

**AVATION PLC
CONSOLIDATED UNAUDITED RESULTS FOR THE
SIX MONTHS ENDED 31 DECEMBER 2010**

Avation PLC, the aircraft leasing company, presents its interim results for the six months to 31 December 2010.

The highlights presented in the results are:

- The consolidated net profit after tax attributable to shareholders of Avation PLC increased by 98% to £1,584,826 for the 6 month period
- Revenues increased by 10% to £8,282,327
- An 87% increase in basic earnings per share to 5.86 pence per share
- A major business endeavour with Virgin Blue Airlines Pty Ltd has been established
- A move from PLUS to a standard listing on the main market of the London Stock Exchange

ENQUIRES:

Avation PLC

Jeff Chatfield, Chairman

+44 7783 942 553

W H IRELAND

Harry Ansell, Stockbroker

+44 20 7220 1670

Financial Public Relations

Bishopsgate Communications

Laura Stevens/Giang Nguyen

+44 207 562 3350

Websites

www.avation.net

AVATION PLC (the "Company")
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010
CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT

The highlights in the results are:

- Consolidated net profit after tax attributable to shareholders of Avation PLC increased by 98% to £1,584,826 for the 6 month period
- Revenues increased by 10% to £8,282,327
- An 87% increase in basic earnings per share to 5.86 pence per share
- A major business endeavour with Virgin Blue Airlines Pty Ltd has been established
- A move from PLUS to a standard listing on the main market of the London Stock Exchange

I am pleased to present the Company's interim results for the six months ended 31 December 2010 (the "Period"). The total consolidated revenue for the six month period was £8.3 million which is an increase of 10 per cent on the comparative period (31 Dec 2009: £7.6 million) as a result of higher lease rental income received during this period derived from the leasing of an additional Airbus A320-200 aircraft from April 2010.

The Avation Group net profit after income tax attributable to the shareholders was recorded as £1.6 million, a 98 per cent increase on the comparative period (31 Dec 2009: £0.8 million). In line with an expansion of the scale of the Group's operations, profits have increased.

Basic earnings per share for the Period were 5.86 pence, an increase of 87 per cent (31 Dec 2009: 3.14 pence).

Net cash inflow from operating activities was £5.2 million (31 December 2009: £4.8 million). There was no major material capital expenditure during this six month period. Other operating expenses were reduced by £0.4 million mainly due to a reduction in claims on maintenance reserves.

In October 2010, the Company moved from the PLUS-quoted market to the Main Market of the London Stock Exchange ("LSE") as a standard listing, to facilitate growth and raise the profile of Avation.

On 10 January 2011, the Company entered into an agreement with Skywest Airlines (Australia) Pty Ltd ("Skywest") and Virgin Blue Airlines Pty Ltd ("Virgin Blue") to provide a fleet of up to 18 new aircraft which will operate primarily across the East Coast of Australia. Skywest proposes to provide "wet-lease" services to Virgin Blue. Some financial impact of this contract may be enjoyed in the period which ends June 30th 2011, however, it is anticipated that the first 8 aircraft will, in practice, commence service during the 2011-2012 financial year. Each aircraft will be operated under wet lease by Skywest on behalf of Virgin Blue for a fixed period of 10 years. Following the introduction of the first 8 aircraft, a further 10 or more aircraft may be deployed under option at Virgin Blue's request.

The aircraft will be owned by, and leased by the Company to Virgin Blue on 10 year operating leases with other commercial terms as typically entered into by the Company and its lessee customers. The arrangements with Virgin Blue are subject to final negotiation. The Directors believe that given the calibre of the lessee and the wet-lessee, the length of the fixed terms and the fact the aircraft will be new, the Company is well placed to utilise Government-backed Export Credit Agency style Financing ("ECA Financing"). The Company intends to make an application for ECA Financing forthwith.

