

## **AVATION PLC (the “Company”)**

### **FINANCIAL RESULTS AND INTERIM MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

#### **“Material growth in Profit & Revenues with significant fleet growth to come in 2014”**

Avation PLC (LSE: AVAP) the commercial passenger aircraft leasing company is pleased to announce unaudited financial statements for the Company and its subsidiaries for the six-month period ended 31st December 2013.

The financial highlights, year on year, are:

- Revenues increased by 21% to US\$24,560,737, with Gross Profit increasing by 24%;
- Consolidated net profit before tax of Avation PLC increased by 15% to US\$7,894,478;
- Earnings per share of 11.6 cents (US\$) were recorded;
- Increased number of aircraft in the fleet from 19 to 24;
- Placed a firm order for five additional ATR 72 for delivery in 2015;
- The granting to Avation of five additional Purchase Rights for new ATR 72 aircraft; and
- Total number of aircraft under order or option for future delivery increased to 40 as at 31 December 2013.

#### **Commenting today, Avation PLC Chairman, Jeff Chatfield said:**

“The Board of Directors is pleased with the significant growth in the Avation aircraft leasing business. The Company, by way of revenue from leased aircraft assets, continued to deliver outstanding growth in the core aircraft business and successfully completed a sale of an aircraft to a customer pursuant to an option exercise.

“Avation also secured long term growth with the addition of purchase rights for future aircraft that takes the total future deliveries to 27 aircraft in addition to the thirteen firm aircraft scheduled to be delivered.

“The business continues to grow and perform strongly, with recent re-financing transactions releasing equity to fund further deliveries along with a warehouse facility to support lease attached aircraft acquisitions. We are confident that our strategy provides for continued and sustainable growth for the remainder of 2014 and beyond.”

Further information on Avation PLC can be seen at: [www.avation.net](http://www.avation.net). Avation PLC is registered in England and Wales with its operational headquarters in Singapore.

#### **Enquiries:**

Avation PLC - Jeff Chatfield, Executive Chairman	+65 97354151
Cenkos Securities - Guy Briselden	+44 207 397 8900
WH Ireland - Harry Ansell / James Joyce	+44 207 220 1666
Blythe Weigh Communications - Tim Blythe / Eleanor Parry	+44 207 138 3204

## **Statement by the Executive Chairman, Jeff Chatfield:**

Dear Fellow Shareholder,

### **Introduction**

Your Board is pleased to report that during the six month period ended 31st December 2013 the consolidated net profit after tax moved ahead to US\$6,175,649 on increased revenues of US\$24,560,737 with earnings per share rising to 11.6 cents. Returns principally comprise cash yield (income) from aircraft lease payments after repayment of associated debt obligations.

The revenue growth increase to US\$24,560,737 is consistent with the expectations of 30th June 2013 and a result of the continued expansion in the ATR 72 and jet fleet, together with the sale of a brand new ATR 72 aircraft to a customer presented within other income, which signifies an increase in the scope of operations to include aircraft sales.

As at 31 December 2013, total assets increased to US\$407,014,349. Corresponding liabilities increased to US\$303,936,845 resulting in net assets of US\$103,077,504.

### **Fleet Development**

The Company's aircraft fleet currently comprises 24 aircraft all of which are 100 per cent utilised and generate a gross rental yield of 14 per cent, based on book value as at 31 December 2013, from a current customer base of airlines in Australia, Europe and North America.

The fleet is comprised of a diverse range of commercial passenger aircraft, including new ATR 72 turbo-prop and Airbus A320, Airbus A321 and Fokker 100 jet aircraft. In addition to leasing these aircraft, Avation completed the first sale of an ATR 72 aircraft during the period. The transaction is recorded on a net income basis. Avation also provides active fleet and financial management to ensure the retention of asset values and the maximisation of earnings.

The ATR 72 fleet now stands at 13 delivered, with eight additional aircraft scheduled for delivery by December 2014 and five in 2015.

