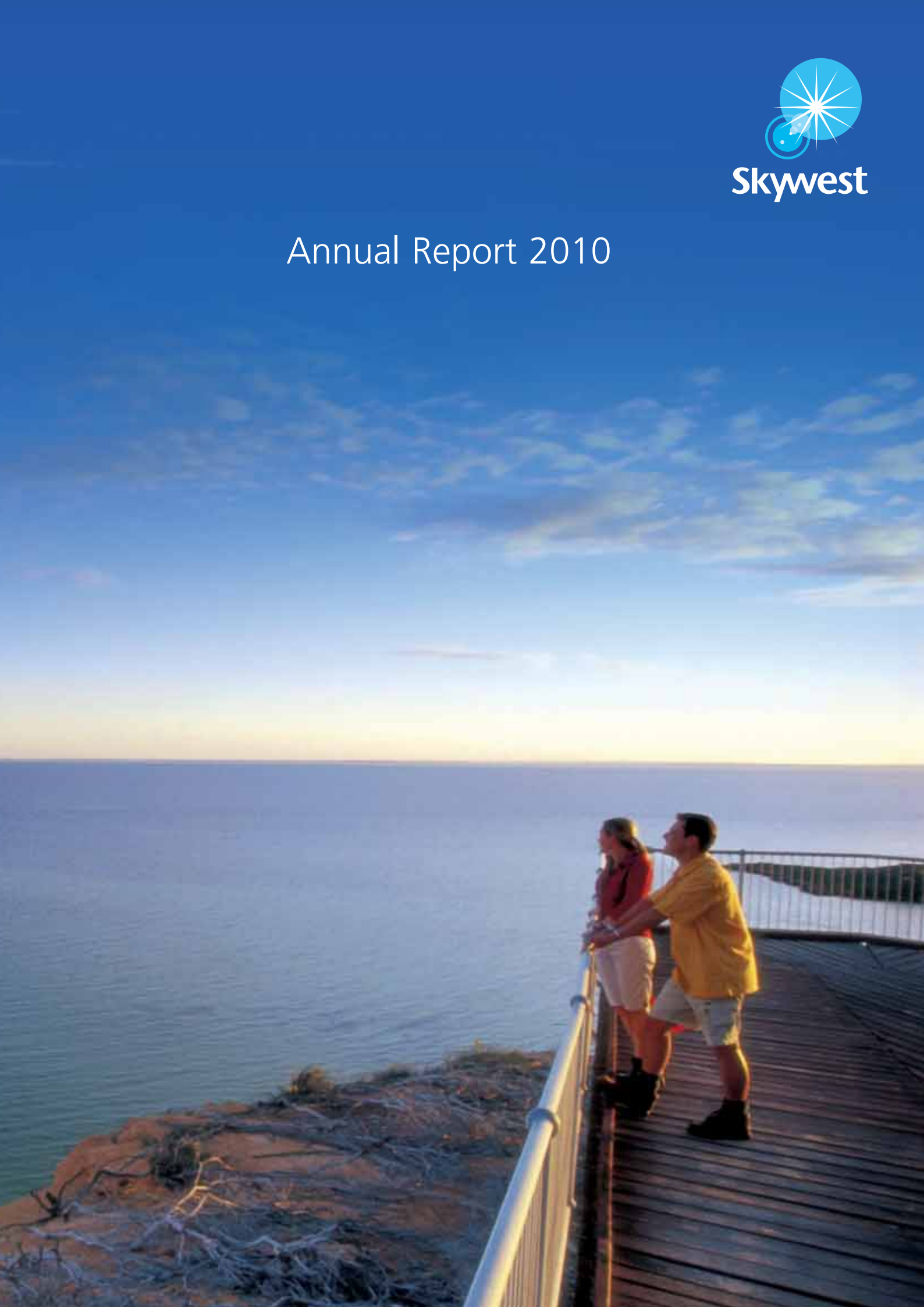




Skywest

# Annual Report 2010





*Tourism Western Australia - Aerial view of Lake Argyle*

*Cover: Tourism Western Australia - Eagle Bluff, near Denham*

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Skywest fleet at Perth airport

## Chairman's Statement 2009 – 2010 Financial Year



Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present you with the financial results for Skywest Airlines Ltd (the "Company") and its subsidiaries (the "Group") for the year ended 30<sup>th</sup> June 2010. I also take this opportunity to update you on the development and progress that our Group has made.

The last twelve months of operations have been conducted in an extremely volatile operating environment for the Airline. Customer attitude was affected by massive changes in the activities of the resources companies and the Airline noted fluctuations in its charter business due to the response of these companies to changes in the Australian taxation regime, especially in respect to the Federal Government's proposed then aborted Resources Super Profits Tax. The uncertainty had an impact on our customers and therefore the second half performance was not as strong as expected and the Company believes that the proposed Resources Super Profits Tax caused a weaker overall profit result than would have otherwise been achieved.

Despite this uncertainty, the Board and senior management navigated the Group through the period to deliver a satisfactory profit. The overall result for the year comprises a revenue base for the Group of SGD 215.2m. The consolidated net profit after tax was SGD 9.23m with earnings per share of SGD 4.71cents. The consolidated EBITDAR was SGD 52.57 m.

The Board believes the financial results are satisfactory. The profits are up 190% on last year and revenue has increased by 19%.

### Dividend

The Board recognises the importance of rewarding shareholders as the owners of the Company and is therefore recommending that shareholders receive a final dividend payment of 1.10 Singapore cents per share, which represents an increase of 10% over last year's final dividend of 1 Singapore cent. The proposed dividend record date and payment timetable will be announced in due course, along with the Notice of the Company's forthcoming Annual General Meeting ("AGM"), which is anticipated to be held in November.

### ASX Quotation and international operations

Since the last financial period, the Company successfully applied to have its shares quoted on the Australian Securities Exchange (ASX). This listing enhances the shareholders' investment opportunities in the Company, which is also traded in London on the LSE's Alternative Investment Market (AIM). As at the date of this announcement, we understand that

approximately 50% of the shareholders may be considered to be Australian.

### Trading and outlook

Skywest continues to provide conventional airline services to all of the major airports in Western Australia and beyond, as it has done for the last 47 years. This regular airline business, whereby scheduled flights are provided and sold to the flying public, continues its organic growth within a relatively stable retail environment. We believe that the scope for growth in this area of the business is significant thus the Airline continues to stimulate the market by expanding its route network, adding regional routes as and when more aircraft become available through new fleet additions or by virtue of adjusted scheduling in accordance with demand.

During the year, the Airline's total fleet size was 17 aircraft but shareholders should note that the fleet size will shortly increase to 18, as an Airbus A320-200 jet aircraft, with larger passenger capacity than the current Fokker aircraft, is in the process of being added to the fleet. The total cost of adding this new type to the Australian Air Operator's Certificate ("AOC") and deploying the new aircraft in the fleet is approximately AUD 3.2 m. The particular A320-200, which is initially being included on the AOC, was previously operated by Thomas Cook in the UK. Cognisant of the risks associated with over-expansion, the Airline otherwise tempered the fleet's growth this year and therefore has not always deployed as many aircraft as it was potentially able. This conservative strategy had a cost impact, namely an increase in cross hire expenses.



Additionally, an agreement with CITIC Pacific Mining Management Pty Ltd (“CITIC Pacific Mining”) was reached for a scheduled airline service between Perth and Karratha for employees of CITIC Pacific Mining. The Agreement’s scope of services and revenue may increase should additional services be required and scheduled. The Agreement provides for anticipated revenues to Skywest of AUD 10.4m per year. The Agreement is for an initial term of one year with a term extension option available to CITIC Pacific Mining.

The Airline also reached agreement with Perth’s major daily newspaper, The West Australian (ASX: WAN), to distribute copies of the paper, on the same day as printed, throughout Western Australia. These airfreight services are provided overnight to increase utilization of some of the fleet.

The Airline will continue to see additional resources, charter contracts and route expansion. There is a sense that the resources sector has resumed growth, after the issues around the Resources Super Profits Tax issue have apparently been mitigated.

In response to the Western Australian Government’s public invitation, the Airline recently delivered a detailed expression of interest to continue its operations on the regulated coastal network of Western Australia. The Company is willing and able to continue to operate a scheduled airline service to the airports that are subject to this regulation and wishes to maintain its service of the Western Australian communities.

### **Australian Air Operators Certificate (AOC)**

The Airline is in the process of adding the A320-200 type aircraft to its AOC. Once CASA approves the addition of this aircraft type to the AOC, it is anticipated that the inclusion of further A320-200 aircraft on the AOC will be faster and less costly, thus enabling more fleet expansion opportunities to the Company. This will allow some F100 aircraft to be deployed to alternative routes and allow additional services to be provided to resources clients who wish to utilize the A320-200.

The Airline’s AOC was recently amended to include Denpasar, Bali (Indonesia) as a passenger and cargo destination port for its Regular Public Transport Operations. Previously, the Airline was entitled to fly passengers to and from Denpasar on a charter basis only. This extended AOC entitles the Airline to sell commercial, non-charter tickets on routes to that port. The Company understands that, since more than 50% of its shareholder base is Australian, the Airline may be eligible for an Australian International Airline Licence making it possible for the Airline to apply for the inclusion of other international ports in the South East Asian region. To this end, the Airline is now in the process of applying to include the route of Broome-Singapore to its AOC. Furthermore, the Airline is investigating the addition of other domestic routes, such as from the Pilbara to the East Coast of Australia.

