transfers may be made otherwise than by a written instrument by virtue of the Regulations.

(b) The Board shall have power to implement any arrangements as they may, in their absolute discretion, think fit in relation to the evidencing and transfer of shares held in uncertificated form (subject always to the Regulations and the facilities and requirements of the relevant system concerned).

(c) Conversion of shares held in certificated form into shares held in uncertificated form, and vice versa, may be made in such manner as the Board may, in its absolute discretion, think fit (subject always to the Regulations and the facilities and requirements of the relevant system concerned).

(d) The Company shall enter on the Register how many shares are held by each shareholder in uncertificated form and in certificated form and shall maintain the Register in each case as is required by the Regulations and the relevant system concerned.

(e) Notwithstanding any provision of these Articles, a class of shares shall not be treated as two classes by virtue only of that class comprising both certificated and uncertificated shares or as a result of any provision of these Articles or the Regulations which apply only in respect of certificated or uncertificated shares.

(f) Any provision in the Articles in relation to the shares shall not apply to any uncertificated shares to the extent that they are inconsistent with the holding of any shares in uncertificated form, the transfer of title to any shares by means of a relevant system and any provision of the Regulations.

5.2.18 *Untraced Shareholders*

(a) When the registered address of any shareholder appears to the Board to be incorrect or out of date such shareholder may, if the Board so resolves, be treated as if he had no registered address and the Company will not thereafter be obliged to send to such shareholder cheques, warrants, notices of meetings or copies of the documents referred to in the Articles. No such resolution shall be passed by the Board until cheques or warrants sent to the registered address of the shareholder have been returned by the Post Office or left uncashed on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish any new address of such shareholder.

(b) The Company shall be entitled to sell at the best price reasonably obtainable any share of a shareholder or any share to which a person is entitled by transmission and provided that:

(i) for a period of twelve years, in the course of which at least three dividends have become payable in respect of the share in question, no cheque or warrant sent by the Company through the post in a prepaid letter addressed to the shareholder or to the person entitled by transmission to the share at his address on the Register, or other the last known address given by the shareholder or the person entitled by transmission to which cheques and warrants are to be sent, has been cashed, no dividend has been claimed and no communication has been received by the Company from the shareholder or the person entitled by transmission; and

(ii) the Company as at the expiration of such period of twelve years by advertisement in both a leading national newspaper and in a newspaper circulating in the area in which the address referred to in paragraph (i) above is located given notice of its intention to sell such share; and

(iii) the Company has not during the further period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the shareholder or person entitled by transmission; and

(iv) the Company has first given notice in writing to the Stock Exchange of its intention to sell such shares.

(c) To give effect to any such sale mentioned above, the Company may appoint any person (a) in the case of certificated shares, to execute as transferor an instrument of transfer of such share or stock and (b) in the case of uncertificated shares, to authorise and procure the execution of such transfer in accordance with and subject to the regulations and facilities and requirements of the relevant system concerned.

(d) Every such instrument of transfer and transfer shall be as effective as if it had been executed by the registered holder of or person entitled by transmission to such share.

(e) The Company shall account to the shareholder or other person entitled to such share for the net proceeds of such sale and shall be deemed to be his debtor and not a trustee for him in respect of the proceeds. Any money not accounted for to the shareholder or other person entitled to such share shall be carried to a separate account and shall be a permanent debt of the Company. Money carried to such separate account may either be employed in the business of the Company or invested in such investments (other than shares of the Company or its holding company, if any) as the Directors may from time to time think fit.

6. Mandatory Bids, Squeeze-out and Sell-out Rules Relating to the Ordinary Shares

6.1 ***Mandatory Bid***

The City Code on Takeovers and Mergers (the "City Code") applies to the Company. Under Rule 9 of the City Code, if:

(i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30% or more of the voting rights in the Company; or

(ii) a person who, together with persons acting in concert with him, is interested in not less than 30% and not more than 50% of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or his concert parties during the previous 12 months.

6.2 ***Compulsory Acquisition***

Under sections 974 to 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90% of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90% of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

7. Borrowing

Subject to the 2006 Act, the Articles and to any directions given to the Company in general meeting, the Directors shall manage the Company's business and can use all the Company's powers. In particular, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Company's current Borrowing Policy is set out on page 27 of this document.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise the Board can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group, less the aggregate amount of Current Asset Investments (as defined in the Articles) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to four times the adjusted capital and reserves (as defined in the Articles).