### **Funding**

The weighted average cost of capital for the period was 5.5 per cent on debt funding for the fleet. Subsequent to the end of the reporting period the Company secured material re-finance of two ATR aircraft, a transaction that demonstrates the bankability of the core aircraft of the Avation fleet and positions the Company well to obtain access to the necessary debt for future deliveries. Access to funding nevertheless remains a risk, which is common to all businesses that are leveraged and capital intensive. Specific aviation based industry risks are also present and include the creditworthiness of client airlines.

### **Dividend**

As announced at the Annual General Meeting held on 4 November 2013 the Company paid a final dividend of 1.78 cents per share on 25 November 2013.

### **Outlook**

The Board of Directors is strongly committed to developing the Avation business further and confident that it can achieve continued and sustainable growth in 2014 as demonstrated through the eight aircraft to be delivered before the end of 2014. Looking forward, the Directors anticipate further increases in lease revenues if, as and when, ordered aircraft are delivered or additional aircraft are purchased. As at the date of this report the Company has firm orders for 13 ATR72 aircraft and options and purchase rights for an additional 27 aircraft.

Jeff Chatfield,  
Executive Chairman  
Singapore, 25 February 2014

**AVATION PLC**

REGISTERED NUMBER: 05872328 (ENGLAND &amp; WALES)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Note	31 December 2013 US\$	31 December 2012 US\$
<b>Continuing operations</b>			
<b>Revenue</b>	4	24,560,737	20,243,074
Cost of sales		-	(390,565)
<b>Gross profit</b>		24,560,737	19,852,509
Other income	5	1,652,852	1,283,843
Other operating expenses	6	(7,536,993)	(6,894,049)
Expenses			
- Administrative expenses		(2,563,604)	(1,621,645)
- Finance expenses	7	(8,218,514)	(5,748,888)
<b>Profit before taxation</b>		7,894,478	6,871,770
Taxation		(1,718,829)	(981,353)
<b>Profit from continuing operations for the year</b>		6,175,649	5,890,417
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss:</b>			
Foreign currency translation (loss) gain		(48)	3,858
<b>Other comprehensive income for the year, (net of tax)</b>		(48)	3,858
Total comprehensive income		<u>6,175,601</u>	<u>5,894,275</u>
Profit attributable to:			
Equity holders of the parent		5,625,607	5,113,986
Non-controlling interest		550,042	776,431
		<u>6,175,649</u>	<u>5,890,417</u>
Total comprehensive income attributable to:			
Equity holders of the parent		5,625,577	5,116,000
Non-controlling interest		550,024	778,275
		<u>6,175,601</u>	<u>5,894,275</u>
<b>Earnings per share</b>			
- Basic – continuing and total operations		<u>11.60 cents</u>	<u>11.54 cents</u>
- Fully Diluted – continuing and total operations		<u>11.60 cents</u>	<u>11.54 cents</u>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT 31 DECEMBER 2013**