Current trading conditions are satisfactory with the cost of finance being reduced and the Avation group successfully reducing or repaying higher cost debt facilities. Approximately £5m in long term debt was repaid during the period. The Company anticipates that the operations of the second half period of the 2010-2011 financial year will be in line with the first half, albeit that in terms of current trading the financial impact of the Virgin Blue leases will commence in the second half period to 30th June 2011

The Group is subject to the typical risks associated with the aviation business, including but not limited to any downturn in the global aviation industry, fuel costs, finance costs, war and terrorism and the like which may affect our airline customers' ability to fulfil their lease obligations. The business also relies on its ability to source for finance on favourable terms. Should this supply of finance contract, it would limit our fleet expansion and therefore growth.

I would like to take this opportunity of thanking you, the owners of this enterprise, for your support over this busy period and look forward to updating you on the progress of the Virgin Blue initiative.

Jeff Chatfield,

Chairman
Singapore 1 Feb 2011

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Note	6 months to 31 December 2010 £	6 months to 31 December 2009 £
Continuing operations			
Revenue	4	8,282,327	7,556,268
Cost of sales		<u>(362,361)</u>	<u>(593,826)</u>
Gross profit		7,919,966	6,962,442
Other income	5	67,582	2,686
Other operating expenses	6	(3,049,001)	(3,419,063)
Expenses			
- Administrative expenses		(601,387)	(408,296)
- Finance expenses	7	<u>(1,548,472)</u>	<u>(1,607,074)</u>
Profit before taxation		2,788,688	1,530,695
Taxation		<u>(531,147)</u>	<u>(187,155)</u>
Profit from continuing operations for the year		2,257,541	1,343,540
Other comprehensive income			
Currency translation differences arising on consolidation		(874,418)	2,339,896
Revaluation gains on property, plant and equipment, net of tax		-	339,982
Other comprehensive income for the year (net of tax)		<u>(874,418)</u>	<u>2,679,878</u>
Total comprehensive income		<u>1,383,123</u>	<u>4,023,418</u>
Profit attributable to:			
Equity holders of the parent		1,584,826	801,941
Non-controlling interest		<u>672,715</u>	<u>541,599</u>
		<u>2,257,541</u>	<u>1,343,540</u>
Total comprehensive income attributable to:			
Equity holders of the parent		1,033,096	2,458,990
Non-controlling interest		<u>350,027</u>	<u>1,564,428</u>
		<u>1,383,123</u>	<u>4,023,418</u>
Earnings per share			
- Basic – continuing and total operations		<u>5.86 pence</u>	<u>3.14 pence</u>
- Fully Diluted – continuing and total operations		<u>5.69 pence</u>	<u>2.78 pence</u>

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 DECEMBER 2010

	31 December 2010	30 June 2010
<u>Note</u>	<u>£</u>	<u>£</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	3,054,403	1,227,881
Trade and other receivables	1,332,490	1,195,859
Inventories	1,109	707
Total current assets	<u>4,388,002</u>	<u>2,424,447</u>
Non-current assets:		
Property, plant and equipment	87,841,992	92,520,577
Goodwill	1,324,541	1,324,541
Total non-current assets	<u>89,166,533</u>	<u>93,845,118</u>
Total assets	<u>93,554,535</u>	<u>96,269,565</u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Trade and other payables	4,002,778	3,818,692
Provision for taxation	369,176	18,368
Loans and borrowings	9,841,422	9,602,462
Short-term provisions	2,524,884	2,047,185
Total current liabilities	<u>16,738,260</u>	<u>15,486,707</u>
Non-current liabilities:		
Trade and other payables	973,183	1,379,641
Loans and borrowings	34,283,291	39,123,267
Deferred tax liabilities	4,215,945	4,248,024
Total non-current liabilities	<u>39,472,419</u>	<u>44,750,932</u>
Equity attributable to shareholders:		
Share capital	285,322	262,190
Share premium	1,326,126	1,249,258
Assets revaluation reserve	6,760,372	6,760,372
Capital redemption reserve	7,000	7,000
Foreign currency translation reserve	3,011,629	3,563,359
Retained earnings	12,847,859	11,434,226
Parent interests	24,238,308	23,276,405
Non-controlling interests	13,105,548	12,755,521
	<u>37,343,856</u>	<u>36,031,926</u>
Total liabilities and equity	<u>93,554,535</u>	<u>96,269,565</u>