8. Interests of Directors, Major Shareholders and Related Party Transactions

8.1 ***Directors' Interests***

As at 30 June 2009 and 29 September 2010 (being the latest practicable date before the publication of this document), the Directors had a beneficial interest in the following number of Ordinary Shares, excluding the future interests set out in the table at 4.2 of this part IV:

	30 June 2009		*29 September2010*	
Name	*Number of Ordinary Shares*	*% of issued ordinary share capital*	*Number of Ordinary Shares*	*% of issued ordinary share capital*
		%		%
Robert Jeffries Chatfield	3,800,000*	14.86	4,400,001*	16.78
Andrew Charles Baudinette	606,501	2.37	620,001	2.36
Bryant James McLarty	7,300	0.03	57,300	0.22

*Shares held in the name of Fitel Nominees Limited and RBC, other than 1 certificated share.

8.2 Save as disclosed in paragraphs 4.2 and 8.1 above, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

8.3 ***Directors' Contracts with the Company***

8.3.1 None of the Directors provides his services to the Company pursuant to a service contract with the Company. Their appointments are subject to their deeds of engagement, as follows:

(i) Andrew Charles Baudinette is engaged by the Company under a deed of engagement dated 31 October 2007.

(ii) Robert Jeffries Chatfield is engaged by the Company under a deed of engagement dated 25 September 2006.

(iii) Bryant James McLarty is engaged by the Company under a deed of engagement dated 28 November 2007.

8.3.2 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

8.4 **Remuneration and Benefits**

In the last full financial year of the Company, to 30 June 2010, the amount of remuneration paid (including contingent or deferred compensation) and benefits in kind granted to the Directors of the Company by the Group was as follows:

	Fees and salary	*Benefits in Kind*	*Total*
	£	£	£
Robert Jeffries Chatfield	143,725	-	143,725
Andrew Charles Baudinette	91,133	2,889	94,022
Bryant James McLarty	10,831	-	10,831
			248,578

The aggregate amount accrued in relation to pension, retirement and other similar benefits for the Directors and the senior managers in the period to 30 June 2010 was £nil.

8.5 ***Other Interests***

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company or subsidiaries of the Company) and/or partnerships:

8.5.1 Robert Jeffries Chatfield

Current directorships: Australian Historical Investments Pty Ltd, CaptiveVision Capital Ltd, Diamond Distribution and Polishing Pte Ltd, Mibago (S) Pte Ltd, A.C.N 098 904 262 Ltd, Skywest Airlines (Australia) Pty Ltd, Skywest Airlines (S) Pte Ltd, Skywest Airlines Ltd, Epsom Assets Limited, Takeoff Services Pte Ltd, Tantini Pty Ltd, PPT Consulting Pte Ltd, Fleet Solutions Consulting Pte Ltd, IPC Technology Pte Ltd.

Past directorships: Avation D.O (Brazil), CaptiveVision Sdn Bhd (Malaysia), Data & Commerce Ltd, Io Research Pty Ltd, Kingsbay Pty Ltd, Malbend Pty Ltd, Television Licensors International Ltd, Victorian Radio Network Pty Ltd, ID+Plus Ltd, Hanger Co for Airport Pty Ltd.

8.5.2 Andrew Charles Baudinette

Current directorships: Giant Mix Enterprises Limited

Past directorships: Stereophonic Group Limited, Epsom Assets Limited, Radio at Work Pty Ltd, Media Enterprises (Holdings) Pty Ltd.

8.5.3 Bryant James McLarty

Current directorships: Pharmaust Ltd, Mac Equity Partners Pty Ltd, L Tex Pty Ltd, Pharmaust Chemistry Ltd.

Past directorships: Water Sciences Pty Ltd, Advanced Molecular Technologies Pty Ltd, Phamaust Manufacturing Ltd, Epichem Limited, Animal Health Pharmaceuticals Pty Ltd, Pharmaust Health Pty Ltd, Echo Technologies Ltd, Wytomic Ltd, Shipping Services Pty Ltd.

8.6 None of the Directors, members of any administrative, management and supervisory body, nor any senior manager has any conflict of interest between any duties to the Company and to his private interest or to any other duties.

