

INTERIM RESULTS

CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The highlights are:

- Commenced deliveries of a series of Aircraft to Skywest and Virgin Australia;
- Consolidated net profit after tax increased by 30% to £2,057,004 for the period;
- Revenues increased by 21% to £10,060,035;
- Total assets increased to £150,751,710; and
- Earnings per share of: 5.29 pence.

Jeff Chatfield, Chairman said "This period demonstrated that the business strategy of Avation Plc is working and producing reportable increasing profits. I am pleased with current trading as the Company is in the process of profitably and substantially increasing the number of aircraft owned by the Company."

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Business Summary

Avation was formed in 2006 initially to support Skywest Airlines Ltd and was admitted to the Official List of the London Stock Exchange in November 2010. The Company's main activity is an operating lessor of commercial passenger aircraft to airlines across Europe, the US and Australia and currently is lessor of 19 passenger aircraft. Early this year the company entered into the ARAN Agreement to provide a fleet of up to 18 new aircraft which will operate along the East Coast of Australia. In the opinion of the directors, this was a transformational agreement for the Company.

Results Summary

I am pleased to present the Company's consolidated interim results for the six months ended 31 December 2011 (the "Period"). Total consolidated revenue for the Period was £10.0 million which was an increase of 21% over the comparative period (31 December 2010: £8.3 million). The increase was primarily a result of the commencement of a stream of aircraft deliveries to Virgin Australia. As at 31 December 2011, three aircraft had been delivered. As at the date of writing this report, six aircraft have been delivered with a further nine aircraft planned for delivery over the next two years.

The Group's net profit after income tax attributable to the shareholders was recorded as £2.05 million; a 30 per cent increase over the comparative period (31 December 2010: £1.6 million).

The Group has invested £45.0 million on new aircraft during the Period. These aircraft were leased to Skywest Airlines (Australia) Pty Ltd (~~%Skywest+~~) and Virgin Blue Airlines Pty Ltd (~~%Virgin+~~) pursuant to the Australian Regional Airline Agreement entered into by the Company with Skywest and Virgin on 10 January 2011 (the ~~%RAN Agreement+~~). As a result, the Group's portfolio of aircraft has expanded by approximately 50% with total assets increasing to £150.8 million. The directors are pleased with this rapid rate of growth in asset base and revenues.

Current Trading

As at the date of this report there is significant business growth occurring with nine aircraft scheduled for delivery. Four ATR72-600s are scheduled for mid-2012 and a further five option aircraft to be delivered up to 2013/2014, the combined value of which is approximately £115m. Accordingly, the Company enjoys a visible growth profile stretching into the mid-term. The Company also owns option and purchase rights for further aircraft which provides further scope for additional expansion. The Company is also benefiting from the current market low base interest rates.

Subsequent Event

Subsequent to the end of the Period and prior to the date of this announcement, the Company purchased a further 12% of the issued share capital (the ~~%Transaction+~~) of a subsidiary, Capital Lease Aviation Plc (AIM: CLA) (~~%CLA+~~). This price per share of the Transaction was less than the value of CLA's per share net tangible assets and the Transaction is earnings accretive to the Company by way of reducing the number of minority interests within the groups capital structure. Following the Transaction, the Company owns 62.07% of CLA. The Company issued 1,647,781 new ordinary shares in the Company as consideration for this purchase.

Business Risks

The Group's principal risks and uncertainties are consistent with those set out in the Prospectus submitted to the London Stock Exchange. It should be noted that the Company has a concentration of assets in a small number of customers.

I am pleased with current trading as the Company is in the process of profitably and substantially increasing the size of its asset base. I would like to take this opportunity to thank you, the owners of this enterprise, for your support over this important period and look forward to updating you on the growth in the enterprise in the future.