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Share capital	Share premium	Assets revaluation reserve	Capital Redemption reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Total	Non-Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£	£
Group										
Balance at 1 July 2010	262,190	1,249,258	6,760,372	7,000	3,563,359	-	11,434,226	23,276,405	12,755,521	36,031,926
Profit for the year	-	-	-	-	-	-	1,584,826	1,584,826	672,715	2,257,541
Other comprehensive income	-	-	-	-	(551,730)	-	-	(551,730)	(322,688)	(874,418)
Total comprehensive income	-	-	-	-	(551,730)	-	1,584,826	1,033,096	350,027	1,383,123
Dividend related to 2010 paid	-	-	-	-	-	-	(171,193)	(171,193)	-	(171,193)
Increase in issued share capital	23,132	76,868	-	-	-	-	-	100,000	-	100,000
Balance at 31 December 2010	285,322	1,326,126	6,760,372	7,000	3,011,629	-	12,847,859	24,238,308	13,105,548	37,343,856
Balance at 1 July 2009	255,555	1,216,336	6,760,372	7,000	1,148,240	12,788	9,897,773	19,298,064	9,928,515	29,226,579
Profit for the year	-	-	-	-	-	-	801,941	801,941	541,599	1,343,540
Other comprehensive income	-	-	339,982	-	1,317,067	-	-	1,657,049	1,022,829	2,679,878
Total comprehensive income	-	-	339,982	-	1,317,067	-	801,941	2,458,990	1,564,428	4,023,418
Increase in issued share capital	635	14,922	-	-	-	-	-	15,557	21,800	37,357
Balance at 31 December 2009	256,190	1,231,258	7,100,354	7,000	2,465,307	12,788	10,699,714	21,772,611	11,514,743	33,287,354

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	31 December 2010 £	31 December 2009 £
Cash flows from operating activities:		
Profit before taxation	2,788,688	1,530,695
Adjustments for:		
Depreciation expense	2,387,116	2,244,704
Claim on maintenance reserve	661,885	1,053,876
Interest expense	1,468,697	1,498,315
Interest income	(1,242)	(2,686)
Operating profit before working capital changes	<u>7,305,144</u>	<u>6,324,904</u>
Movement in working capital:		
Trade and other receivables	(136,631)	(115,208)
Inventories	(402)	(19)
Trade and other payables	(222,372)	776,927
Short-term provisions	(137,248)	(501,976)
Cash from operations	<u>6,808,491</u>	<u>6,484,628</u>
Interest paid	(1,468,697)	(1,498,315)
Interest received	1,242	2,686
Corporation tax paid	(96,776)	(130,155)
Net cash from operating activities	<u>5,244,260</u>	<u>4,858,844</u>
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(17,504)	(1,171)
Net cash used in investing activities	<u>(17,504)</u>	<u>(1,171)</u>
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	100,000	15,557
Net proceeds from issuance of subsidiary's shares to minority	-	21,800
Dividends paid	(171,193)	-
Proceeds from borrowings	1,278,100	-
Repayment of borrowings	(4,028,934)	(4,195,171)
Capital element of finance lease repayments	(665,090)	-
Net cash used in financing activities	<u>(3,487,117)</u>	<u>(4,157,814)</u>
Effects of exchange rates on cash & cash equivalents	<u>86,883</u>	<u>(2,079)</u>
Net increase in cash and cash equivalents	1,826,522	697,780
Cash and cash equivalents at beginning of financial period	1,227,881	1,039,321
Cash and cash equivalents at end of financial period	<u><u>3,054,403</u></u>	<u><u>1,737,101</u></u>

AVATION PLC
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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

The Interim Report for Avation PLC for the six months ended 31 December 2010 was approved by the Directors on 1 February 2011.

1 CORPORATE INFORMATION

Avation PLC (the Company) is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This Interim Report has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and in accordance with International Accounting Standard (IAS) 34 'Interim Reporting'.

The Interim Report does not include all the notes of the type normally included within the annual report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the consolidated entity as the full financial report.

It is recommended that the Interim Report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2010.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2010.

The preparation of the Interim Report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim Report, actual results may differ from these estimates.

