

**AVATION PLC (the "Company")**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**CHAIRMAN'S STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

Dear Fellow Shareholder,

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 2010 and to inform you of the progress that the Avation Group has made. A key milestone achieved, subsequent to year end, is the successful admission to a standard listing on the Main Market of the London Stock Exchange on the 6<sup>th</sup> of October 2010. As a consequence we now present our first set of annual results as a Main Board company.

**The highlights are:**

- Consolidated net profit after tax: GBP 1,653,027
- Revenues of: GBP 17,552,513
- Earnings per share of: 6.39 pence.
- Increased dividends to: 0.6 pence per share

Your Board is pleased to report that in respect of the year ending 30th June 2010 the consolidated net profit after tax was GBP 1,653,027 on revenues of GBP 17,552,513 with earnings per share of 6.39 pence.

The operating businesses had a good year with excellent cash flows being recorded across the Group. In the prior financial year the Group enjoyed a one-off foreign exchange gain of GBP 1.4m, the profits reported this year are from recurring business with no extraordinary gains. Therefore, the earnings presented at 6.39 pence per share are the underlying earnings based on the current asset base of aircraft.

The business has continued to grow and we have increased the revenue base for the Group by 7.8%. As of June 30<sup>th</sup> the asset base of the Group had increased to GBP 96,269,565. The Board of Directors now believe that they have demonstrated that the Group has a sustainable business model which demonstrates consistent performance.

The Avation Group currently owns a fleet of 12 modern jet aircraft. The Group continues to seek further aircraft acquisitions. Your Company is now growing both in profits and recurring revenues. Customers now include large international airlines. The aircraft owned by the Group are Airbus A320 series and Fokker 100 jet aircraft.

Your Board recognises the importance of rewarding shareholders - the owners of the Company. Avation PLC has previously paid dividends and conducted a capital management program by buying in shares for cancellation. Despite the current economic conditions, the Company continues to prosper, and therefore your board is recommending to shareholders a final dividend payment of 0.6 pence per share. The Company hopes to maintain a progressive dividend policy going forward. The Company Annual General Meeting is scheduled to be held on the 2<sup>nd</sup> of December 2010. Subject to shareholder approval at that meeting, a 2010 final dividend of 0.6 pence per ordinary share will be paid on the 15th of December 2010. The Ex-Dividend Date is the 8th of December 2010 and the Associated Record Date is the 10th of December 2010.

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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**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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 - for your continued support and goodwill and look forward to the future with confidence in the successful development of Avation PLC.

Jeff Chatfield,  
Chairman

**AVATION PLC**

REGISTERED NUMBER: 05872328 (ENGLAND &amp; WALES)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<u>2010</u> £	<u>2009</u> £
<b>Continuing operations</b>		
<b>Revenue</b>	17,552,513	16,278,212
Cost of sales	<u>(983,879)</u>	<u>(871,494)</u>
<b>Gross profit</b>	16,568,634	15,406,718
Other income	5,948	1,477,929
Other operating expenses	(8,864,955)	(7,167,655)
Expenses		
- Administrative expenses	(841,892)	(953,657)
- Finance expenses	<u>(3,319,635)</u>	<u>(3,777,014)</u>
<b>Profit before taxation</b>	3,548,100	4,986,321
Taxation	<u>(729,517)</u>	<u>(754,408)</u>
<b>Profit from continuing operations for the year</b>	2,818,583	4,231,913
<b>Other comprehensive income</b>		
Gain on dilution of interest in subsidiary	1,733	-
Currency translation differences arising on consolidation	4,076,569	1,587,207
Revaluation gains on property, plant and equipment, net of tax	-	2,305,841
<b>Other comprehensive income for the year, (net of tax)</b>	<u>4,078,302</u>	<u>3,893,048</u>
<b>Total comprehensive income</b>	<u>6,896,885</u>	<u>8,124,961</u>
Profit attributable to:		
Equity holders of the parent	1,653,027	2,645,976
Non-controlling interest	<u>1,165,556</u>	<u>1,585,937</u>
	2,818,583	4,231,913
Total comprehensive income attributable to:		
Equity holders of the parent	4,069,879	6,107,187
Non-controlling interest	<u>2,827,006</u>	<u>2,017,774</u>
	6,896,885	8,124,961
<b>Earnings per share</b>		
- Basic – continuing and total operations	<u>6.39 pence</u>	<u>10.40 pence</u>
- Fully Diluted – continuing and total operations	<u>6.30 pence</u>	<u>9.22 pence</u>