### **Labour and human resources**

The Airline recently negotiated Enterprise Bargaining Agreements (“EBA”) with its pilot and engineering group of employees. The two EBAs provide labour cost certainty to the Group for a period of 3 years in respect to the pilots and 2 years in respect to the engineers. The Board is pleased the Airline reached consensus with its workforce and anticipates greater productivity and better workplace relations in the coming years. The Company endeavours to maintain secure arrangements and collaboration with its workforce to provide certainty of service to the Airline’s customers.

The Airline also enhanced its senior management by hiring two senior executives with airline business focus including an experienced Sales Manager to strengthen the commercial focus of the Airline’s management.

### **Risks**

Risks faced by the business remain the normal commercial risks and typical airline industry related risks. The Company and its shareholders must anticipate a possible slow down in the rate of growth due to the global crisis of confidence in the broader economy associated with the credit institutions. This year has demonstrated the impact of significant rapid changes in exchange rate and fuel costs. These two factors still represent a significant risk to the business. Australian domestic fuel prices, when combined with a lowering in the value of the Australian dollar, cause increased overall costs to the Airline’s operations.



## Chairman's Statement 2009 – 2010 Financial Year

The Company does attempt to mitigate changes in fuel costs by way of hedging, however, rapid and massive changes can quickly impact the finances of the Group with significant consequences.

The policies of the Western Australian Government may impact access to some of the airports that the Airline currently serves. In the worst case, the Government could potentially restrict access to certain ports or introduce unsustainable levels of competition to airports that cannot support competition. Overall, the Board is unable to provide shareholders with any exact guidance about future profit expectations in light of the unstable global economic outlook, uncertain passenger demands, volatile exchange rates and fuel prices that impact on the Airline's business.

I would like to take this opportunity of thanking you, the shareholders, for your continued support during this exciting but challenging period in the Company's operations and look forward to keeping you updated on the progress of the Group.

In due course, the Company will publish its Notice for the forthcoming Annual General Meeting. Accompanying documents will also be accessible to shareholders on the Company's website at [www.skywest.com.sg](http://www.skywest.com.sg).

R J (Jeff) Chatfield  
Executive Chairman,  
26 August 2010





F100 VH-FNC - Zach Liepa

## 2010 Highlights

- Improved demand and expanded fleet to allow additional flights.
- Strengthened charter operations via agreement with CITIC Pacific Mining and freight with Western Australian Newspapers.
- Improved revenues and growth in business to SGD 215.20m (AUD 173.78m) increasing by 19% from SGD 180.85m in 2009.
- Group EBITDAR for the year of SGD 52.57m (AUD 42.45m).
- Group Profit before Tax for the year of SGD 14.02m (AUD 11.32m).
- Group Net Profit after Tax for the year of SGD 9.23 m (AUD 7.46 m), an increase of 190% from SGD 3.17 m in 2009.
- Unfranked Final Dividend of SGD 0.011 per share (which represents a 10% increase on 2009 Final Dividend) to be proposed to shareholders.
- Fleet expansion plan underway with investment in the period to 30th June 2010 of AUD 1.27m (expensed) to deploy A320 type aircraft.
- Earnings per share increased by 194% to SGD 4.71 cents per share.

The results for the Group's full financial year ended 30 June 2010, based on the audited Financial Statements (pursuant to International Financial Reporting Standards "IFRS") and reported in Singapore Dollars "SGD" are as follows (for the convenience of international shareholders, additional columns are included to show an equivalent value in Pounds Sterling "GBP" and Australian Dollars "AUD"):

Consolidated 12 months ended 30 June 2010	Audited <i>In SGD</i>	GBP Equivalent <sup>(i)</sup> <i>In GBP</i>	AUD Equivalent <sup>(ii)</sup> <i>In AUD</i>
Revenue from ordinary activities	215,204,636	96,941,080	173,777,744
EBITDAR (earnings before interest, tax, depreciation and aircraft rentals)	52,573,148	23,682,100	42,452,817
Net Profit after income tax	9,233,877	1,356,350	7,456,356
Profit attributable to shareholders	9,233,877	1,356,350	7,456,356
Basic earnings per share	4.71 cents	2.12 pence	3.80 cents
Proposed Final Dividend per share <sup>(iii)</sup>	1.10 cents	IV.	IV.
Dividend Payout Ratio	0.34	N.A.	N.A.

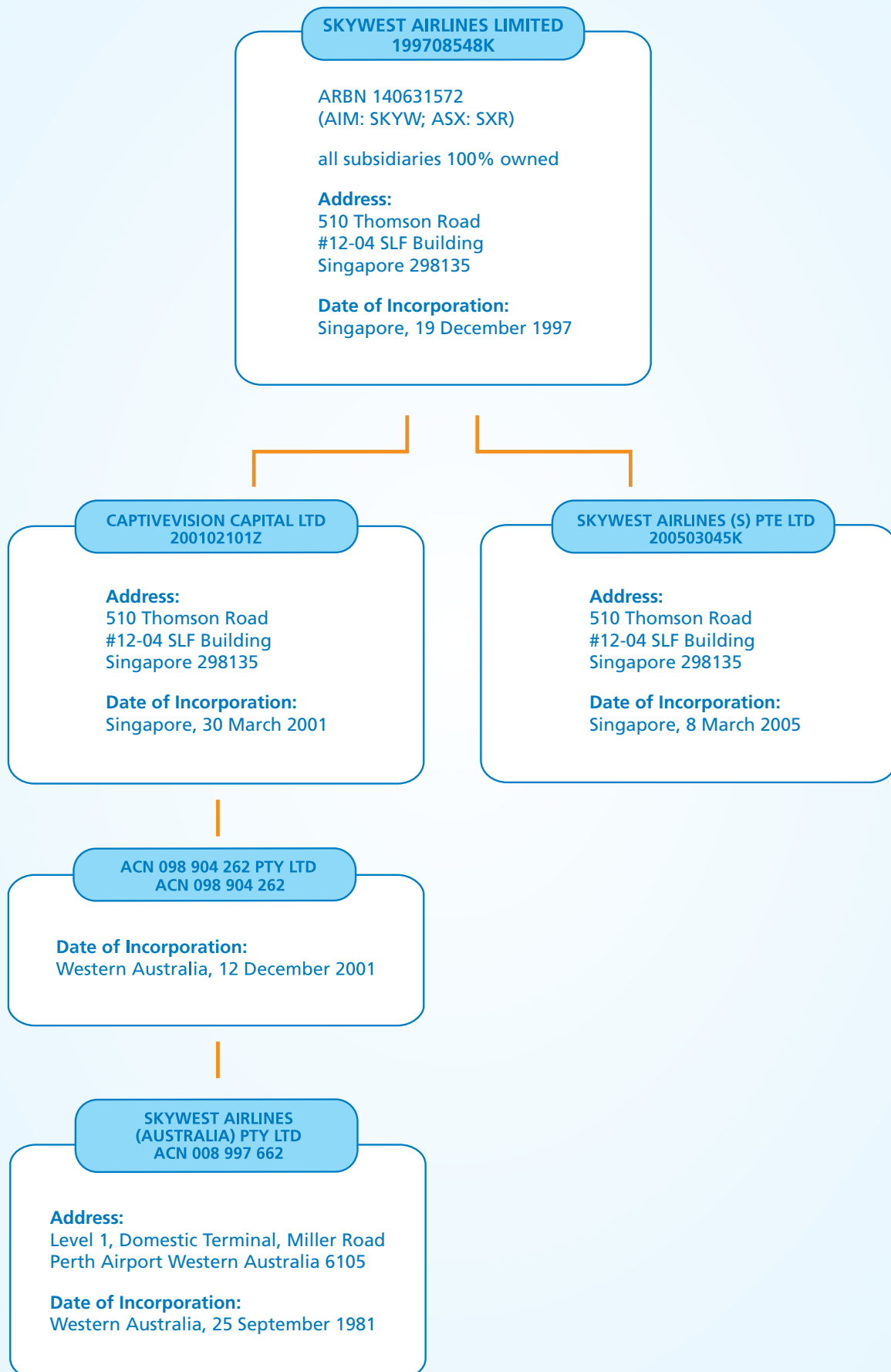
*I. In this announcement, the applicable exchange rate between SGD and GBP was taken to be the average exchange rate of 1:0.45046 which was used in the presentation of the accounts.*

*II. In this announcement, the applicable exchange rate between SGD and AUD was taken to be the average exchange rate of 1:0.80750 which was used in the presentation of the accounts.*

*III. The timetable and exchange rate for the payment of the proposed final dividend will be announced when, and if payment of the dividend is approved by shareholders.*

*IV. The proposed dividend payout in GBP and AUD to investors will be calculated at the time of the upcoming 2010 AGM.*

# Group Structure







## Skywest Airlines Limited Board of Directors



### Jeff Chatfield

#### EXECUTIVE CHAIRMAN OF THE GROUP

Mr Chatfield is the Executive Chairman of the Company and the Managing Director of CaptiveVision Capital Ltd (an investment company wholly owned by the Company) which is the sole shareholder of the Australian subsidiaries. He has held director level and senior management responsibilities for companies in various industries with locations as diverse as New York, Amsterdam, Sao Paulo Brazil, Singapore, Perth and Melbourne. Mr Chatfield's past experience includes the foundation of a global television advertising service and the making of substantial investments on behalf of public companies. He has managed and closed a variety of capital raisings, IPO's, strategic advisory, public equity issues and secondary offerings. Mr Chatfield holds a BE and MESC from the University of Western Australia.