The statutory financial statements of Avation PLC for the year ended 30 June 2010, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain a statement under section 498 of the Companies Act 2006.

The Interim Report is unaudited and not reviewed by the auditors.

The Interim Report does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

AVATION PLC
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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

3 SEGMENT INFORMATION

a) Segment reporting policy

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

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

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

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

b) Primary reporting segment – business segments

During the six months ended 31 December 2010, the Group was organised into two main business segments which are aircraft leasing and business procurement.

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

	<u>Aircraft leasing</u>	<u>Business procurement</u>	<u>Total</u>
<u>31 December 2010</u>	£	£	£
Revenue & other income			
- External sales	8,586,668	424,176	9,010,844
- Other income			69,931
Total of all segments			9,080,775
Less: elimination			(730,866)
Consolidated revenue & other income			<u>8,349,909</u>

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Aircraft leasing	Business procurement	Total
<u>31 December 2010</u>	£	£	£
Results			
Segment results	4,349,853	(13,935)	4,335,918
Finance income			1,242
Finance expense			(1,548,472)
Unallocated corporate expenses			-
Profit before taxation			<u>2,788,688</u>
Taxation			(531,147)
Profit after taxation			<u><u>2,257,541</u></u>
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	13,566	3,938	17,504
Depreciation	<u>2,386,739</u>	<u>378</u>	<u>2,387,117</u>
	Aircraft leasing	Business procurement	Total
<u>31 December 2010</u>	£	£	£
Segment assets			
Unallocated assets	93,324,495	230,040	93,554,535
Consolidated total assets			<u><u>93,554,535</u></u>
Segment liabilities			
Trade and other payables	4,698,266	277,695	4,975,961
Provisions of taxation	363,461	5,715	369,176
Short term provisions	2,524,884	-	2,524,884
Loans and borrowings	44,124,713	-	44,124,713
Deferred tax liabilities	4,215,945	-	4,215,945
Unallocated liabilities			-
Consolidated total liabilities	<u>55,927,269</u>	<u>283,410</u>	<u>56,210,679</u>
	Aircraft leasing	Business procurement	Total
<u>31 December 2009</u>	£	£	£
Revenue & other income			
- External sales	7,109,469	660,931	7,770,400
- Other income			49,547
Total of all segments			<u>7,819,947</u>
Less: elimination			(260,993)
Consolidated revenue & other income			<u><u>7,558,954</u></u>

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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Aircraft leasing	Business procurement	Total
<u>31 December 2009</u>	£	£	£
Results			
Segment results	3,139,248	(4,165)	3,135,083
Finance income			2,686
Finance expense			(1,607,074)
Unallocated corporate expenses			-
Profit before taxation			1,530,695
Taxation			(187,155)
Profit after taxation			<u>1,343,540</u>
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	341,153	-	341,153
Depreciation	<u>2,244,551</u>	<u>153</u>	<u>2,244,704</u>
	Aircraft Leasing	Business procurement	Total
<u>30 June 2010</u>	£	£	£
Segment assets			
Unallocated assets	96,009,739	259,826	96,269,565
Consolidated total assets			<u>96,269,565</u>
Segment liabilities			
Trade and other payables	4,902,278	296,055	5,198,333
Provisions of taxation	14,532	3,836	18,368
Short term provisions	2,047,185	-	2,047,185
Loans and borrowings	48,725,729	-	48,725,729
Deferred tax liabilities	4,248,024	-	4,248,024
Unallocated liabilities			-
Consolidated total liabilities	<u>59,937,748</u>	<u>299,891</u>	<u>60,237,639</u>