Jeff Chatfield,
Group Chairman
France, 23 February 2012

AVATION PLC

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	Note	31 December 2011 £	31 December 2010 £
Continuing operations			
Revenue	4	10,060,035	8,282,327
Cost of sales		<u>(466,219)</u>	<u>(362,361)</u>
Gross profit		9,593,816	7,919,966
Other income	5	118,450	67,582
Other operating expenses	6	(3,604,550)	(3,049,001)
Expenses			
- Administrative expenses		(692,403)	(601,387)
- Finance expenses	7	<u>(2,191,412)</u>	<u>(1,548,472)</u>
Profit before taxation		3,223,901	2,788,688
Taxation		<u>(521,921)</u>	<u>(531,147)</u>
Profit from continuing operations for the year		2,701,980	2,257,541
Other comprehensive income			
Currency translation differences arising on consolidation		<u>1,431,818</u>	<u>(874,418)</u>
Other comprehensive income for the year, (net of tax)		<u>1,431,818</u>	<u>(874,418)</u>
Total comprehensive income		<u>4,133,798</u>	<u>1,383,123</u>
Profit attributable to:			
Equity holders of the parent		2,057,004	1,584,826
Non-controlling interest		<u>644,976</u>	<u>672,715</u>
		<u>2,701,980</u>	<u>2,257,541</u>
Total comprehensive income attributable to:			
Equity holders of the parent		2,967,931	1,033,096
Non-controlling interest		<u>1,165,867</u>	<u>350,027</u>
		<u>4,133,798</u>	<u>1,383,123</u>
Earnings per share			
- Basic . continuing and total operations		<u>5.29 pence</u>	<u>5.86 pence</u>
- Fully Diluted . continuing and total operations		<u>5.29 pence</u>	<u>5.69 pence</u>

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 DECEMBER 2011

	Note	31 December 2011 £	30 June 2011 £
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents		8,660,473	5,626,771
Trade and other receivables		9,995,343	7,542,395
Inventories		2,794	1,946
Total current assets		<u>18,658,610</u>	<u>13,171,112</u>
Non-current assets:			
Property, plant and equipment	8	130,768,559	84,896,190
Goodwill		1,324,541	1,324,541
Total non-current assets		<u>132,093,100</u>	<u>86,220,731</u>
Total assets		<u>150,751,710</u>	<u>99,391,843</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Trade and other payables		3,126,974	3,331,862
Provision for taxation		559,969	38,748
Loans and borrowings		15,287,103	9,865,455
Short-term provisions		3,458,322	2,849,839
Total current liabilities		<u>22,432,368</u>	<u>16,085,904</u>
Non-current liabilities:			
Trade and other payables		2,376,664	942,009
Loans and borrowings		65,749,571	28,091,394
Deferred tax liabilities		4,997,096	4,811,938
Total non-current liabilities		<u>73,123,331</u>	<u>33,845,341</u>
Equity attributable to shareholders:			
Share capital	9	407,267	386,072
Share premium		12,550,424	10,543,750
Assets revaluation reserve		7,436,517	7,436,517
Capital redemption reserve		7,000	7,000
Warrant reserve		55,393	74,381
Foreign currency translation reserve		3,299,656	2,388,729
Retained earnings		16,540,064	14,890,326
Parent interests		40,296,321	35,726,775
Non-controlling interests		14,899,690	13,733,823
		<u>55,196,011</u>	<u>49,460,598</u>
Total liabilities and equity		<u>150,751,710</u>	<u>99,391,843</u>

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Share capital	Share premium	Assets revaluation reserve	Capital Redemption reserve	Warrant reserve	Foreign currency translation reserve	Retained earnings	Total	Non-Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£	£
<u>Group</u>										
Balance at 1 July 2011	386,072	10,543,750	7,436,517	7,000	74,381	2,388,729	14,890,326	35,726,775	13,733,823	49,460,598
Profit for the year	-	-	-	-	-	-	2,057,004	2,057,004	644,976	2,701,980
Other comprehensive income	-	-	-	-	-	910,927	-	910,927	520,891	1,431,818
Total comprehensive income	-	-	-	-	-	910,927	2,057,004	2,967,931	1,165,867	4,133,798
Dividend related to 2011 paid	-	-	-	-	-	-	(407,266)	(407,266)	-	(407,266)
Increase of issued share capital	21,195	2,128,748	-	-	(18,988)	-	-	2,130,955	-	2,130,955
Share issue expenses	-	(122,074)	-	-	-	-	-	(122,074)	-	(122,074)
Balance at 31 December 2011	407,267	12,550,424	7,436,517	7,000	55,393	3,299,656	16,540,064	40,296,321	14,899,690	55,196,011
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