8.7 In the five year period prior to the date of this document, none of the Directors:

8.7.1 had any convictions in relation to fraudulent offences;

8.7.2 was associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; or

8.7.3 received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a member of the administration, management of supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

8.8 ***Major Shareholders***

8.8.1 As at 29 September 2010 (being the latest practicable date before publication of this document) insofar as known to the Company, the following parties had declared a notifiable interest in the Company's voting rights:

Shareholder	*Number of Ordinary Shares*	*% of voting rights*
Fitel Nominees Limited (designation 67873)	4,090,000	15.6
Fitel Nominees Limited (designation C050049)	2,809,128	10.71
Fitel Nominees Limited (designation C052452)	2,780,000	10.6
Hanover Nominees Limited	2,036,756	7.77
Credit Suisse Securities (Europe) Limited	1,583,244	6.04
Lynchwood Nominees Limited	1,085,084	4.14
Loeb Aron & Company Ltd	920,000	3.51

8.8.2 All Shareholders have the same voting rights in respect of the share capital of the Company.

8.8.3 The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

8.8.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

8.9 ***Related Party Transactions***

Save as disclosed below, in the period covered by the historical financial information and in the period to 29 September 2010, being the latest practicable date before the publication of this document, there were no related party transactions entered into by the Company and Group members.

8.9.1 *Transactions with directors*

	Year ended 30 June 2007	**Year ended 30 June 2008**	**Year ended 30 June 2009**	**To 29 September 2010**
Interest expense paid to a director of the company	7,768	-	-	-

8.9.2 *Transactions with the Group and related parties*

	Year ended 30 June 2007	**Year ended 30 June 2008**	**Year ended 30 June 2009**	**1 July 2009 To 29 September 2010**
Service fees paid to related parties (1)	-	5,287	16,239	664,103
Sale of goods to related parties (2)	388,653	143,529	158,542	395,958
Rental income received from related parties (3)	738,329	3,128,561	5,466,054	7,079,136
Maintenance rent received from related parties (4)	422,571	1,423,665	2,712,006	3,193,153
Guarantee and commitment fee paid to related parties (5)	-	-	228,046	191,428
Interest paid to a related party (6)	-	-	-	498

(1) Service fee paid to Loeb Aron & Company Ltd, a company in which Peter Freeman, a director of a subsidiary of the Company is a director

(2) Sale of goods to Skywest Airlines (Australia) Pty Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(3), (4) Received from Skywest Airlines (Australia) Pty Ltd , a company in which Robert Chatfield, a director of the Company is a director.

(5) Paid to CaptiveVision Capital Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(6) Paid to Australian Historical Investments Pty Limited a company in which Robert Chatfield, a director of the Company is a director and shareholder

The guarantee and commitment fee paid to CaptiveVision Capital is in relation to the guarantee provided by CaptiveVision Capital Limited for AUD 2,089,967 to the vendor of an Airbus.

Transactions with related parties are negotiated on arms' length terms with pricing, structures and commercial terms typical of such transactions. They may be considered to be related party transactions due to there being commonality of directors and shareholdings. Such transactions will always be disclosed as such in the annual report and accounts and relevant RIS announcement.

Robert Chatfield always abstains from voting on any matter to be voted on by the Board in which there is, or could be, a conflict where the conflict arises in his position as a director in any non-Group entity.

9. Material Contracts

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

9.1 Aircraft operating lease Fokker F100 – MSN 11373 (VH-FNU)

Pursuant to an aircraft operating lease agreement dated 8 August 2008 between F100 Pty Ltd ("F100") and Skywest Airlines (Australia) Pty Ltd ("Skywest"), F100 granted a lease of the aircraft bearing manufacturer's serial number 11373 to Skywest for a period of 72 months commencing on or about the date of the agreement. A deposit of US$250,000 was paid and the fixed monthly base rent is US$90,000. Under the agreement Skywest is responsible for all maintenance and the aircraft is leased on an "as is-where is" basis. Skywest may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of F100, the granting of which consent cannot be unreasonably withheld. During the terms of the lease, Skywest shall at its own expense, at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein and certain maintenance costs shall be reimbursed to Skywest from the Maintenance Repair fund that it contributes to F100 on a pro-rated aircraft usage basis. The agreement is governed by the laws of Western Australia.