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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

c) Second reporting segment – geographical segments

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

	31 December 2010	31 December 2009
<u>Revenue</u>	£	£
Australia	4,671,720	4,067,553
United States	709,346	678,332
Denmark	2,875,725	2,749,995
Nigeria	14,288	23,876
Other	11,248	36,512
	<u>8,282,327</u>	<u>7,556,268</u>
	Total assets	Net Book Value Aircraft
<u>31 December 2010</u>	£	£
Australia	38,995,810	35,462,871
United States	7,241,434	7,241,434
Denmark	45,137,687	45,137,687
Nigeria	8,111	-
Malta	523,309	-
United Kingdom	168,869	-
Other	1,479,715	-
	<u>93,554,935</u>	<u>87,841,992</u>
	Total assets	Net Book Value Aircraft
<u>30 June 2010</u>	£	£
Australia	40,119,752	37,503,127
United States	7,649,047	7,649,047
Denmark	47,368,403	47,368,403
Malta	534,235	-
United Kingdom	338,302	-
Other	259,826	-
	<u>96,269,565</u>	<u>92,520,577</u>

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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

4 REVENUE

	31 December 2010	31 December 2009
	£	£
Rental income	7,149,482	6,151,577
Maintenance rent revenue	708,669	743,760
Management and service income	45,755	560,282
Sales of finished goods	378,421	100,649
	<u>8,282,327</u>	<u>7,556,268</u>

5 OTHER INCOME

	31 December 2010	31 December 2009
	£	£
Interest income	1,242	2,686
Foreign currency exchange adjustment gain	66,340	-
	<u>67,582</u>	<u>2,686</u>

6 OTHER OPERATING EXPENSES

	31 December 2010	31 December 2009
	£	£
Claim on maintenance reserve expense	661,885	1,053,876
Depreciation of property, plant and equipment	2,387,116	2,244,704
Foreign currency exchange adjustment loss	-	120,483
	<u>3,049,001</u>	<u>3,419,063</u>

7 FINANCE EXPENSES

	31 December 2010	31 December 2009
	£	£
Interest expense on secured borrowings	1,468,697	1,498,315
Guarantee and commitment fee	79,775	108,749
	<u>1,548,472</u>	<u>1,607,064</u>

AVATION PLC
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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

8 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Aircraft	Total
	£	£	£
31 December 2010			
Cost or valuation:			
At 1 July 2010	995	103,942,004	103,942,999
Additions	3,938	13,566	17,504
Currency realignment	20	(2,577,032)	(2,577,012)
At 31 December 2010	<u>4,953</u>	<u>101,378,538</u>	<u>101,383,491</u>
Representing:			
Cost	4,953	5,014,813	5,019,766
Valuation	-	96,363,725	96,363,725
	<u>4,953</u>	<u>101,378,538</u>	<u>101,383,491</u>
Accumulated depreciation:			
At 1 July 2010	995	11,421,427	11,422,422
Depreciation for the period	378	2,386,739	2,387,117
Currency realignment	(23)	(268,017)	(268,040)
At 31 December 2010	<u>1,350</u>	<u>13,540,149</u>	<u>13,541,499</u>
Net book value:			
At 1 July 2010	-	92,520,577	92,520,577
At 31 December 2010	<u>3,603</u>	<u>87,838,389</u>	<u>87,841,992</u>
	Furniture and equipment	Aircraft	Total
	£	£	£
30 June 2010			
Cost or valuation:			
At 1 July 2009	4,367	88,883,092	88,887,459
Additions	-	5,016,050	5,016,050
Disposal/written off	(3,620)	-	(3,620)
Currency realignment	248	10,042,862	10,043,110
At 30 June 2010	<u>995</u>	<u>103,942,004</u>	<u>103,942,999</u>
Representing:			
Cost	995	5,014,813	5,015,808
Valuation	-	98,927,191	98,927,191
	<u>995</u>	<u>103,942,004</u>	<u>103,942,999</u>
Accumulated depreciation:			
At 1 July 2009	4,140	5,829,393	5,833,533
Depreciation for the year	238	4,704,566	4,704,804
Disposal/written off	(3,620)	-	(3,620)
Currency realignment	237	887,468	887,705
At 30 June 2010	<u>995</u>	<u>11,421,427</u>	<u>11,422,422</u>
Net book value:			
At 1 July 2009	227	83,053,699	83,053,926
At 30 June 2010	<u>-</u>	<u>92,520,577</u>	<u>92,520,577</u>

AVATION PLC
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FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

9 SHARE CAPITAL

	31 December 2010	30 June 2010
	£	£
Authorised:		
100,000,000 ordinary shares of 1 penny each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:		
28,532,220 (30 June 2010: 26,219,010) ordinary shares of 1 penny each	<u>285,322</u>	<u>262,190</u>

On 26 October 2010, the Company issued 2,313,210 ordinary shares of 1 penny each following the exercise of warrants by the warrant holders for £100,000.

