

AVATION PLC (the “Company”)
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CHAIRMAN’S STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

On behalf of your Board of Directors, I present to you the audited financial statements for Avation PLC and its subsidiaries for the year ended 30th June 2011 and to inform you of the progress that the Avation Group has made.

The highlights are:

- **Record net after tax profits, increased by 120% to: GBP 3,627,293;**
- **Record earnings per share increased by 87% to 11.95 pence; and**
- **Dividends increased by 66% to: 1.00 pence per share.**

Your Board is pleased to report that in respect of the year ending 30th June 2011 the consolidated net profit after tax was GBP 3,627,293 on revenues of GBP 16,291,428 with earnings per share of 11.95 pence.

The operating businesses had a good year with the signing of a major strategic growth initiative with Virgin Australia in respect to the delivery of between 8 and 18 new Aircraft. Operationally there were excellent cash flows being recorded across the Group. The business has continued to grow and we have increased the net profit after tax for the Group by 120%. As of June 30th, the net assets of the Group has increased from GBP 36,031,926 to GBP 49,460,598 by 37%. The Board of Directors believe that they have demonstrated that the Group has a sustainable business model which demonstrates consistent performance.

The Group has entered into 10-year loan facility agreements for up to US\$152.2m, principally under a mandate to Credit Agricole Corporate and Investment Bank. The loan facilities can be drawn down progressively by an aircraft by aircraft basis for the purpose of purchasing eight new ATR72 Aircraft for operation in Australia. The aircraft are being leased by the Company to Australian carrier Skywest Airlines, who in turn operate the aircraft on behalf of Virgin Australia, under the virgin Australia brand, pursuant to 10 year wet-leases.

As at the balance sheet date of June 30th 2011, Avation Plc had not delivered any of the ATR72 aircraft to be operated for Virgin Australia. Therefore the financial performance presented in these results do not include any revenues from these aircraft. All deliveries and revenues commence after the balance date. The first Virgin Australia aircraft was delivered on the 11th of August 2011, the second on the 18th of August 2011 and the third on the 13th of October 2011. It is anticipated that the 4th aircraft will be delivered during November 2011 and four deliveries are planned to occur during mid 2012.

Your Board overwhelmingly recognises the importance of rewarding shareholders and is recommending to shareholders a final dividend payment of 1 pence per share and the Company hopes to maintain a progressive dividend policy going forward. The record date for this final dividend will be announced in the meeting materials for the upcoming annual general meeting.

The Company is registered in England and Wales, however, the group is operationally headquartered in Singapore. Therefore during 2011 the Company successfully made an application to migrate its tax resident to Singapore. With effect from 1 April 2011 the Company became a Singaporean Corporate Taxpayer. The current corporation tax rate in Singapore is 17%.

The Company and its subsidiaries have secured the bulk of its debt funding at a cost of around 6% per annum. Whilst the Company believes that it can obtain access to further funds for the purchase of aircraft, access to funding nevertheless remains a risk, this risk is common to all businesses that are capital intensive, such as your business. Specific aviation based industry risks are also present and include the creditworthiness of client airlines.

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

Robert Jeffries Chatfield,
Chairman

Singapore
28 October 2011

AVATION PLC

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	2011 £	2010 £
Continuing operations		
Revenue	16,291,428	17,552,513
Cost of sales	(739,278)	(983,879)
Gross profit	15,552,150	16,568,634
Other income	297,792	5,948
Other operating expenses	(6,207,042)	(8,864,955)
Expenses		
- Administrative expenses	(1,255,756)	(841,892)
- Finance expenses	(2,755,498)	(3,319,635)
Profit before taxation	5,631,646	3,548,100
Taxation	(574,920)	(729,517)
Profit from continuing operations for the year	5,056,726	2,818,583
Other comprehensive income		
Gain on dilution of interest in subsidiary	–	1,733
Currency translation differences arising on consolidation	(1,809,245)	4,076,569
Revaluation gains on property, plant and equipment, gross of tax	1,341,951	–
Deferred tax on revaluation gains on property, plant and equipment	(482,322)	–
Other comprehensive income for the year, (net of tax)	(949,616)	4,078,302
Total comprehensive income for the year	4,107,110	6,896,885
Profit attributable to:		
Equity holders of the parent	3,627,293	1,653,027
Non-controlling interest	1,429,433	1,165,556
	5,056,726	2,818,583
Total comprehensive income attributable to:		
Equity holders of the parent	3,128,808	4,069,879
Non-controlling interest	978,302	2,827,006
	4,107,110	6,896,885
Earnings per share		
- Basic – continuing and total operations	11.95 pence	6.39 pence
- Fully Diluted – continuing and total operations	11.84 pence	6.30 pence