9.2 Aircraft operating lease Fokker F100– MSN 11391 (VH-FSW)

Pursuant to an aircraft operating lease agreement dated 19 August 2008 between F100 Pty Ltd ("F100") and Skywest Airlines (Australia) Pty Ltd ("Skywest"), F100 granted a lease of the aircraft bearing manufacturer's serial number 11391 to Skywest for a period of 64 months commencing on or about the date of the agreement. A deposit of US$424,000 was paid and the fixed monthly base rent is US$106,000. Under the agreement Skywest is responsible for all maintenance and the aircraft is leased on an "as is-where is" basis. Skywest may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of F100, the granting of which consent cannot be unreasonably withheld. During the terms of the lease, Skywest shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein but F100 shall reimburse some portion of the maintenance costs from the Maintenance Reserve funds that are levied against Skywest on a pro-rated aircraft usage basis. The agreement is governed by the laws of Western Australia.

9.3 Novated aircraft operating lease Airbus A321-200 – MSN 1881 (OY-VKA)

Pursuant to an original aircraft operating lease agreement dated 20 December 2001, subsequently amended and novated on various dates, Capital Lease Malta Limited leases the aircraft bearing manufacturer's serial number 1881 to Thomas Cook Airlines Scandinavia A/S for a total period of 144 months, which period is due to expire on 31 March 2015. The lessee delivered a letter of credit in the amount of US$360,000 by way of security and the fixed monthly rent is US$375,000. Under the agreement, Thomas Cook is responsible for all maintenance and the aircraft is leased on an "as is-where is" basis. Thomas Cook may not sublease, hire or otherwise part with the possession or operational control of the aircraft, except to previously approved sub-lessees, without the prior written consent of Capital Lease Malta Limited exercising an absolute discretion. During the term of the lease, Thomas Cook shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of England.

9.4 Novated aircraft operating lease Airbus A321-200 – MSN 1921 (OY-VKB)

Pursuant to an original aircraft operating lease agreement dated 20 December 2001, subsequently amended and novated on various dates, Capital Lease Malta Limited leases the aircraft bearing manufacturer's serial number 1921 to Thomas Cook Airlines Scandinavia A/S for a total period of 144 months, which period is due to expire on 27 February 2015. The lessee delivered a letter of credit in the amount of US$360,000 by way of security and the fixed monthly rent is US$375,000. Under the agreement, Thomas Cook is responsible for all maintenance and the aircraft is leased on an "as is-where is" basis. Thomas Cook may not sublease, hire or otherwise part with the possession or operational control of the aircraft, except to previously approved sub-lessees, without the prior written consent of Capital Lease Malta Limited exercising an absolute discretion. During the term of the lease, Thomas Cook shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of England.

9.5 Aircraft sublease Airbus A320-200 – MSN 429 (VH-FNP)

Pursuant to an aircraft sublease agreement dated 31 March 2010 between MSN 429 Limited ("MSN 429") and Skywest Airlines (Australia) Pty Ltd ("Skywest"), MSN 429 granted a lease of the aircraft bearing manufacturer's serial number 429 to Skywest for a period of 36 months (with an extendable term of a further 36 months) from 4 April 2010. A deposit of US$570,000 was paid and the fixed monthly rent is US$190,000 each month. Under the agreement Skywest is responsible for all maintenance and actions necessary to repatriate the aircraft to Singapore at the conclusion of the term. The aircraft is leased on an "as is-where is" basis. Skywest may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of MSN 429 (or the vendor as Head Lessor), the granting of which consent cannot be unreasonably withheld. During the terms of the lease, Skywest shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of England and is subordinate to an aircraft head lease between a vendor as lessor and the Company as lessee, which head lease contains terms of a lease purchase agreement.

10. UK Taxation

10.1 ***Introduction***

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the law and practice currently in force and is subject to changes therein. All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of holding, transferring or otherwise disposing of Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

10.2 ***Taxation of capital gains***

With effect from 23 June 2010, individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rates of 18% or 28%, depending on the amount of their total taxable income, in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares. No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2010-2011.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief). Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a Corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

10.3 ***Taxation of dividends***

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the "gross dividend") which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10% of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10% of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual Shareholder liable to income tax at the higher rate will be 32.5% to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax. In the case of such Shareholder's liability, the tax credit will be set against, but will not fully match, his tax liability on the gross dividend. After taking account of the 10% tax credit, such Shareholder will have to account for additional tax equal to 22.5% of the gross dividend (which equals 25% of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax.