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	31 December 2011	31 December 2010
	£	£
Cash flows from operating activities:		
Profit before taxation	3,223,901	2,788,688
Adjustments for:		
Depreciation expense	2,950,475	2,387,116
Claim on maintenance reserve	691,670	661,885
Interest expense	2,191,412	1,468,697
Interest income	(1,086)	(1,242)
Operating profit before working capital changes	9,056,372	7,305,144
Movement in working capital:		
Trade and other receivables	(2,452,948)	(136,631)
Inventories	(848)	(402)
Trade and other payables	822,501	(222,372)
Short-term provisions	(83,187)	(137,248)
Cash from operations	7,341,890	6,808,491
Interest paid	(1,852,061)	(1,468,697)
Interest received	1,086	1,242
Corporation tax paid	(260,229)	(96,776)
Net cash from operating activities	5,230,686	5,244,260
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(44,650,840)	(17,504)
Net cash used in investing activities	(44,650,840)	(17,504)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	2,008,881	100,000
Dividends paid	-	(171,193)
Proceeds from borrowings	45,408,208	1,278,100
Repayment of borrowings	(4,214,372)	(4,028,934)
Capital element of finance lease repayments	(927,906)	(665,090)
Net cash used in financing activities	42,274,811	(3,487,117)
Effects of exchange rates on cash & cash equivalents	179,045	86,883
Net increase in cash and cash equivalents	3,033,702	1,826,522
Cash and cash equivalents at beginning of financial period	5,626,771	1,227,881
Cash and cash equivalents at end of financial period	8,660,473	3,054,403

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The Interim Report for Avation PLC for the six months ended 31 December 2011 was approved by the Directors on 23 February 2012.

1 CORPORATE INFORMATION

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

The principal activities of the Company and its subsidiaries are the holding of investments involved in owning, leasing aircraft and trading of broadcasting equipment and procurement business. The Company also owns and leases aircraft in its own right. During the six month period ended 31 December 2011, the Group has commenced leasing aircraft to Skywest Airlines (Australia) Pty Ltd and Virgin Blue Airlines Pty Ltd pursuant to an agreement signed with Skywest Airlines (Australia) Pty Ltd and Virgin blue Airlines Pty Ltd on 10 January 2011.

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 2011 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2011.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2011.

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 2011, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain 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
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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 2011, 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 2011</u>			
Revenue & other income			
- External sales	12,268,854	592,548	12,861,402
- Other income			<u>224,787</u>
Total of all segments			13,086,189
Less: elimination			<u>(2,907,704)</u>
Consolidated revenue & other income			<u>10,178,485</u>

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

<u>31 December 2011</u>	<u>Aircraft leasing</u> £	<u>Business procurement</u> £	<u>Total</u> £
Results			
Segment results	5,422,303	(8,076)	5,414,227
Finance income			1,086
Finance expense			(2,191,412)
Unallocated corporate expenses			-
Profit before taxation			<u>3,223,901</u>
Taxation			<u>(521,921)</u>
Profit after taxation			<u>2,701,980</u>
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	44,650,238	602	4,465,840
Depreciation	2,949,496	979	<u>2,950,475</u>

<u>31 December 2011</u>	<u>Aircraft leasing</u> £	<u>Business procurement</u> £	<u>Total</u> £
Segment assets			
Unallocated assets	149,283,523	143,646	149,427,169
Consolidated total assets			<u>149,427,169</u>
Segment liabilities			
Trade and other payables	5,381,098	122,540	5,503,638
Provisions of taxation	559,969	-	559,969
Short term provisions	3,458,322	-	3,458,322
Loans and borrowings	81,036,674	-	81,036,674
Deferred tax liabilities	4,997,096	-	4,997,096
Unallocated liabilities			-
Consolidated total liabilities			<u>95,555,699</u>

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

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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

<u>31 December 2010</u>	<u>Aircraft leasing</u> £	<u>Business procurement</u> £	<u>Total</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			<u>(531,147)</u>
Profit after taxation			<u>2,257,541</u>

<u>30 June 2011</u>	<u>Aircraft Leasing</u> £	<u>Business procurement</u> £	<u>Total</u> £
Segment assets	97,440,829	626,473	98,067,302
Unallocated assets			-
Consolidated total assets			<u>98,067,302</u>
Segment liabilities			
Trade and other payables	3,653,046	620,825	4,273,871
Provisions of taxation	38,748	-	38,748
Short term provisions	2,848,399	-	2,849,839
Loans and borrowings	37,956,849	-	37,956,849
Deferred tax liabilities	4,811,938	-	4,811,938
Unallocated liabilities			-
Consolidated total liabilities			<u>49,931,245</u>