### Seah Kian Peng

#### NON EXECUTIVE DIRECTOR

Mr Seah is the CEO (Singapore) of NTUC Fairprice Cooperative Limited. NTUC Fairprice is a leading retailer in Singapore with a chain of over 245 supermarkets and convenience stores and a group turnover in excess of SGD\$2 billion and a staff strength of over 7,000.

He is a Trustee of Singapore National Co-operatives Federation [SNCF] and a board member of the International Co-operative Alliance. He also holds the position of Vice President of the Singapore Compact for Corporate Social Responsibility, the co-chair of the Social Enterprise Association and is a board member of Centre for Fathering.

Mr Seah has worked in both the public and private sectors and also serves in many public and community organisations. He is also an independent director on two other public listed companies and two government statutory boards. He completed his tertiary education in Sydney, Australia and attended the Advanced Management Programme in Harvard Business School.

In May 2006, Mr Seah was elected and became a Member of Parliament of the Republic of Singapore.



### John Jost

#### NON EXECUTIVE DIRECTOR

Mr Jost worked as a journalist after graduating from the University of Melbourne Law School. During his media career he was chief political correspondent of The Age, publications and new projects manager for David Syme Ltd, and later a founding presenter of ABC-TV's 7.30 Report. In 1994, Mr Jost formed Bass Media which established an AM-FM radio network that is now part of the Macquarie Bank Radio Trust. He was a founder investor of the Company.

*Fokker F-50 aircraft at Perth airport - David Herbert*



**Ron Aitkenhead**

**NON EXECUTIVE DIRECTOR**

Mr Aitkenhead is a member of the Company's Audit Committee and Nomination Committee. He has significant public sector experience as Chairman of the Fremantle Port and as Chairman of the Board of the Central Wheatbelt Business Enterprise Centre. Mr Aitkenhead's qualifications include membership as a Graduate and Fellow of the Institute of the Company Directors (Australia) and he is registered as a Justice of the Peace with the Western Australian Department of Justice. He has also held committee positions with several community and sporting organizations in Western Australia.



*Captain Warren Wilkinson, "Head of Flight Operations"*

## Corporate Governance Statement

### Statement on Corporate Governance at Skywest

This statement reports on Skywest's key governance framework, principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and good practice in corporate governance.

### ASX Principles of Corporate Governance

Skywest must comply with the laws of Singapore, the Corporations Act 2001 (Cwth) ("**Corporations Act**"), the Australian Securities Exchange ("**ASX**") Listing Rules ("**ASX Listing Rules**"), other Australian securities laws, the Alternative Investment Market ("**AIM**") Listing Rules, other UK securities laws and any other required listing rules.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Corporate Governance Principles and Recommendations ("**ASX Principles**") published by the ASX Corporate Governance Council. The ASX Principles require the Board to consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

### Compliance with ASX Principles of Good Corporate Governance

Details of Skywest's compliance with the ASX Principles are set out below. A checklist, cross referencing the ASX Principles to the relevant paragraphs below, is provided in the final section of this statement. Skywest notes that it is reporting against the August 2007 version of the ASX Principles.

### Board Functions

The board seeks to identify and satisfy the expectations of its shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. The responsibility for the overall operation and administration of the Group is delegated by the board to the Executive Chairman and the executive management team, with the CEO (Mr Shelton) and the other members of the executive management team being responsible for various aspects of the day to day operations of the Group. The board ensures that these people are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Executive Chairman and the executive management team.

Whilst at all times the board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board.

To this end, the board has established the following committees:

- Audit
- Nomination
- Remuneration

The roles and responsibilities of these committees are discussed throughout this corporate governance statement. Skywest also maintains a Corporate Governance page on its website for the purposes of AIM Rule 26, which is available at [www.skywest.com.sg/aim26](http://www.skywest.com.sg/aim26).

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved, including:

- the board's approval of a strategic plan designed to meet shareholders' needs and manage business risk.
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the Group.
- Implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non-financial key performance indicators.
- Management of senior executives.

Other functions reserved to the board include:

- Approval of the annual and half-yearly financial reports.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.
- Reporting to shareholders.

ASX CGC 1.1; 1.2; 2.3

## Structure of the Board

The relevant skills, experience and expertise held by each director in office at the date of the annual report are included in the annual report.

The Directors of Skywest have been in office for the following periods:

Name	Years in Office
Robert Jeffries Chatfield	12 years
Seah Kian Peng	10 years
John Leonard Jost	6 years
Ronald Lewis Aitkenhead	3 years

Directors of Skywest are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. (ASX CGC 2.6)

The following directors of Skywest are considered to be independent:

Name	Position
Seah Kian Peng	Non-executive director
John Leonard Jost	Non-executive director
Ronald Lewis Aitkenhead	Non-executive director

ASX CGC 2.1

The board advises shareholders that Mr Chatfield, the Executive Chairman, is not considered independent. However, the board believes that Mr Chatfield is the most appropriate person to lead the board and that he is able to and does bring quality judgement to all relevant issues falling within the scope of the role of Chairman and that the Group as a

whole benefits from his long standing experience of its operations and business relationships. ASX CGC 2.3

There are procedures in place, agreed by the board, to enable directors in furtherance of their duties to seek independent professional advice at Skywest's expense.

For additional details regarding board appointments, please refer to our AIM Rule 26 website.

## Board Performance

The board undertakes self assessments and reviews in respect of its performance and the performance of its committees and the individual directors at least once every 2 years. The board is responsible for evaluating the Executive Chairman's performance on an ongoing basis. ASX CGC 2.5

The performance criteria against which the Executive Chairman and the management team are assessed are aligned with the financial and non-financial objectives of Skywest. ASX CGC 1.2

The board did not undertake a self-assessment or review of its performance or the performance of its sub-committees and directors during the reporting period. However, the board intends to undertake these evaluations within the next 12 months.

## Trading Policy

Under Skywest's securities trading policy, an executive or director must not trade in any securities of Skywest at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. ASX CGC 3.2

As required by AIM and ASX listing rules, Skywest notifies the AIM and ASX of any

transaction conducted by directors in the securities of Skywest.

## Nomination Committee

The board has established a nomination committee, which meets at least annually, to ensure that the board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director.

ASX CGC 2.4

The nomination committee comprised the following members:

- Robert Jeffries Chatfield (Committee Chairman)
- Seah Kian Peng
- Ronald Lewis Aitkenhead

For details of directors' attendance at meetings of the nomination committee, please refer to the directors' report.

For additional details regarding the nomination committee including its charter please refer to our AIM Rule 26 website.

## Audit Committee

The board has established an audit committee, which operates under a charter approved by the board. The committee meets at least twice a year. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the audit committee. ASX CGC 4.1

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The members of the audit committee during the year were:

- John Leonard Jost (Committee Chairman)
- Ronald Lewis Aitkenhead

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, please refer to the directors' report.

For additional details regarding the audit committee, including a copy of its charter, please refer to our AIM Rule 26 website.

## Risk

The board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of Skywest's approach in creating long-term shareholder value.

In recognition of this, the board determines Skywest's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so the board has taken the view that it is crucial for all board members to be a part of this process and as such, has not established a separate risk management committee. *ASX CGC 7.1*

The board oversees assessment of the effectiveness of risk management and internal compliance and control. The day to day tasks of undertaking and assessing risk management and internal compliance and control are delegated

to management through the CEO (Mark Shelton), who is responsible for the design and implementation of Skywest's risk management and internal control system. Management reports to the board on Skywest's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a periodic agenda items at monthly board meetings. *ASX CGC 7.2*

For the purposes of assisting investors to understand better the nature of the risks faced by Skywest, the board has prepared the following list of operational risks as part of the Principle 7 disclosures. However, the board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events.

## Key operation risks:

- Fluctuations in commodity prices, exchange rates & demand volumes.
- Political instability/sovereignty risk in some operating sites.
- The occurrence of force majeure events by significant suppliers.
- Increasing costs of operations, including labour costs.
- Changed operating, market or regulatory environments as a result of climate change.

Underpinning Skywest's risk management efforts is a comprehensive set of policies and procedures directed towards achieving the following objectives in relation to the requirements of Principle 7:

- Effectiveness and efficiency in the use of Skywest's resources.
- Compliance with applicable laws and regulations.
- Preparation of reliable published financial information.