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	2011 £	2010 £
ASSETS		
Current assets:		
Cash and cash equivalents	5,626,771	1,227,881
Trade and other receivables	7,542,395	1,195,859
Inventories	1,946	707
Total current assets	<u>13,171,112</u>	<u>2,424,447</u>
Non-current assets:		
Property, plant and equipment	84,896,190	92,520,577
Goodwill	1,324,541	1,324,541
Total non-current assets	<u>86,220,731</u>	<u>93,845,118</u>
Total assets	<u>99,391,843</u>	<u>96,269,565</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	3,331,862	3,818,692
Provision for taxation	38,748	18,368
Loans and borrowings	9,865,455	9,602,462
Short-term provisions	2,849,839	2,047,185
Total current liabilities	<u>16,085,904</u>	<u>15,486,707</u>
Non-current liabilities:		
Trade and other payables	942,009	1,379,641
Loans and borrowings	28,091,394	39,123,267
Deferred tax liabilities	4,811,938	4,248,024
Total non-current liabilities	<u>33,845,341</u>	<u>44,750,932</u>
Equity attributable to shareholders:		
Share capital	386,072	262,190
Share premium	10,543,750	1,249,258
Assets revaluation reserve	7,436,517	6,760,372
Capital redemption reserve	7,000	7,000
Warrant reserve	74,381	-
Foreign currency translation reserve	2,388,729	3,563,359
Retained earnings	<u>14,890,326</u>	<u>11,434,226</u>
	35,726,775	23,276,405
Non-controlling interest	<u>13,733,823</u>	<u>12,755,521</u>
	49,460,598	36,031,926
Total liabilities and equity	<u>99,391,843</u>	<u>96,269,565</u>

AVATION PLC**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	2011 £	2010 £
Cash flows from operating activities:		
Profit before taxation	5,631,646	3,548,100
Adjustments for:		
Depreciation expense	4,964,453	4,704,804
Claim on maintenance reserve	1,242,589	4,102,127
Warrant expense	74,381	–
Interest expense	2,680,231	3,156,229
Interest income	(3,607)	(5,948)
Operating profit before working capital changes	14,589,693	15,505,312
Movement in working capital:		
Trade and other receivables	(5,157,029)	379,919
Inventories	(1,239)	(214)
Trade and other payables	(972,482)	796,367
Short-term provisions	(311,597)	(3,143,497)
Cash from operations	8,147,346	13,537,887
Interest paid	(2,809,256)	(3,156,229)
Interest received	3,607	5,948
Corporation tax paid	(440,543)	(204,574)
Net cash from operating activities	4,901,154	10,183,032
Cash flows from investing activities:		
Purchase of property, plant and equipment	(19,233)	(1,237)
Loan to related parties	(1,579,860)	–
Net cash used in investing activities	(1,599,093)	(1,237)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	9,418,374	39,557
Net proceeds from issuance of subsidiary's shares to minority	–	22,972
Dividends paid	(171,193)	(131,095)
Proceeds from borrowings	1,257,800	–
Repayment of borrowings	(8,192,846)	(4,283,186)
Capital element of finance lease repayments	(1,355,278)	(781,036)
Net cash from (used in) financing activities	956,857	(5,132,788)
Effects of exchange rates on cash and cash equivalents	139,972	(4,860,447)
Net increase in cash and cash equivalents	4,398,890	188,560
Cash and cash equivalents at beginning of financial year	1,227,881	1,039,321
Cash and cash equivalents at end of financial year	5,626,771	1,227,881