	Note	31 December 2013 US\$	30 June 2013 US\$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		21,816,843	19,623,244
Trade and other receivables		4,439,898	6,337,909
Prepayments		1,084,608	1,094,380
Inventories		438	438
<b>Total current assets</b>		<u>27,341,787</u>	<u>27,055,971</u>
<b>Non-current assets:</b>			
Trade and other receivables		11,848,305	9,300,261
Prepayments		7,903,551	8,442,671
Property, plant and equipment	8	357,536,698	347,200,389
Goodwill		2,384,008	2,384,008
<b>Total non-current assets</b>		<u>379,672,562</u>	<u>367,327,329</u>
<b>Total assets</b>		<u>407,014,349</u>	<u>394,383,300</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Trade and other payables		20,168,785	12,088,802
Deferred lease income		207,132	207,132
Provision for taxation		416,075	986,556
Loans and borrowings		25,310,757	24,243,718
Short-term provisions		-	3,757,081
<b>Total current liabilities</b>		<u>46,102,749</u>	<u>41,283,289</u>
<b>Non-current liabilities:</b>			
Trade and other payables		7,810,239	9,088,610
Deferred lease income		1,381,260	1,381,260
Loans and borrowings		241,953,821	239,205,865
Deferred tax liabilities		6,688,776	5,187,917
<b>Total non-current liabilities</b>		<u>257,834,096</u>	<u>254,863,652</u>
<b>Equity attributable to shareholders:</b>			
Share capital	9	878,137	878,137
Treasury shares		(682,333)	(214,498)
Share premium		29,809,334	29,809,334
Assets revaluation reserve		10,158,496	10,158,496
Capital redemption reserve		11,564	11,564
Warrant reserve		-	103,565
Capital reserve		2,530,212	2,530,212
Foreign currency translation reserve		(281)	(251)
Retained earnings		42,811,713	37,949,162
Parent interests		85,516,842	81,225,721
Non-controlling interests		17,560,662	17,010,638
		<u>103,077,504</u>	<u>98,236,359</u>
<b>Total liabilities and equity</b>		<u>407,014,349</u>	<u>394,383,300</u>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Share capital US\$	Treasury share US\$	Share premium US\$	Assets revaluation reserve US\$	Capital redemption reserve US\$	Warrant reserve US\$	Capital reserve US\$	Foreign currency translation reserve US\$	Retained earnings US\$	Total US\$	Non- controlling Interest US\$	Total equity US\$
Balance at 1 July 2013	878,137	(214,498)	29,809,334	10,158,496	11,564	103,565	2,530,212	(251)	37,949,162	81,225,721	17,010,638	98,236
Profit for the year	-	-	-	-	-	-	-	-	5,625,607	5,625,607	550,042	6,175
Other comprehensive income	-	-	-	-	-	-	-	(30)	-	(30)	(18)	-
Total comprehensive income	-	-	-	-	-	-	-	(30)	5,625,607	5,625,577	550,024	6,175
Dividend related to 2013 paid	-	-	-	-	-	-	-	-	(866,621)	(866,621)	-	(866,621)
Purchase of treasury shares	-	(467,835)	-	-	-	-	-	-	-	(467,835)	-	(467,835)
Warrant expired	-	-	-	-	-	(103,565)	-	-	103,565	-	-	-
Balance at 31 December 2013	878,137	(682,333)	29,809,334	10,158,496	11,564	-	2,530,212	(281)	42,811,713	85,516,842	17,560,662	103,077
Balance at 1 July 2012	779,618	-	23,047,234	11,309,284	11,564	192,946	2,530,212	(625)	28,113,618	65,983,851	16,190,897	82,174
Profit for the year	-	-	-	-	-	-	-	-	5,113,986	5,113,986	776,431	5,890
Other comprehensive income	-	-	-	-	-	-	-	2,014	-	2,014	1,844	3,858
Total comprehensive income	-	-	-	-	-	-	-	2,014	5,113,986	5,116,000	778,275	5,894
Dividend related to 2012 paid	-	-	-	-	-	-	-	-	(745,618)	(745,618)	-	(745,618)
Increase in issued share capital	31,292	-	3,097,908	-	-	-	-	-	-	3,129,200	-	3,129,200
Share issue expenses	-	-	(170,973)	-	-	-	-	-	-	(170,973)	-	(170,973)
Balance at 31 December 2012	810,910	-	25,974,169	11,309,284	11,564	192,946	2,530,212	1,389	32,481,986	73,312,460	16,969,172	90,281

**AVATION PLC**

REGISTERED NUMBER: 05872328 (ENGLAND &amp; WALES)