## Remuneration

It is Skywest's objective to provide maximum shareholder benefit from the retention of a high quality board and management team by remunerating directors and the management team fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of such remuneration to Skywest's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key members of the management team.
- Attraction of high quality management to Skywest.
- Performance incentives that allow management to share in the success of Skywest. *ASX CGC 8.2*

The board is responsible for determining and reviewing compensation arrangements for the Executive Chairman, the CEO and the other members of the management team. The board has established a remuneration committee, comprising the following two non-executive directors:

- John Leonard Jost (Committee Chairman)
- Ronald Lewis Aitkenhead

*ASX CGC 8.1*

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, please refer to the directors' report.

For additional details regarding the remuneration committee, including a copy of its charter, please refer to our AIM Rule 26 website.

## ASX Principles Compliance Statement

The table below summarises Skywest's compliance with the ASX Principles.

	<b>Recommendation</b>	<b>Comply Yes/No</b>	<b>Reference / Explanation</b>
<b>Principle 1 - Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	ASX CGC 1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	ASX CGC 1.2
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
<b>Principle 2 - Structure the board to add value</b>			
2.1	A majority of the board should be independent directors.	Yes	ASX CGC 2.1
2.2	The chair should be an independent director.	No	Mr RJ Chatfield does not satisfy the definition of an independent director.
2.3	The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	
2.4	The board should establish a nomination committee.	Yes	ASX CGC 2.4
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	ASX CGC 2.5
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Developing	ASX CGC 2.6 Further details relating to Principle 2 are to be included on the website.
<b>Principle 3 - Promote ethical and responsible decision-making</b>			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>- The practices necessary to maintain confidence in the company's integrity.</li> <li>- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.</li> <li>- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	No	The Company does not have a formal policy.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	ASX CGC 3.2
3.3	Companies should provide the information indicated in the guide Developing to reporting on Principle 3.	Developing	Further details relating to Principle 3 to be included on the website.

#### Principle 4 - Safeguard integrity in financial reporting

4.1	The board should establish an audit committee.	Yes	ASX CGC 4.1
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>- Consists only of non-executive directors.</li> <li>- Consists of a majority of independent directors.</li> <li>- Is chaired by an independent chair, who is not chair of the board.</li> <li>- Has at least three members.</li> </ul>	Partial	The Audit committee consists of only two members, all other conditions are satisfied.
4.3	The audit committee should have a formal charter.	Yes	
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Developing	Charter to be included on the website.

#### Principle 5 - Make timely and balanced disclosure

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Skywest has a communications policy and gives careful consideration to the views expressed by its Australian lawyers and similar professional service providers.
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	

#### Principle 6 - Respect the rights of shareholders

6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	See policy on website.

#### Principle 7 - Recognise and manage risk

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	ASX CGC 7.1
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of Skywest's management of its material business risks.	Yes	ASX CGC 7.2
7.3	The board should disclose whether it has received assurance from the CEO [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	N/A	N/A
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Developing	A summary of the risk oversight policies needs to be included on the website.

### Principle 8 – Remunerate fairly and responsibly

8.1	The board should establish a remuneration committee.	Yes	ASX CGC 8.1
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	ASX CGC 8.3

### ASX additional information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 16 September 2010.

#### (a) Distribution of equity securities

##### (i) Ordinary share capital

199,600,000 fully paid ordinary shares are held by 1256 individual shareholders (including those who hold CHESS or CREST depository interests). There are 255 CREST depository interests and 252 CHESS depository interests on issue.

All issued ordinary shares carry one vote per share and carry the rights to dividends. Each CHESS and CREST depository interest represents one ordinary share and holders of depository interests can vote through either Computershare Investor Services PLC or CHESS Depository Nominees Pty Ltd (as relevant).

##### (ii) Warrants

3,040,000 warrants are held by 7 individual warrant holders.

Warrants do not carry a right to vote.

The number of shareholders, including holders of depository interests by size of holding, in each class are:

	Number of holders of fully paid Ordinary Shares / despository interests	Number of holders of warrants
1 - 1,000	80	-
1,001 - 5,000	410	-
5,001 - 10,000	209	-
10,001 - 100,000	403	2
100,001 and over	154	5

#### (b) Substantial shareholders

##### Ordinary shareholders (including holders of depository interests)

	Number	Percentage
Hanover Nominees Limited	24,702,560	12.38%
Fitel Nominees Limited	21,401,012	10.72%
Credit Suisse Securities (Europe) Limited	12,107,440	6.07%
UBS Nominees Pty Ltd <PB SEG A/C>	12,010,958	6.02%

**(c) Twenty largest holders of securities including depository interests**

<b>Name</b>	<b>Number</b>	<b>Percentage</b>
Hanover Nominees Limited	24,702,560	12.38%
Credit Suisse Securities (Europe) Limited	12,107,440	6.07%
UBS Nominees Pty Ltd <PB SEG A/C>	12,010,958	6.02%
Fitel Nominees Limited	10,901,012	5.46%
Hargreave Hale Nominees Limited	9,798,988	4.91%
Fitel Nominees Limited	7,000,000	3.51%
UBS Wealth Management Australia Nominees	6,200,000	3.11%
Queensland Investment Corporation	4,880,000	2.44%
HSBC Global Custody Nominee (UK) Limited	4,500,000	2.55%
TD Waterhouse Nominees (Europe) Limited	4,316,063	2.16%
Barclayshare Nominees Limited	4,156,500	2.08%
L R Nominees Limited	3,625,807	1.82%
Fitel Nominees Limited	3,500,000	1.75%
Mr Lee Hong Ken	3,298,381	1.65%
Pershing Nominees Limited	3,296,000	1.65%
Fitel Nominees Limited	3,173,743	1.59%
Smith & Williamson Nominees Limited	3,057,450	1.53%
Pershing Nominees Limited	3,011,278	1.51%
Vidacos Nominees Limited	2,993,114	1.50%
Mr Robert Jeffries Chatfield	2,400,000	1.20%

**(d) Unquoted equity securities shareholdings greater than 20%**

Skywest has no unquoted equity security shareholdings in issue.

**(e) Marketable Parcels**

There were 6 holders with less than a marketable parcel of CHESS depository interests.

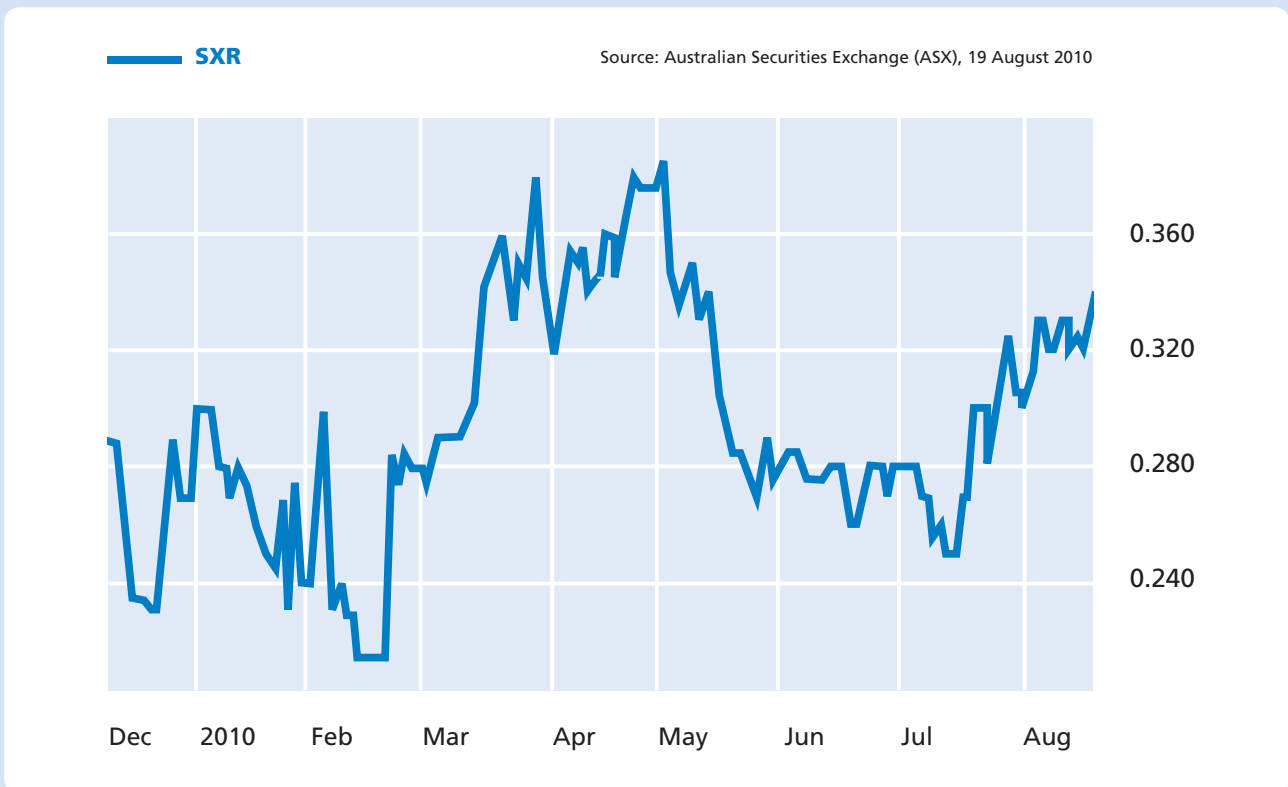
**(f) Application of Corporations Act**

The company, being incorporated in Singapore, is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares.