With effect from 6 April 2010, an additional rate of 50% applies to taxable non-savings and savings income above £150,000. If and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the new 50% rate, that individual will be subject to tax on the gross dividend at the rate of 42.5%. The effect of the tax credit will, if available, be that individuals subject to this higher rate will have to account for additional tax at the rate of 32.5 per cent. of the gross dividend (36.1 per cent. of the dividend payment).

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds the Ordinary Shares through an ISA.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

UK resident corporate Shareholders will generally not be subject to corporation tax on dividends paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

Following the Finance Act 2009, most UK and overseas dividends received by UK corporate shareholders (subject to specific anti avoidance rules) will be exempt from UK corporation tax. Shareholders within the charge to UK corporation tax are however advised to consult their independent professional tax advisers in relation to the implications of the legislation.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that Shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

10.4 ***Stamp duty and stamp duty reserve tax***

Transfers on the sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5% of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares will normally give rise to a charge to stamp duty reserve tax ("SDRT") at the rate of 0.5% of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

10.5 ***ISAs***

The Ordinary Shares should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits for the 2010-2011 tax year. Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over.

10.6 ***Self-Invested Personal Pensions (SIPPs)***

The Ordinary Shares in the Company will constitute permitted investments for SIPPs.

10.7 ***Small self-administered pension schemes (SSASs)***

The Ordinary Shares in the Company will constitute permitted investments for SSASs.

11. Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable and which will enable the Company to comply with the UK Corporate Governance Code from Admission, although as a Company with a Standard Listing, the UK Corporate Governance Code will not automatically apply to it but the Company will make a statement in its Annual Report in relation to corporate governance in accordance with the DTRs. Save as disclosed below, the Company complies or will comply with the UK Corporate Governance Code from the time of Admission.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive and the Board considers that these provisions are not relevant to the Company.

The Board, currently chaired by Mr Chatfield, consists of three non-executive Directors, including the Chairman. There is no overall chief executive; the operations of the business are managed by the relevant managers of the particular subsidiary. These managers report to the Board. The manager of the subsidiaries incorporated in Australia, (Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd) is Ronald Lewis Aitkenhead. The manager of the subsidiaries Capital Lease Aviation PLC and Capital Lease Malta Limited is Richard Headon Sinclair. The manager of Avation.net Inc is Andrew Baudinette. MSN 429 Limited is managed by Charmway Consultants PTE Limited, an independent Singapore based service provider.

This structure has served the Company well since its incorporation and the Board does not believe that there is any requirement at this time to bring an overall chief executive officer into the Company. However, the Board continually monitors the position and if it considers the appointment of an overall chief executive office to be beneficial to the Company or its shareholders, it will take appropriate steps at that time.

In respect to Remuneration, the Board acts collectively as a full board. Discussions on Remuneration take place in accordance with the Companies Acts and the Company's Articles of Association.

11.1 The Audit Committee

The Company has established an audit committee whose purpose is to provide arrangements for considering how to apply suitable financial reporting and integrity control principles, having regard to good corporate governance and maintaining an appropriate relationship with the Company's auditors.

- Reviewing the external Auditor's terms of engagement including the appointment, re-appointment or removal of the Auditor as appropriate.
- Reviewing the external Auditor's plan for the audit of the Company's financial statements.
- Reviewing the external Auditor's quality control procedures.
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity.
- Considering the scope of work undertaken by the Company's internal audit department.

- Reviewing reports on internal controls and reporting to the Board.
- Recommending the re-appointment of the external Auditor.

11.2 **The Nomination Committee**

All appointments to the Board and replacements of Directors take place in accordance with the Companies Acts and the Company's Articles of Association.

12 Litigation

There are no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous twelve months which may have, or have had in the recent past, significant effects on the Company's and/or Group's financial position or profitability.

13 Employees

The Company itself has no employees (2009: 0). Capital Lease Aviation PLC has no employees. The members of the Company Secretariat and Accounting Department contract with the Group through limited companies and private firms and have no employment relationship with the Company or any member of the Group.