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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 2011	31 December 2010
<u>Revenue</u>	£	£
Australia	5,990,376	4,671,720
Denmark	2,826,900	2,875,725
United States	697,302	709,346
Others	545,457	25,536
	<u>10,060,035</u>	<u>8,282,327</u>
	Total assets	Net Book Value Aircraft
<u>31 December 2011</u>	£	£
Australia	82,995,750	79,967,236
Denmark	43,744,626	43,744,626
Singapore	11,015,748	-
United States	7,057,596	7,057,596
United Kingdom	4,088,459	-
Malta	516,224	-
Others	8,766	-
	<u>149,427,169</u>	<u>130,762,459</u>
	Total assets	Net Book Value Aircraft
<u>30 June 2011</u>	£	£
Denmark	42,619,016	42,619,016
Australia	35,628,465	35,197,379
United Kingdom	9,949,037	-
United States	7,074,476	7,074,476
Malta	925,606	-
Others	1,870,702	-
	<u>98,067,302</u>	<u>84,890,871</u>

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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

4 REVENUE

	31 December 2011	31 December 2010
	£	£
Rental income	8,604,687	7,149,482
Maintenance rent revenue	702,975	708,669
Management and service income	180,069	45,755
Sales of finished goods	572,304	378,421
	<u>10,060,035</u>	<u>8,282,327</u>

5 OTHER INCOME

	31 December 2011	31 December 2010
	£	£
Interest income	1,086	1,242
Foreign currency exchange adjustment gain	117,302	66,340
Other income	62	-
	<u>118,450</u>	<u>67,582</u>

6 OTHER OPERATING EXPENSES

	31 December 2011	31 December 2010
	£	£
Claim on maintenance reserve expense	654,075	661,885
Depreciation of property, plant and equipment	2,950,475	2,387,116
	<u>3,604,550</u>	<u>3,049,001</u>

7 FINANCE EXPENSES

	31 December 2011	31 December 2010
	£	£
Interest expense on secured borrowings	2,191,412	1,468,697
Guarantee and commitment fee	-	79,775
	<u>2,191,412</u>	<u>1,548,472</u>

AVATION PLC
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8 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Aircraft	Total
<u>31 December 2011</u>	£	£	£
Cost or valuation:			
At 1 July 2011	7,539	98,053,543	98,061,082
Additions	1,776	44,649,064	44,650,840
Currency realignment	293	4,726,301	4,726,594
At 31 December 2011	<u>9,608</u>	<u>147,428,907</u>	<u>147,348,515</u>
Representing:			
Cost	9,608	44,649,064	44,658,672
Valuation	-	102,779,843	102,779,843
	<u>9,608</u>	<u>147,428,907</u>	<u>147,438,515</u>
Accumulated depreciation:			
At 1 July 2011	2,220	13,186,967	13,189,187
Depreciation for the period	1,173	2,949,302	2,950,475
Currency realignment	115	530,179	530,294
At 31 December 2011	<u>3,508</u>	<u>16,666,448</u>	<u>16,669,956</u>
Net book value:			
At 1 July 2011	5,319	84,866,576	92,520,577
At 31 December 2011	<u>6,100</u>	<u>130,762,459</u>	<u>130,768,559</u>

	Furniture and equipment	Aircraft	Total
<u>30 June 2011</u>	£	£	£
Cost or valuation:			
At 1 July 2010	995	101,640,622	101,641,617
Additions	6,652	913,768	920,420
Revaluation surplus	-	1,112,985	1,112,985
Currency realignment	(108)	(5,613,934)	(5,613,942)
At 30 June 2011	<u>7,539</u>	<u>98,053,541</u>	<u>98,061,080</u>
Representing:			
Cost	7,539	-	7,539
Valuation	-	98,053,541	98,053,541
	<u>7,539</u>	<u>98,053,541</u>	<u>98,061,080</u>
Accumulated depreciation:			
At 1 July 2010	995	9,120,044	9,121,039
Depreciation for the year	1,295	4,964,158	4,964,453
Increase in revaluation	-	(229,056)	(229,056)
Currency realignment	(70)	(691,476)	(691,546)
At 30 June 2011	<u>2,220</u>	<u>13,162,670</u>	<u>13,164,890</u>
Net book value:			
At 1 July 2010	-	92,520,577	92,520,577
At 30 June 2011	<u>5,319</u>	<u>84,890,871</u>	<u>84,896,190</u>