## Skywest Airlines Ltd Share Price Performance (December 2009 - August 2010)



### Capital Management Program

The Company maintains a capital management program with the purpose of increasing the asset value per share and a high return on equity. The Company may from time to time, subject to shareholder approvals, buy back its own shares or issue new shares.

### Dividends Global Payments Service

Through its external share registry, Computershare, the Company's shareholders may be eligible to receive dividends direct to their nominated bank account in the local currency of their country subject to certain terms and conditions.

Shareholders registered with Computershare wishing to use the service will be able to enrol and request a foreign payment online by visiting the Computershare Investor Centre at:

[www.uk.computershare.com/Investor](http://www.uk.computershare.com/Investor) (for UK domiciled shares) or

[www.investorcentre.com](http://www.investorcentre.com) (for Australian domiciled shares)

or alternatively shareholders can contact Computershare to request a paper registration form be sent to them.

# Skywest

Your State. Your Airline.



June 2010

Tourism WA - Late afternoon view of the Perth city skyline

## Skywest Senior Management Team



**Mark Shelton**  
CHIEF EXECUTIVE OFFICER

With a career spanning 20 years, Mark has extensive experience in financial management and company secretarial roles, including as founding non-executive director & company secretary of Medepartner Ltd. Previously the Financial Controller and Company Secretary of Community Newspaper Group Ltd, Mark has been instrumental in Community Newspaper Group Ltd's acquisitions of many community papers in Western Australia. He has extensive experience in risk management disciplines including responsibility for business continuity and contingency plans. He has also managed and controlled complex insurance programs. Mark has a Bachelor of Business Degree and also is a Member of the Australian Society of CPA's and a Trustee of Telethon (Western Australia).



**Peter Burrows**  
EXECUTIVE DIRECTOR

Originally from Western Australia, Peter has spent his career working in Australia, Asia and the Middle East in a variety of senior roles with both private and listed companies.

His focus at Skywest is management of the procurement processes within the engineering and operations areas.



**Hugh Davin**  
MANAGING DIRECTOR - CHARTER OPERATIONS

Hugh joined Skywest in January 2007 as Head of Business Development, prior to being appointed Managing Director - Charter Operations in April 2009. Hugh holds ultimate responsibility for all aspects of the Airline's Air Operator's Certificate (AOC). With a career in aviation that spans almost 40 years, he has held senior management positions with National Jet Systems and Skywest previously. Hugh was previously a Director of National Jet Systems.



**Andrew Rostron**  
**HEAD OF AIRWORTHINESS**  
**MAINTENANCE CONTROL**

Andrew joined Skywest in 1999, and is currently Head of Airworthiness and Maintenance Control, responsible under Civil Aviation Regulation 42ZV for all airworthiness matters relating to Skywest's aircraft. In this role, he is also the accountable manager and interfaces with the Civil Aviation Safety Authority (CASA) on all regulatory matters, which have a direct effect on the engineering business within the Airline.

With over 30 years experience in the aviation industry, Andrew has extensive experience in Airworthiness, Quality and Safety.

In May 2003, Andrew was appointed to the Aviation Safety Forum Board (3 year term). This Board provides regulatory advice to the Federal Minister for Transport and liaises with the Senior Executive of the CASA on a variety of issues, which have an effect on the safety of Australian aviation in general.



**Paul Roberts**  
**CHIEF FINANCIAL OFFICER**

Paul joined Skywest in February 2010 having spent 17 years in senior financial roles in both the UK and Australian aviation and tourism sectors.

Paul started his career working in public practice and gained extensive audit and tax experience, before moving into a commercial role in 1993 with UK start up CityFlyer Express. Paul became Finance Director in 2000 after CityFlyer was bought by British Airways. During this part of his career Paul had been a senior member of the Executive Management team that grew CityFlyer to be one of the largest regional airlines in the UK and one of British Airway's most profitable and successful subsidiaries.

Paul is responsible for the finance and accounts department, managing a team of 11.

Paul is a Fellow of the Association of the Chartered Certified Accountants and a full member of the Australian National Institute of Accountants.



**Terry Cooper**  
**OPERATIONS MANAGER**

Terry Cooper has 30 years of experience in the aviation industry and joined Skywest in 2007. He has previously worked in the industry as an Operations Manager, Operations Controller, Traffic Officer and Customer Service Officer.

Terry's experience in Operations Control has seen him coordinate up to 180 aircraft movements per day as well as minimising schedule disruptions.

He has held senior roles at Ansett Australia and National Jet Systems, covering passenger handling, cargo processing, airport management, operations and load control, ramp handling and aviation security.

At Skywest, Terry's role includes effectively managing all operations of Skywest, ensuring the implementation of organizational departmental strategies are reviewed and successfully implemented.



## Skywest Operations



### Background

The award winning Skywest Airlines has proudly been meeting the transport needs of Western Australians for almost 50 years. It is one of Australia's largest, oldest and most successful regional airlines.

Each year, Skywest flies more than 360,000 RPT passengers across Western Australia and the Northern Territory, covering 17 destinations and providing an essential link for regional communities, tourists and businesses. The Airline caters for regional Western Australians, international and domestic tourists; corporate travellers and fly-in-fly-out mining staff.

Including RPT, Charter and "fly-In, fly-out" the total number of persons carried by Skywest in the last year was almost 700,000.

Skywest Airlines was originally formed as Carnarvon Air Taxi's in 1963. The journey over the past four decades has seen it develop from humble beginnings, through to incorporation as part of Ansett, to ultimately becoming a subsidiary of the Company.

### Skywest Business

Skywest's core business is to provide scheduled passenger services within regional Western Australia and Darwin, in the Northern Territory. The Airline also provides both regular and ad hoc charters for customers, with a focus on providing value added services not available to regular charter operators. The Airline also operates in the air freight market.

### Passenger Services

As part of its regular passenger service, Skywest flies to 17 destinations right across Western Australia and the Northern Territory. Skywest also flies from Broome and Port Hedland to Bali twice a week. With the view of consolidation and future growth, Skywest is continually examining opportunities to expand our destination network.



### Charter Services

Skywest has significant capacity to provide regular and ad hoc charter services for organisations with 'fly-in, fly-out' requirements. With a fleet of Fokker 50's (holding 46 passengers), Fokker 100 Jets (holding 100 passengers) and an Airbus A320 (holding 162 passengers), Skywest can easily cater for the needs of its corporate customers.



Destinations and flight scheduling can be tailored to suit, with operations into un-sealed runways possible with Fokker 50 aircraft.

During the year, Skywest continued “fly-in, fly-out” for a number of key Australian resource companies, including Newcrest Mining Limited, Fortescue Metals Group (FMG), Argyle and Citic Pacific Mining.

### Air Freight

Skywest operates an air freight solution to all destinations in conjunction with our freight partner, Australian Air Express. Freight needs for pathology, hospitals, vehicle and boat repair, perishables and live seafood are all possible, providing a valuable service to regional communities.

### Growth Opportunities

The key growth opportunities for the business continue to be:

- increased resource charter contracts;
- increased services and frequency to existing routes;
- increased load factors and yield on existing routes;
- growth of existing routes into larger jet operations;
- new routes.

The continuing resources activity in Western Australia has led to significant opportunities for Skywest to grow its fly-in-fly-out contract work. There are over \$100 billion in resource projects planned or underway in the state of Western



Australia. Many of these projects will involve contract charter flying to supply the mines/projects with human resources.

The introduction of the A320 into regular service will allow for the redeployment of at least two Fokker 100’s allowing these aircraft to be used in new RPT or charter services whilst at the same time potentially reducing cross-hire costs.

In addition to new charter contracts, expansion of existing contracts continues, as many of the resource projects move from planning/exploration to construction and production phases.

Continual focus on optimization of revenue through load factors and yield remains a priority for Skywest.

### Hangar Space

The Airline has committed to lease additional hangar space from Hawker Pacific Pty Ltd (at the Perth Domestic air terminal) in line with increasing operational

requirements. At the date of this report the Airline has begun the process of moving into the new hangar space.

### Fuel costs

The Company is exposed to global movements in fuel costs. To mitigate the impact of these costs the group maintains a three pronged strategy in respect to fuel costs: the Company has a rise and fall policy in respect to charter contracts where changes in the aviation fuel price are passed on to end customers. In respect to RPT the company maintains a fuel surcharge policy. The airline also operates a fuel hedging policy using financial counterparties.

In fiscal 2010 the Group fuel spend was A\$36,676,606. In fiscal 2009 the Group fuel spend was A\$42,654,775.



Fokker F-100 cockpit

## Related party transactions under the AIM rules

Of the total lease expenditure in 2010 of S\$22,043,993, S\$12,184,514 was with F100 Pty Ltd. F100 Pty Ltd is treated as a related party under the AIM rules.



## Skywest Website

The Skywest Website offers extensive information on travelling with Skywest, live flight information, along with 24-7 booking engine access. The Airline has been continually developing its online strategy and has seen an increase in the numbers of bookings made directly through this channel. Currently, approximately 40% of direct airline bookings are made through this channel. Additionally, Skywest is focusing on further developing its ancillary revenue by offering additional related services such as insurance, car hire and accommodation to customers directly from the website.