**COMPANY STATEMENT OF COMPREHENSIVE INCOME**

	<u>2010</u> £	<u>2009</u> £
Profit for the year	262,668	212,424
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>262,668</u>	<u>212,424</u>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2010**

	<u>2010</u>	<u>2009</u>
	£	£
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	1,227,881	1,039,321
Trade and other receivables	1,195,859	1,575,778
Inventories	707	493
Total current assets	<u>2,424,447</u>	<u>2,615,592</u>
<b>Non-current assets</b>		
Property, plant and equipment	92,520,577	83,053,926
Goodwill	1,324,541	1,324,541
Total non-current assets	<u>93,845,118</u>	<u>84,378,467</u>
<b>Total assets</b>	<u>96,269,565</u>	<u>86,994,059</u>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>Current liabilities:</b>		
Trade and other payables	3,818,692	3,851,566
Provision for taxation	18,368	292,823
Loans and borrowings	9,602,462	8,521,911
Short-term provisions	2,047,185	1,088,555
Total current liabilities	<u>15,486,707</u>	<u>13,754,855</u>
<b>Non-current liabilities:</b>		
Trade and other payables	1,379,641	550,400
Loans and borrowings	39,123,267	40,253,227
Deferred tax liabilities	4,248,024	3,208,998
Total non-current liabilities	<u>44,750,932</u>	<u>44,012,625</u>
<b>Equity attributable to shareholders:</b>		
Share capital	262,190	255,555
Share premium	1,249,258	1,216,336
Assets revaluation reserve	6,760,372	6,760,372
Capital redemption reserve	7,000	7,000
Foreign currency translation reserve	3,563,359	1,148,240
Share option reserve	-	12,788
Retained earnings	11,434,226	9,897,773
	<u>23,276,405</u>	<u>19,298,064</u>
Non-controlling interest	12,755,521	9,928,515
	<u>36,031,926</u>	<u>29,226,579</u>
<b>Total liabilities and equity</b>	<u>96,269,565</u>	<u>86,994,059</u>

**AVATION PLC****REGISTERED NUMBER: 05872328 (ENGLAND & WALES)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	<u>2010</u> £	<u>2009</u> £
<b>Cash flows from operating activities:</b>		
Profit before taxation	3,548,100	4,986,321
Adjustments for:		
Depreciation expense	4,704,804	4,455,650
Claim on maintenance reserve	4,102,127	2,712,005
Foreign currency exchange adjustment gain	-	(1,420,401)
Interest expense	3,156,229	3,548,968
Interest income	(5,948)	(13,254)
Operating profit before working capital changes	<u>15,505,312</u>	<u>14,269,289</u>
Movement in working capital:		
Trade and other receivables	379,919	(1,212,912)
Inventories	(214)	242
Trade and other payables	796,367	1,652,747
Short-term provisions	<u>(3,143,497)</u>	<u>(453,809)</u>
Cash from operations	<u>13,537,887</u>	<u>14,255,557</u>
Interest paid	(3,156,229)	(3,366,505)
Interest received	5,948	13,254
Corporation tax paid	<u>(204,574)</u>	<u>(1,066,989)</u>
<b>Net cash from operating activities</b>	<u>10,183,032</u>	<u>9,835,317</u>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	<u>(1,237)</u>	<u>(3,967,069)</u>
<b>Net cash used in investing activities</b>	<u>(1,237)</u>	<u>(3,967,069)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from issuance of ordinary shares	39,557	12,421
Share buyback	-	(7,000)
Net proceeds from issuance of subsidiary's shares to minority	22,972	-
Dividends paid	(131,095)	(127,903)
Proceeds from borrowings	-	3,210,035
Repayment of borrowings	(4,283,186)	(8,974,547)
Capital element of finance lease repayments	<u>(781,036)</u>	<u>-</u>
<b>Net cash used in financing activities</b>	<u>(5,132,788)</u>	<u>(5,886,994)</u>
Effects of exchange rates on cash & cash equivalents	<u>(4,860,447)</u>	<u>(199,458)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	188,560	(218,204)
Cash and cash equivalents at beginning of financial year	<u>1,039,321</u>	<u>1,257,525</u>
<b>Cash and cash equivalents at end of financial year</b>	<u>1,227,881</u>	<u>1,039,321</u>