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NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

9 SHARE CAPITAL

	31 December 2011	30 June 2011
	£	£
Allotted, called up and fully paid:		
40,726,682 (30 June 2011: 38,607,220) ordinary shares of 1 penny each	<u>407,267</u>	<u>386,072</u>

On 9 December 2011, the Company issued 1,818,182 ordinary shares of 1 penny each following a private placement exercise for £2,000,000.

On 13 December 2011, the Company issued 301,280 ordinary shares of 1 penny each following the exercise of warrants by warrant holders for £130,954.

10 DIVIDENDS PAID

	31 December 2011	31 December 2010
	£	£
Dividend declared/paid during the 6 months ended 31 December:		
Final dividend of 1p (2010: 0.6p)	<u>407,266</u>	<u>171,193</u>

No dividends have been declared subsequent to 31 December 2011.

11 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2011.

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12. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions:

	31 December 2011	31 December 2010
	£	£
Sales of goods to a related party ¹	125,639	306,428
Sales of goods to a related party ²	2,300	-
Services rendered to a related party ¹	20,244	43,344
Maintenance rent received from a related party ¹	702,975	708,669
Rental income received from a related party ¹	4,971,086	3,569,349
Rental income received from a related party ³	109,398	-
Service fee paid to a related party ⁴	10,939	-
Arrangement fee paid to a related party ⁵	32,355	-
Service fee paid to a related party ⁶	61,260	-
Service fee paid to a related party ⁷	10,164	-
Service fee paid to a related party ⁸	10,000	-
Service fee paid to a related party ⁹	11,412	-
Service fee paid to a related party ¹⁰	2,033	-
Expenses rebilled from a related party ¹⁰	17,613	-
Interest expense paid to a related party ⁵	6,675	-
Interest expense paid to a related party ¹¹	2,821	-
Guarantee and commitment fee paid to a related party ¹¹	-	79,775

1. Received from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
2. Received from Skywest Airlines (S) Pte Ltd in which a director of the subsidiary is also a director of Skywest Airlines (S) Pte Ltd.
3. Received from F11305 Pte Ltd in which a director of the Company is also a director of F11305 Pte Ltd.
4. Paid to Loeb Aron & Company Ltd in which a director of a subsidiary is also a former director of Loeb Aron & Company.
5. Paid to Fleet Solution Consulting Pte Ltd in which a director of a subsidiary is also a director of Fleet Solution Consulting Pte Ltd.
6. Paid to Takeoff Services Pte Ltd in which a director of the Company is also a director of Takeoff Services Pte Ltd.
7. Paid to Giant Mix Investment Ltd in which a director of the Company is also a director of Giant Mix Investment Ltd.
8. Paid to Epsom Assets Limited in which a director of the Company is also a director of Epsom Assets Limited.
9. Paid to Sinclair Management in which a director of the subsidiary is the sole proprietor of Sinclair Management.
10. Paid to Skywest Airlines (S) Pte Ltd in which a director of the subsidiary is also a director of Skywest Airlines (S) Pte Ltd.
11. Paid to CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital 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 2011.

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13 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the followings occurred:

- a) The Group has entered into an agreement to acquire an additional two new ATR72-500 aircraft. These aircraft will be leased to Australian carrier Skywest Airlines, which will operate the aircraft on behalf of Virgin Australia, pursuant to a 10-year wet-lease contract.
- b) The Company has agreed to acquire 10,662,112 ordinary shares in aircraft lessor Capital Lease Aviation PLC (CLA), increasing its holding in CLA's issued share capital from 51.8% to 62.07%. The consideration for the acquisition of the CLA shares is the allotment of 1,647,781 new ordinary shares in the Company, representing 4.05% of the existing issued share capital of the Company.

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 CONCERNS

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 2011.

DIRECTORS

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2011. 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 have 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 required by 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



Jeff Chatfield
Chairman

23 February 2012