These include a strategic link with Hotels.com. Hotels.com is a leading provider of hotel accommodation worldwide, offering reservation services through its own network of localised websites and telephone call centres. Hotels.com is an affiliate of Expedia, Inc. (NASDAQ: EXPE).

The sale of travel insurance is now also fully integrated into the e-ticketing process and thus has seen a marked increase in ancillary revenue.

## SKYWEST HOLIDAYS

Skywest Holidays is the packaged holiday division of Skywest.

Skywest Holidays offers competitive holiday packages anywhere in Western Australia and the Northern Territory. Skywest Holidays packages offer airfare, accommodation and car hire combinations.

## INTERLINE AGREEMENTS

Skywest has e-ticketing agreements in place with Hahn Air, Air New Zealand, Qantas and Singapore Airlines.

These agreements allow international travellers to book their intrastate travel with Skywest through their international carrier or overseas agent. This also means that Skywest's international airline partners can streamline the booking process for the traveller by providing one point of booking. The result is an easier reservation system for the traveller, which in itself

encourages further regional dispersal for international tourists visiting WA.

## CODESHARE

The Airline has entered into a memorandum of understanding with The Virgin Blue Group of Airlines over a reciprocal codeshare arrangement. This agreement means that Virgin Blue customers will have access to an expanded network in Western Australia to include destinations such as : Albany, Esperance, Geraldton, Exmouth, Canarvon, Monkey Mia and Kalbarri.

This more than doubles the routes on which the airlines co-operate. Ports already covered by the agreement include: Broome, Kununurra, Karratha and Kalgoorlie.



## Velocity Rewards Program

Skywest Airlines remains a partner in Virgin Blue's loyalty program Velocity.

## Charter Markets

### REGULAR CHARTER

Skywest commenced jet operations between Perth and Argyle in November of 2002. In the face of intense competition, Skywest secured a three year charter contract with Rio Tinto to provide air transport for the Argyle Diamond Mine



“fly-in, fly-out” work force. The Argyle contract utilises the Fokker 100.

Lifting from only 2% in 2002 the Airline currently holds a market share of around 28% in relation to “fly-in, fly-out” charter services. The Company still believes there is substantial potential for growth in this sector, utilising both the Fokker 100, Fokker 50 aircraft and the newly acquired Airbus A320.

Major charter clients include CITIC, BHP, Newmont and Cliffs. Skywest Airlines is the primary air charter provider to Rio Tinto, FMG, Newcrest and Barmincio.

#### AD HOC CHARTER

The aircraft charter market is a thriving segment within the aviation industry that presents a significant growth opportunity for Skywest. Skywest is able to utilise resources that exist in support of the airline’s RPT network to compete in this sector. The charter work supplements the Airline’s core RPT operation.

This segment is particularly relevant in Western Australia where the mining and resource sector represents approximately 60% of the State’s total exports.

Future opportunities exist within Western Australia in support of the mining industry, which typically employs a “fly-in, fly-out” workforce. Significant fly-in-fly-out contracts are tendered on a regular basis, providing Skywest the opportunity at renewal to submit to secure additional regular charter contract business.

The Skywest fleet offers attractive charter options for aircraft with 46, 100 or 162 seats. Operations into un-sealed runways are possible with the Fokker 50 aircraft. This is often a requirement in Western Australia where operations to unsealed strips occasionally arise.

Additional to the mining resources sector, charter opportunities arise from government, conventions, sporting and corporate events. Skywest is well positioned to cater to these events.

#### Air Operators Certificate (AOC)

The Airline holds a high capacity Air Operator’s Certificate that allows the Airline to operate regular public transport services domestically and charter operations through-out the world. The certificate is valid for Fokker 50 and Fokker 100 operations and covers the maintenance of the fleet. We anticipate the addition of an Airbus A320 to the AOC around the time of publication.



#### Employee Relations

Skywest has dedicated, professional staff who are focused on providing a strong return to shareholders while maintaining a safe, reliable operation and outstanding service to our customers.

As at the end of June 2010, the Airline had a total of 385 full time employees as well as 7 part time and 17 casual staff.

The Airline maintains a philosophy of open and inclusive discussion with staff at all levels to work cooperatively towards common goals.



Airbus A320 nose and engine photos - Phillip Capper

### Airbus A320 Aircraft

In April 2010, Skywest entered into a three year lease arrangement for the supply of an Airbus A320-200 type aircraft. The aircraft, previously operated by Thomas Cook in the United Kingdom and Europe, was delivered to Australia in May. It is presently undergoing review by the Australian Civil Aviation Authorities for entry onto Skywest's Air Operator's Certificate (AOC). It carries Australian registration VH-FNP.

With a larger passenger capacity than the current Fokker aircraft, it is anticipated to begin service in October 2010 in the mining charter operations area.

The initial cost of deploying the new aircraft in the fleet is approximately \$3.2 million.

The A320 is perhaps best known as the first airliner to introduce a fly-by-wire flight control system - where control inputs from the pilot are transmitted to the flying surfaces by electronic signals rather than mechanical means. Apart from a small weight saving, the advantage of Airbus' fly-by-wire is that as it is computer controlled, an inbuilt flight envelope protection makes it virtually impossible to exceed certain flight parameters such as G limits and the aircraft's maximum and minimum operating speeds and angle of attack limits.



Airbus A320 VH-FNP

#### GENERAL CHARACTERISTICS:

Also integral to the A320 is the advanced electronic flightdeck, with six fully integrated EFIS colour displays and innovative sidestick controllers rather than conventional control columns.

An A320 employs a relatively high percentage of composite materials compared to earlier designs.

The Skywest A320 is powered by two IAE V2500-A1 high by-pass turbo-fan engines.



#### AIRBUS A320 DIMENSIONS & SPECIFICATIONS:

Overall Length	37.57m
Wing span	34.09m
Tail height	11.76m
Wing area	122.6m <sup>2</sup>
Cabin width	3,70m
Fuselage width	3,95m
Maximum Takeoff Weight	73,500kg
Maximum Zero-Fuel Weight	62,500 kg
Basic Operating Weight	42,220kg
Maximum Payload	4,950kg
Maximum Usable Fuel	24,210 - 30,190l
Cargo Capacity	137.41 m <sup>3</sup> (1,321 cu ft)
Maximum Cruise Speed	487kts (903kph)
Maximum Range	4,874 Kms



Fokker F50 VH-FNB

### Fleet Structure

Skywest Airlines fleet includes eight Fokker 50 turbo-prop aircraft, nine Fokker 100 jets, and 1 Airbus A320 narrow-body jet. The airline continually reviews its utilisation of aircraft and explores opportunities for expansion of its fleet.

### Fokker 50 Aircraft

The Fokker 50 aircraft is configured with 46 seats for Skywest Airlines operations, ensuring a high level of comfort including ample cabin baggage space, extended seat pitch (extra leg-room) and full in-flight catering facilities.

The in-flight services provided on the Fokker 50's are of a standard comparable to that of much larger jet aircraft.

The aircraft are ideally suited to WA operating conditions offering a fast, efficient and comfortable service, with the best payload/range characteristics in its class.

The high-winged design is also well suited to gravel runways in the more remote locations.



#### GENERAL CHARACTERISTICS:

Two Pratt & Whitney PW 125B turboprop engines delivering 2500 SHP each.

Dowty Rotol six bladed propellers, featuring auto feathering, reversible pitch and constant speed type.



Fokker 50 VH FNF - Zach Liepa

#### FOKKER 50 DIMENSIONS & SPECIFICATIONS:

Overall Length	25.19m
Span	29.0m
Maximum Takeoff Weight	20,820kg
Basic Operating Weight	13,650kg
Maximum Payload	4,950kg
Maximum Usable Fuel	4,050 kg
Cargo Compartment Capacity (Total)	1,315kg
Maximum Cruise Speed	260kts (468kph)
Maximum Range	2,750 Kms

The Fokker 50 fleet has recently been re-equipped with the latest operational and safety related technology. Enhanced Ground Proximity Warning Systems have been installed in all aircraft and Global Positioning System Non-Precision Approach (GPS-NPA) capability has been developed. The airline is also planning to equip all aircraft with the latest air traffic management systems once the Government establishes the ADS-B network.



Fokker F100 VH-FNJ

### Fokker 100 Aircraft

The Fokker 100 is a modern jet aircraft that has all the features expected in an aircraft of this class. Maximum economical cruise speed is 760 km/h, and with an unrestricted climb its maximum cruise altitude is 35,000 feet. The Fokker 100 also has the smallest noise footprint of any jet aircraft in its class and can operate to most sealed airports without the need for major modifications to the local infrastructure.

#### GENERAL CHARACTERISTICS

- Two Rolls-Royce Tay engines, 6,849kg thrust each with thrust reversal.
- Dual Channel Automatic Flight Control and Augmentation System (AFCAS).
- Electronic Flight Instrument System (EFIS).
- Multi Function Display System (MFDS).
- Flight Management System (FMS).
- Flight Warning System (FWS).
- Fail Operative Cat.IIIB auto-land with rollout guidance.