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	31 December 2013	31 December 2012
	US\$	US\$
<b>Cash flows from operating activities:</b>		
Profit before taxation	7,894,478	6,871,770
Adjustments for:		
Depreciation expense	7,466,753	5,508,778
Claim on maintenance reserve	70,240	1,385,271
Amortisation of loan premium	539,120	365,513
Interest expense	7,679,394	5,188,716
Interest income	(11,003)	(16,159)
Operating profit before working capital changes	23,638,982	19,303,889
Movement in working capital:		
Trade and other receivables and prepayments	(640,261)	(3,211,819)
Inventories	-	10,793
Trade and other payables	6,443,812	7,967,939
Deferred lease income	-	226,724
Short-term provisions	(3,827,321)	(977,566)
Cash from operations	25,615,212	23,319,960
Interest paid	(7,321,594)	(5,000,930)
Interest received	11,003	16,159
Corporation tax paid	(788,451)	(17,357)
<b>Net cash from operating activities</b>	<b>17,516,170</b>	<b>18,317,832</b>
<b>Cash flows used in investing activity:</b>		
Purchase of property, plant and equipment	(17,803,062)	(73,434,188)
<b>Net cash used in investing activity</b>	<b>(17,803,062)</b>	<b>(73,434,188)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from issuance of ordinary shares	-	2,958,227
Dividend paid	(866,621)	-
Repurchase of treasury shares	(467,835)	-
Proceeds from borrowings	16,602,575	73,931,175
Repayment of borrowings	(11,474,086)	(7,241,268)
Capital element of finance lease repayments	(1,313,494)	(1,782,995)
<b>Net cash from financing activities</b>	<b>2,480,539</b>	<b>67,865,139</b>
Effects of exchange rates on cash & cash equivalents	(48)	3,858
<b>Net increase in cash and cash equivalents</b>	<b>2,193,599</b>	<b>12,752,641</b>
Cash and cash equivalents at beginning of financial period	19,623,244	9,094,470
<b>Cash and cash equivalents at end of financial period</b>	<b>21,816,843</b>	<b>21,847,111</b>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

The Interim Report for Avation PLC for the six months ended 31 December 2013 was approved by the Directors on 25 February 2014.

**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.

**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 2013 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2013.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2013.

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 2013, 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 2013**

#### **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 2013, 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.

The business procurement segment does not meet the quantitative thresholds and is not separately disclosed.



**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

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:

<u>Revenue</u>	31 December 2013 US\$	31 December 2012 US\$
Australia	18,410,737	14,220,479
Denmark	4,150,000	4,500,000
Germany	1,650,000	-
United States	350,000	1,110,000
Others	-	412,595
	<u>24,560,737</u>	<u>20,243,074</u>
	Total assets US\$	Net Book Value Aircraft US\$
<u>31 December 2013</u>		
Australia	269,118,919	268,451,482
Denmark	59,274,275	59,274,275
Germany	22,208,645	21,862,278
Malta	992,864	-
United States	7,876,857	7,876,857
United Kingdom	21,595,629	-
Others	25,947,160	-
	<u>407,014,349</u>	<u>357,464,892</u>
	Total Assets US\$	Net Book Value Aircraft US\$
<u>30 June 2013</u>		
Australia	258,760,998	255,939,738
Denmark	60,667,000	60,667,000
Germany	23,194,344	22,388,817
Malta	1,163,056	-
United States	8,197,159	8,197,125
United Kingdom	20,114,934	-
Others	22,285,809	-
	<u>394,383,300</u>	<u>347,192,680</u>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

4 REVENUE

	31 December 2013	31 December 2012
	US\$	US\$
Rental income	24,560,737	18,159,284
Maintenance rent revenue	-	1,446,746
Management and service income	-	210,370
Business procurement revenue	-	426,674
	<u>24,560,737</u>	<u>20,243,074</u>

5 OTHER INCOME

	31 December 2013	31 December 2012
	US\$	US\$
Interest income	11,003	16,159
Foreign currency exchange adjustment gain	208,003	54,781
Software licence repurchase by aircraft manufacturer	-	1,075,420
Profit from sale of goods	1,433,784	-
Other income	62	137,483
	<u>1,652,852</u>	<u>1,283,843</u>

6 OTHER OPERATING EXPENSES

	31 December 2013	31 December 2012
	US\$	US\$
Claim on maintenance reserve expense	70,240	1,385,271
Depreciation of property, plant and equipment	7,466,753	5,508,778
	<u>7,536,993</u>	<u>6,894,049</u>

