

AVATION PLC
(‘Avation’ or the ‘Company’ or the ‘Group’)
CONSOLIDATED AUDITED RESULTS FOR THE
TWELVE MONTHS ENDED 30 JUNE 2008

Avation, the aircraft leasing company, presents its consolidated audited results for the twelve months to 30 June 2008.

HIGHLIGHTS

- A final dividend for the year of 0.5p per ordinary share has been proposed by the directors;
- The Group obtained a \$150,000,000 finance facility for the acquisition of additional aircraft;
- Group operating revenues increased by 179% to GBP 5,031,679 (2007 : GBP 1,806,251);
- Earnings per share were 28.75 pence; and
- Profits attributable to shareholders increased to GBP 6,965,915 (2007: GBP 547,585), this includes extraordinary gains and ongoing business.

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AVATION PLC CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

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 2008 and seek to appraise you of the progress that the Avation Group has made.

Your Board is pleased to report that in respect of the year ending 30th June 2008 the consolidated net profit after tax was GBP 6,965,915 with earnings per share of 28.75 pence.

The numbers in the foregoing paragraph speak for themselves and are all the more satisfactory as your Company is in its early growth stage. Nevertheless a substantial fraction of the profit increase resulted from the creation of Capital Lease Aviation PLC ("CLA") as a subsidiary and the gains therefrom. The operating businesses also had a satisfactory year with excellent and robust cash flows being recorded across the Group.

Despite a challenging economic backdrop for the world economy as a whole, some firms continue to prosper and your Company – Avation Plc – is one such extraordinary business. As at June 30th the asset base of the Group had grown to GBP 70,365,393 which is representative of the value of the aircraft owned by the Company.

The Avation Group currently owns 11 aircraft. This number is likely to increase as one of its subsidiaries, CLA, is looking to acquire additional aircraft. CLA has recently announced that it has secured a further USD\$150,000,000 of revolving credit to be used for aircraft acquisitions, this funding is in the form of a "warehouse facility". The Company and all of its subsidiaries, including CLA, manages to mitigate credit maturation risk by closely aligning the finance for aircraft acquisitions to match the corresponding lease term of the aircraft – this is a key differential from some other aircraft lessors.

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. Avation PLC was intended to support Skywest Airlines Ltd by providing aircraft leasing facilities and continues to do so. Your Company is now growing in all senses inasmuch as its universe of customers now includes large international airlines and the aircraft owned by the Group are of diverse types.

Your Board recognises the importance of rewarding shareholders - the owners of the Company and second only in importance to our customers. Avation Plc has paid dividends and conducted a capital management program by buying in shares for cancellation. Despite the current economic and financial problems extant, the Company continues to prosper, and therefore your Board is recommending to shareholders a final dividend payment of 0.5p per share and it hopes to maintain a progressive dividend policy going forward. The record date for this final dividend is the 11th of November 2008 and the proposed payment date, subject to shareholder approval at the Annual General Meeting, is the 5th January 2009.

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 risks are also present and include the credit worthiness of client airlines in the wake of the unprecedented surge in the price of jet fuel and the crisis of confidence in world financial structures and institutions.

My colleagues and I will continue to work tirelessly to build this Company into a well respected, highly profitable, diversified, cash generative aircraft leasing enterprise. Your Board would like to thank you - the Shareholders and all other stakeholders - for their continued support and good will and look forward with confidence to another year in the development of Avation PLC.

In due course an annual report and notice of meeting for the Annual General Meeting will be sent out to shareholders and will be available on the Company website at www.avation.net

Jeff Chatfield
Chairman

AVATION PLC
CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008 (Audited)

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

AVATION PLC
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	<u>2008</u>	<u>2007</u>
	£	£
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	1,257,525	828,345
Trade and other receivables	362,866	369,813
Inventories	735	697
Total current assets	<u>1,621,126</u>	<u>1,198,855</u>
Non-current assets		
Property, plant and equipment	67,419,726	9,473,546
Goodwill	1,324,541	1,324,541
Total non-current assets	<u>68,744,267</u>	<u>10,798,087</u>
Total assets	<u><u>70,365,393</u></u>	<u><u>11,996,942</u></u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Trade and other payables	1,963,385	192,323
Provision for taxation	586,368	197,458
Loans and borrowings	6,263,715	985,890
Short-term provisions	299,336	-
Deferred income	279,968	121,198
Total current liabilities	<u>9,392,772</u>	<u>1,496,869</u>
Non-current liabilities:		
Trade and other payables	323,403	242,063
Loans and borrowings	37,599,720	5,319,577
Deferred tax liabilities	1,825,398	939,018
Total non-current liabilities	<u>39,748,521</u>	<u>6,500,658</u>
Equity attributable to shareholders:		
Share capital	252,700	191,142
Share premium	1,213,770	1,155,094
Assets 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
	<u>13,313,359</u>	<u>3,999,415</u>
Minority Interest	7,910,741	-
	<u>21,224,100</u>	<u>3,999,415</u>
Total liabilities and equity	<u><u>70,365,393</u></u>	<u><u>11,996,942</u></u>

AVATION PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	<u>30 June</u> <u>2008</u> £	<u>30 June 2007</u> £
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	<u>4,091,098</u>	<u>1,119,886</u>
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	<u>6,408,515</u>	<u>1,304,961</u>
Interest paid	(655,713)	(186,197)
Interest received	346,828	8,950
Corporation tax paid	(201,384)	(34,356)
Net cash from operating activities	<u>5,898,246</u>	<u>1,093,358</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(53,735,874)	(6,585,135)
Net cash used in investing activities	<u>(53,735,874)</u>	<u>(6,585,135)</u>
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	<u>48,342,731</u>	<u>6,305,467</u>
Net effect of exchange rate changes in consolidating subsidiaries	<u>(75,923)</u>	<u>14,655</u>
Net increase in cash	429,180	828,345
Cash and cash equivalent at beginning of financial year	<u>828,345</u>	<u>-</u>
Cash and cash equivalent at end of financial year	<u>1,257,525</u>	<u>828,345</u>