#### FOKKER 100 DIMENSIONS & SPECIFICATIONS:

Overall Length	35.53m
Span	28.08m
Maximum Takeoff Weight	45,813kg
Maximum Zero Fuel Weight	36,741kg
Basic Operating Weight	26,143kg
Maximum Payload	10,598kg
Maximum Usable Fuel	13,405ltr
Maximum Operating Altitude (35,000ft)	10,667m
Maximum Cruise Speed	462kts (856kph)
Maximum Range	3,500 Kms

The Fokker 100 fleet is programmed for an enhancement of air traffic management equipment once the Government introduces the ADS-B network. Work is also being undertaken to develop GPS-NPA capability for the fleet.

The airline is continuing the upgrade of its fleet with the ongoing introduction of an integrated Global Navigation Satellite System (GNSS). The integrated GNSS will deliver more accurate aircraft tracking

performance, which will allow for shorter approaches at night and in bad weather, as well as saving time and fuel and significantly enhancing safety and schedule reliability.

Importantly it gives Skywest enhanced capability to increase the number of overall flights per day and allows the aircraft to land at night at the remote and unattended airfields typical of major mining operations.

This innovative system enables Skywest to make use of state-of-the-art satellite-based navigation and approach capability. The Skywest F-100 fleet is RVSM (reduced vertical separation measuring) equipped, which enables the aircraft to cruise at higher flight levels thus reducing the aircraft fuel burn.



Fokker F100 VH-FNT - Zach Liepa



Fokker 100 plane tail.

## Engineering and Maintenance

Skywest's Engineering department carries out all maintenance on the Fokker 50 and Fokker 100 fleet with the exception of components overhaul and certain heavy ("C") maintenance checks. "C" checks are contracted externally using Skywest's own system of maintenance.

The airline has entered into a contracted service agreement with John Holland Aircraft Services (JHAS) for the provision of Line Maintenance and Technical Support with regards to the Airbus A320.

## Quality Assurance Systems

The airline has a dedicated safety, security and environment committee that oversees

the direction of safety and quality within the organisation and realises that adequate resources must be provided in these areas in order for the airline to maintain the very high reputation for safety which it currently enjoys.

Along with having a good quality system, it is important that there is a very robust internal review process that supports the system. Skywest has audit programs set up in the Engineering, Flight Operations and the Ground Operations departments to provide the Skywest Board and management with regular reviews on

the compliance of each department to policy and procedures. These audits have extended to encompass major suppliers who provide repair and overhaul services for aircraft components and ground handling contracting staff to maintain the standard of the quality system away from the main facility. In this way risk is mitigated as far as possible by constantly doing a "health check" on the operational parts of the business.

It is planned in the future to roll out this accreditation to all operational parts of



our business and with the new CASA legislation soon to be introduced to the industry, the quality and safety systems are seen as focal points in the future growth of the business.

Sound Safety Management is now what drives the business to stay ahead of the minimum legislation requirements.

The airline has a dedicated safety, security and environment committee that oversees the direction of safety and quality within the organisation and realises that adequate resources must be provided in these areas in order for the airline to maintain the very high reputation for safety which it currently enjoys.



## Western Australian Mining Industry



The Western Australian mining and petroleum resource sector is the largest and most diversified resource industry in Australia and is estimated to be worth over \$100 billion in trade for Australia. Continuing rapid industrial growth in the developing economies of China and India is ensuring strong and continued demand for Western Australia's raw materials. The state is well placed geographically and resource rich to continue to supply this demand for generations to come.

Presently, 1,222 mine sites are operating in Western Australia and the state extracts up to 75% of Australia's 240 tonnes of gold per annum.

95% of Australia's iron ore occurs in Western Australia, and Australia is the world's largest exporter of the mineral.

Almost 99% of Australia's nickel is produced in Western Australia which supplies about 13% of the world's nickel production. The state produces 140,000 tonnes per annum which is valued at A\$1.0 billion.

The North West Shelf natural gas venture is Australia's largest resource project with investment in onshore and offshore oil and gas facilities totalling more than A\$25 billion. The venture accounts for more than 40% of Australia's oil and gas production and is a major producer of liquefied natural gas (LNG), natural gas, liquid petroleum gas (LPG), condensate and crude oil.

The Gorgon Project is a globally and nationally significant LNG development with a resource base of more than 40 trillion cubic feet of gas and an estimated economic life of at least 40 years.

The Gorgon Project is Australia's largest single resource project and is set to deliver significant economic benefits, more than 10,000 jobs will be created at the peak of construction and \$64bn will be injected into the economy.

The LNG exports alone are expected to be worth about \$300bn over the next 20 years.

In addition to the massive Gorgon project, Chevron Australia plans to develop a new \$20 billion LNG project at its Wheatstone natural gas field located offshore about 200 kilometres north of Onslow.

The facility will be located on the northwest coast of mainland Australia and have an initial capacity of at least one 5 million-ton-per-annum LNG production train with expansion capacity. The facility will also provide commercial domestic gas to the local market.

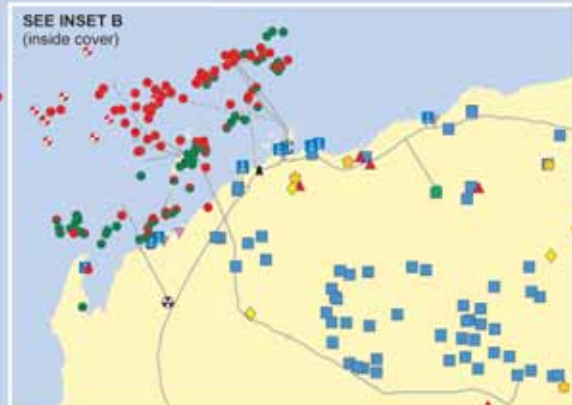
Wheatstone will create about 6,500 direct and indirect jobs at the construction peak and create about \$15 billion in local content spending over the project's life.

The ongoing resources boom in Western Australia has led to significant opportunities for Skywest to grow its fly-in-fly-out contract work. There are over \$100 billion in resource projects still planned or underway in the state. Many of these projects will involve contract charter flying to supply the mines/projects with human resources.

Skywest presently conducts regular contracted charter services on behalf of Rio Tinto, Argyle Diamonds, BHP Billiton, FMG, Citic, Newmont, Avoca Resources, Barminto and Portman Iron Ore.

The airline is also aggressively targeting new opportunities as they arise. In addition to winning new charter contracts, expansion of existing contracts continues, as many of the resource projects move from planning/exploration to construction to eventual production phases.