The Group philosophy is to outsource wherever possible support functions for its operations. The Group outsources and/or contracts out, *inter alia*, the technical management of its aircraft, the legal administration of the leases, and its day to day executive supervision and accounting systems to independent contractors and professional service providers. In this way, the Directors believe that they may keep the Company's administrative costs down.

14. Significant Change

There has been no significant change in the financial or trading position of the Group which has occurred since 31 December 2009, the end of the last financial period for which interim financial information has been published.

15. Working Capital

In the Company's opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

16. Third Party Information and Consents

The audit reports contained in Part III were compiled by the Auditor, Kingston Smith LLP of Devonshire House, 60 Goswell Road, London EC1M 7AD and appear as originally published. Kingston Smith LLP is a member of the Institute of Chartered Accountants in England and Wales and has no material interest in the Company. No other third party information is included in this document.

17 Auditor

The Auditor of the Company for the financial years ended 30 June 2007, 2008 and 2009 was Kingston Smith LLP of Devonshire House, 60 Goswell Road, London EC1M 7AD. Kingston Smith LLP is a member of the Institute of Chartered Accountants in England and Wales.

18 Documents on Display

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at Georgian House, 63 Coleman Street, London EC2R 5BB for so long as this document remains valid:

18.1 this Prospectus;

18.2 the Articles of Association of the Company;

18.3 the audited financial statements of the Company for the financial years ended 30 June 2007, 2008 and 2009 respectively;

18.4 the letters of appointment referred to in paragraph 8.3 above; and

18.5 the material contracts referred to in paragraph 9 above.

Dated: 30 September 2010

PART V

DEFINITIONS

2006 Act	the Companies Act 2006
Admission	the admission of the Ordinary Shares (i) to the Official List and (ii) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards
Admission and Disclosure Standards	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
AGM	annual general meeting of the Company
AIM	AIM, a market operated by the London Stock Exchange
Articles	the Articles of Association of the Company, as amended from time to time
ASX	Australian Securities Exchange
AUD	Australian Dollar
Auditor	Kingston Smith LLP
Board or **Directors**	the board of Directors of the Company or any duly constituted committee thereof
Business Day	any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
Computershare Registrars	a trading name of Computershare Investor Services PLC
Chairman	chairman of the Company
City Code	the City Code on Takeovers and Mergers published by the Takeover Panel as amended from time to time
Companies Acts	means every statute (including any orders regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
Company	Avation PLC
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations
Disclosure and Transparency Rules	the disclosure rules and transparency rules made by the FSA under Part VI of the FSMA

EEA	the European Economic Area
EEA State	member state of the EEA
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Financial Services Authority or **FSA**	the single regulatory authority for the UK financial services industry
FSMA	the Financial Services and Markets Act 2000
Group	the Company and its subsidiaries from time to time
HMRC	HM Revenue & Customs
IFRS	International Financial Reporting Standards adopted by the International Accounting Standards Board
ISA	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
Listing Rules	the listing rules issued by the UK Listing Authority
London Stock Exchange	London Stock Exchange PLC
Memorandum of Association	the Memorandum of Association of the Company
Model Code	The Model Code as set out in Annex 1 to Chapter 9 of the Listing Rules
Net Tangible Assets	Total assets, less intangible assets and all liabilities
Official List	the Official List maintained by the UK Listing Authority
Ordinary Share or **Shares**	an ordinary share of one pence (£0.01) each in the capital of the Company with ticker: AVAP and ISIN: GB00B196F554
Prospectus	this document
Prospectus Rules	the rules and regulations made by the FSA under Part V of the FSMA (as amended from time to time)
Register	the register of members of the Company
Registrars	Computershare Investor Services PLC
Regulatory Information Service or RIS	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
Shareholder	a holder of Ordinary Shares
SIPP	self invested personal pension
SSAS	small self-administered pension scheme

Standard Listing	a listing on the Official List under Chapter 14 of the Listing Rules
Sterling	lawful currency of the United Kingdom
Subsidiary	has the meaning as defined by the 2006 Act
Taxes Act	the Income and Corporation Taxes Act 1988
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code	the Financial Reporting Council's UK Corporate Governance Code
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001
USD	United States Dollar
VAT	UK value added tax

avation PLC