10 DIVIDENDS PAID

	31 December 2010	31 December 2009
	£	£
Dividend paid during the 6 months ended 31 December:		
Final dividend of 0.6p (2009: NIL)	<u>171,193</u>	<u>-</u>

No dividends have been declared subsequent to 31 December 2010.

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11 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.

	31 December 2010	31 December 2009
	£	£
Net profit attributable to equity holders of the Company	<u>1,584,826</u>	<u>801,941</u>
Weighted average number of ordinary shares	27,061,320	25,565,173
Basic earnings per share	<u>5.86 pence</u>	<u>3.14 pence</u>

(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:

	31 December 2010	31 December 2009
	£	£
Net profit attributable to equity holders of the Company	1,584,826	801,941
Weighted average number of ordinary shares	27,061,320	25,565,173
Adjustment for:		
- Warrants	<u>787,348</u>	<u>3,304,827</u>
	<u>27,848,668</u>	<u>28,870,000</u>
Diluted earnings per share	<u>5.69 pence</u>	<u>2.78 pence</u>

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12 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2010.

13 TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions:

	31 December 2010	31 December 2009
	£	£
Sales of goods to a related party ¹	306,428	54,542
Services rendered to a related party ²	43,344	541,638
Guarantee and commitment fee paid to a related party ³	79,775	108,749
Maintenance rent received from a related party ⁴	708,669	743,760
Rental income received from a related party ⁵	<u>3,569,349</u>	<u>2,723,250</u>

- 1 - Sales of goods to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
- 2 - Services rendered to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
- 3 - Paid to CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.
- 4 - Received from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
- 5 - Received from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.

The nature and contractual terms of key management compensation and inter-company transactions during the period are consistent with the disclosures in the Annual Report for the year ended 30 June 2010.

14 EVENTS AFTER THE BALANCE SHEET DATE

On 10 January 2011, the Company entered into an agreement with Skywest Airlines Pty Ltd ("Skywest") and Virgin Blue Airlines Pty Ltd ("Virgin Blue") to provide a fleet of up to 18 new aircraft which will operate in Australia.

Each aircraft will be operated by Skywest under wet lease to Virgin Blue for a fixed period of 10 years. The 2 airlines and the Company are making arrangements to take delivery of new aircraft during 2011 and 2012.

The aircraft will be owned by, and leased by the Company on 10 year operating leases with other commercial terms in line with those typically entered into by the Company and its lessee customers. The Directors believe that given the quality of the lessee, the fixed term and the fact the aircraft are new, the Company is well placed to utilise Government-backed Export Credit Agency Financing ("ECA Financing"). The Company intends to make an application for ECA Financing forthwith.

PRINCIPAL RISKS

The Group's risk management processes bring greater judgement to decision making as they allow management to make better, more informed and more consistent decisions based on a clear understanding of risks involved. We regularly review the risk assessment and monitoring process as part of our commitment to continually improve the quality of decision-making across the Group.

The Group's principal risks and uncertainties are consistent with those set out in the Prospectus submitted to the London Stock Exchange.

The principal risks and uncertainties which may affect the Group in the second half of the financial year will include the typical risks associated with the aviation business, including but not limited to any downturn in the global aviation industry, fuel costs, finance costs, war and terrorism and the like which may affect our airline customers' ability to fulfil their lease obligations.

The business also relies on its ability to source for finance on favourable terms. Should this supply of finance contract, it would limit our fleet expansion and therefore growth.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk and liquidity risk are discussed in the annual report for the Group for the year ended 30 June 2010.

DIRECTORS

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2010. A list of the current directors is maintained on the Avation PLC website: www.avation.net.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely

- an indication of important events that have occurred during the first six months and their impact on the Interim Report, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board of Directors,

Jeff Chatfield
Chairman
Singapore, 2 Feb 2011