7 FINANCE EXPENSES

	31 December 2013	31 December 2012
	US\$	US\$
Interest expense on borrowings	7,679,394	5,188,716
Amortisation of loan premium	539,120	365,513
Amortisation of deferred lease expense	-	194,659
	<u>8,218,514</u>	<u>5,748,888</u>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

8 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Aircraft	Total
<u>31 December 2013</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Cost or valuation:			
At 1 July 2013	20,120	394,611,678	394,631,798
Additions	93,392	17,709,670	17,803,062
At 31 December 2013	<u>113,512</u>	<u>412,321,348</u>	<u>412,434,860</u>
Representing:			
Cost	113,512	234,691,720	234,805,232
Valuation	-	177,629,628	177,629,628
	<u>113,512</u>	<u>412,321,348</u>	<u>412,434,860</u>
Accumulated depreciation:			
At 1 July 2013	12,411	47,418,998	47,431,409
Depreciation for the period	29,295	7,437,458	7,466,753
At 31 December 2013	<u>41,706</u>	<u>54,856,456</u>	<u>54,898,162</u>
Net book value:			
At 1 July 2013	<u>7,709</u>	<u>347,192,680</u>	<u>347,200,389</u>
At 31 December 2013	<u>71,806</u>	<u>357,464,892</u>	<u>357,536,698</u>
	Furniture and equipment	Aircraft	Total
<u>30 June 2013</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Cost or valuation:			
At 1 July 2012	14,922	243,234,348	243,249,270
Additions	5,198	147,781,846	147,787,044
Revaluation surplus	-	3,595,484	3,595,484
At 30 June 2013	<u>20,120</u>	<u>394,611,678</u>	<u>394,631,798</u>
Representing:			
Cost	20,120	217,015,882	217,036,002
Valuation	-	177,595,796	177,595,796
	<u>20,120</u>	<u>394,611,678</u>	<u>394,631,798</u>
Accumulated depreciation:			
At 1 July 2012	7,529	29,379,438	29,386,967
Depreciation for the year	4,882	11,362,055	11,366,937
Increase in revaluation	-	(26,646)	(26,646)
Impairment loss	-	6,704,151	6,704,151
At 30 June 2013	<u>12,411</u>	<u>47,418,998</u>	<u>47,431,409</u>
Net book value:			
At 1 July 2012	<u>7,393</u>	<u>213,854,910</u>	<u>213,862,303</u>
At 30 June 2013	<u>7,709</u>	<u>347,192,680</u>	<u>347,200,389</u>

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

9 SHARE CAPITAL AND TREASURY SHARES

(a)

	31 December 2013 US\$	30 June 2013 US\$
Allotted, called up and fully paid: 48,822,960 (30 June 2013: 48,822,960) ordinary shares or 1 penny each	<u>878,137</u>	<u>878,137</u>

(b) Treasury shares

	31 December 2013 US\$	30 June 2013 US\$
450,000 (30 June 2013: 150,000) ordinary shares	<u>682,333</u>	<u>214,498</u>

- a) On 19 September 2013, the Company purchased 150,000 of its own ordinary shares at a price of 94 pence per ordinary share representing approximately 0.31 per cent of the Company's current issued share capital. These 150,000 ordinary shares are to be held in treasury.
- b) On 24 September 2013, the Company purchased 150,000 of its own ordinary shares at a price of 100 pence per ordinary share representing approximately 0.31 per cent of the Company's current issued share capital. These 150,000 ordinary shares are to be held in treasury.

10 DIVIDENDS PAID

	31 December 2013 US\$	31 December 2012 US\$
Dividend declared/paid during the 6 months ended 31 December:		
Final dividend of 1.11p (2012: 1.05p)	<u>866,621</u>	<u>745,618</u>

No dividends have been declared subsequent to 31 December 2013.

11 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2013.

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

12. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions:

	31 December 2013 <u>US\$</u>	31 December 2012 <u>US\$</u>
Business procurement revenue from a related party <sup>1</sup>	-	14,009
Business procurement revenue from a related party <sup>2</sup>	-	1,524
Services rendered to a related party <sup>2</sup>	-	4,914
Maintenance rent received from a related party <sup>1</sup>	-	1,446,746
Rental income received from a related party <sup>1</sup>	-	12,360,266
Rental income received from a related party <sup>3</sup>	-	189,018
Interest income received from a related party <sup>4</sup>	-	674
Interest income received from a related party <sup>5</sup>	5,140	7,767
Interest income received from a related party <sup>6</sup>	-	523
Service fee paid to a related party <sup>7</sup>	4,830	4,368
Service fee paid to a related party <sup>10</sup>	-	189,018
Expenses rebilled from a related party <sup>10</sup>	-	42,855
Interest expense paid to a related party <sup>8</sup>	178,842	100,513
Interest expense paid to a related party <sup>9</sup>	147,452	-
Interest expense paid to an ex-director of a subsidiary	<u>19,654</u>	<u>1,882</u>

1. Received from Virgin Australia Regional Airlines Pty Ltd in which a director of the Company was also a director of Virgin Australia Regional Airlines Pty Ltd.
2. Received from Skywest Airlines (S) Pte Ltd in which a director of the Company was also a director of Skywest Airlines (S) Pte Ltd.
3. Received from F11305 Pte Ltd in which a director of the Company was also a director of F11305 Pte Ltd.
4. Received from Giant Mix Investment Ltd in which an ex-director of the Company is also a director of Giant Mix Investment Ltd
5. Received from Takeoff Services Pte Ltd in which a director of the Company is also a director of Takeoff Services Pte Ltd.
6. Received from CaptiveVision Capital Ltd in which a director of the Company was a director of CaptiveVision Capital Ltd.
7. Paid to Leob Aron & Company Ltd in which a director of a subsidiary is also a director of Leob Aron & Company.
8. Paid to Fleet Solution Consulting Pte Ltd in which an ex-director of a subsidiary is also a director of Fleet Solution Consulting Pte Ltd.
9. Paid to Epsom Assets Limited in which a director of the Company is also a director of Epsom Assets Limited.
10. Paid to Skywest Airlines (S) Pte Ltd in which a director of the Company was also a director of Skywest Airlines (S) Pte 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 2013.

**AVATION PLC**  
**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**  
**NOTES TO THE FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

13 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the followings occurred:

- a) On 13 January 2014, the Company has entered into a loan facility agreement with an Australian based institution. Funds are on standby and, when applicable, the loan facility can be drawn down to a maximum amount of US\$9.5 million. The facility is secured on the Company's fleet of five Fokker F100 aircraft. These Aircraft are currently unencumbered and are fully owned by the Company. The loan facility is on usual commercial terms based on the assets against which the loan is secured.
- b) On 24 January 2014, the Company has agreed to extend the leases of its four Fokker F100 aircraft, all of which are on lease to a major Australian airline. The leases will be extended by 36 months in each case from the previously scheduled expiry dates of each lease, which were between December 2013 and August 2014. Rentals under the extended leases are on typical market terms for transactions of this nature.
- c) On 17 February 2014, the Company has obtained a further finance facility to support future aircraft acquisitions. The senior secured revolving warehouse facility has been designed to support the ad-hoc purchase of an aircraft when opportunities present themselves.
- d) On 24 February 2014, the Company entered into a refinance facility of two ATR 72 aircraft. The facility represented 14.2% of loans & borrowings as at 31 January 2014. The facility re-financed \$32.6 million of senior debt in respect of the aircraft. The cost of funds associated with the new facility are approximately half of the cost of the facility that was re-financed.

## **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 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 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 2013.

## **DIRECTORS**

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2013. A list of the current directors is maintained on the Avation PLC website: [www.avation.net](http://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  
Executive Chairman

Singapore 25 February 2014