# Major Resource Projects — June 2010



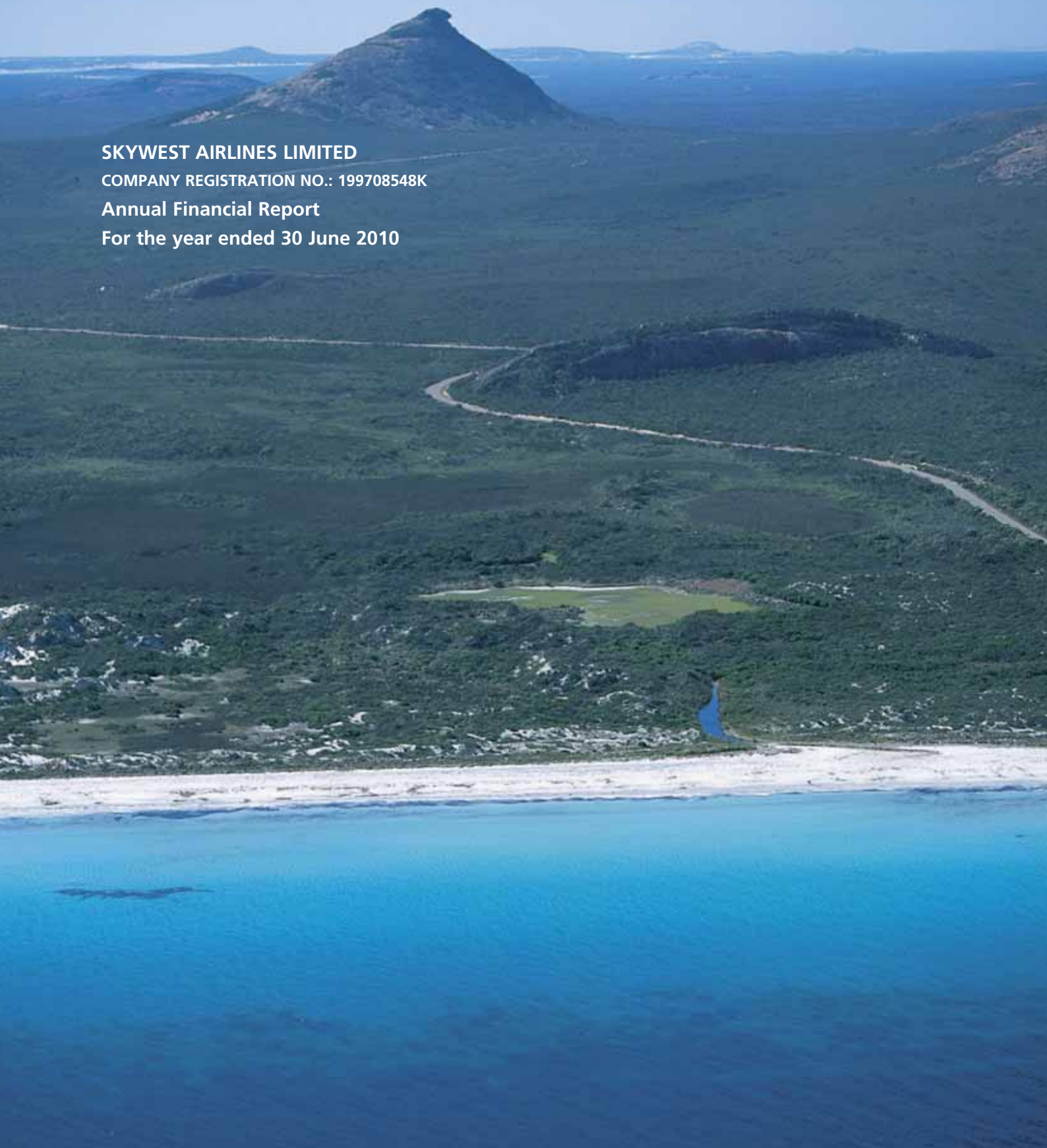
## Annual Financial Report

**SKYWEST AIRLINES LIMITED**

COMPANY REGISTRATION NO.: 199708548K

**Annual Financial Report**

**For the year ended 30 June 2010**



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## Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Skywest Airlines Ltd.(the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2010.

### Directors of the Company

The directors of the Company in office during the financial year and until the date of this report are:

- Robert Jeffries Chatfield
- John Leonard Jost
- Seah Kian Peng
- Ronald Lewis Aitkenhead

### Arrangements to enable directors to acquire shares and debentures

Except for the share option as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

### Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>The Company</b>	<b>Ordinary shares</b>			
Robert Jeffries Chatfield	100	2,400,100	31,200,000	29,700,000
Seah Kian Peng	1,586,377	1,586,377	-	-
John Leonard Jost	27,250	27,250	3,575,412	3,775,512
Ronald Lewis Aitkenhead	-	-	-	-

Except as disclosed in this report, no director who held office at the end of financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

The following warrants are granted to the Directors to subscribe for ordinary shares which are outstanding at the statement of financial position date:

Name of director granted warrants	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>The Company</b>	<b>Number of warrants to subscribe for ordinary shares</b>			
Robert Jeffries Chatfield	-	-	6,601,475	2,000,000
Seah Kian Peng	-	200,000	-	-
John Leonard Jost	-	400,000	-	-
Ronald Lewis Aitkenhead	-	100,000	-	-

### Directors' contractual benefits

Except as disclosed in this report, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## Directors' Report (ctd.)

### Share options

The Warrant Scheme Option scheme (the "Scheme") was authorised by the members of the Company on 15 May 2006 and is administrated by the Remuneration Committee.

Options outstanding under the Scheme as at the statement of financial position date was as follows:

Date of grant	Number of shares covered by the options			Balance at end of year	Exercise price	Expiry date
	Balance at beginning of year or later date of grant	Lapsed	Exercised			
12/12/2005	6,601,475	2,501,475	4,100,000	-	S\$0.20	29/11/2009
18/11/2009	3,040,000	-	-	3,040,000	10.25pence	17/11/2011
	9,641,475	2,501,475	4,100,000	3,040,000		

Details of warrants granted to the Directors of the Company have been disclosed in the Directors' interests in shares and debentures.

With the exception of the options referred as above, during the financial year, there were:

- no options granted by the Company or its subsidiary companies to any person to take up unissued shares of the Company and its subsidiaries;
- no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries; and
- no unissued shares of the Company or its subsidiaries under options.

### Directors' remuneration

	Year ended 30 June 2010		Year ended 30 June 2009	
	Fees and salaries \$	Benefits \$	Fees and salaries \$	Benefits \$
<b>Fees, salaries and benefits</b>				
<b>Executive</b>				
Robert Jeffries Chatfield	307,968	453,392	307,946	169,093
<b>Non-executive</b>				
Seah Kian Peng	25,000	12,368	50,000	-
John Leonard Jost	25,000	24,736	50,000	-
Ronald Lewis Aitkenhead	25,000	6,184	50,000	-
	382,968	496,680	457,946	169,093

### Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by the directors were as follows:

	Directors' meetings	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings held</b>	5	1	1	-
<b>Number of Meetings Attended</b>				
Robert Jeffries Chatfield	5	-	-	-
Seah Kian Peng	1	-	-	-
John Leonard Jost	5	1	1	-
Ronald Lewis Aitkenhead	5	1	1	-

## Directors' Report (ctd.)

### Auditors

Ernst & Young Australia have expressed their willingness to accept reappointment as auditors.



### Auditor's independence declaration to the Directors of Skywest Airlines Limited

In relation to our audit of the financial report of Skywest Airlines Limited for the year ended 30 June 2010, and the statement of comprehensive income, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young  
Perth  
28 September 2010

On behalf of the board of Directors,



Robert Jeffries Chatfield  
Director



Ronald Lewis Aitkenhead  
Director  
Singapore  
28 September 2010

## Statement by Directors

We, Robert Jeffries Chatfield and Ronald Lewis Aitkenhead, being two of the directors of Skywest Airlines Ltd., do hereby state that, in the opinion of the directors:

- (i) the accompanying statement of financial positions, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2010 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the board of Directors,



Robert Jeffries Chatfield  
Director



Ronald Lewis Aitkenhead  
Director  
Singapore  
28 September 2010



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## Independent audit report to members of Skywest Airlines Ltd

We have audited the accompanying financial report of Skywest Airlines Ltd, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the International Financial Reporting Standards (including the International Financial Reporting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.



**Auditor's Opinion**

In our opinion, the financial report presents fairly, in all material respects, the financial position of Skywest Airlines Ltd as of 30 June 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (including the International Financial Reporting Council Interpretations).

**Auditor's Opinion**

Skywest Airlines Ltd has prepared a separate financial report for the year ended 30 June 2010 in accordance with Singapore Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Skywest Airlines Ltd dated 28 September 2010.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young  
Perth  
28 September 2010

## Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2010

(EXPRESSED IN SINGAPORE DOLLARS)

	Note	2010 \$	2009 \$
<b>Revenue</b>	4	215,204,636	181,315,645
Other income	5	830,297	191,724
Aircraft operating costs (excluding fuel costs)		(37,213,545)	(29,726,202)
Fuel costs		(45,514,935)	(46,606,740)
Aircraft lease rental and hire charges		(22,810,036)	(19,978,299)
Employee benefits	24	(46,461,429)	(39,060,133)
Sales and marketing costs		(5,484,762)	(4,925,649)
Engineering and maintenance costs		(19,593,403)	(14,601,635)
Office and general administrative expense		(6,434,474)	(5,522,011)
Depreciation and amortisation		(14,859,315)	(11,276,523)
Other expenses		(2,759,237)	(4,352,192)
Finance costs	6	(886,310)	(314,361)
<b>Profit before tax</b>	7	14,017,487	5,143,624
Income tax expense	8	(4,783,610)	(1,964,183)
<b>Profit for the year</b>		9,233,877	3,179,441
<b>Other comprehensive income</b>			
Foreign currency translation		345,664	(2,132,121)
Other comprehensive income for the year, net of tax		345,664	(2,132,121)
<b>Total comprehensive income for the year</b>		9,579,541	1,047,320
<b>Profit attributable to owners of the parent</b>		9,233,877	3,179,441
<b>Total comprehensive income attributable to owners of the parent</b>		9,579,541	1,047,320
<b>Earnings per share</b>			
- Basic (in cents)	27	4.71	1.60
- Diluted (in cents)	27	4.69	1.55

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position as at 30 June 2010

(EXPRESSED IN SINGAPORE DOLLARS)

	Note	2010 \$	Group 2009 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	58,235,854	44,695,646
Intangible assets	10	17,201,255	17,223,929
Subsidiaries	11	–	–
Other receivables	12	2,947,471	–
Prepayments	13	7,049,781	–
		85,434,361	61,919,575
<b>Current assets</b>			
Inventories	14	4,441,957	3,619,119
Trade and other receivables	12	23,540,828	20,708,388
Prepayments	13	2,062,562	1,814,681
Other investments	15	456,664	227,900
Cash and cash equivalents	16	12,940,709	9,179,876
		43,442,720	35,549,964
<b>Total assets</b>		128,877,081	97,469,539
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Provisions	17	4,974,775	5,189,090
Income tax payable		1,952,190	3,393,010
Borrowings	18	2,930,993	1,011,741
Trade and other payables	19	32,774,824	17,688,592
Revenue received in advance	20	12,091,664	11,857,626
		54,724,446	39,140,059
<b>Net current (liabilities)/ assets</b>		(11,281,726)	(3,590,095)
<b>Non-current liabilities</b>			
Provisions	17	888,728	264,309
Deferred tax liabilities	21	9,298,998	5,115,380
Borrowings	18	4,331,541	2,144,015
Other payables	19	139,870	–
		14,659,137	7,523,704
<b>Total liabilities</b>		69,383,583	46,663,763
<b>Net assets</b>		59,493,498	50,805,776
<b>Equity attributable to owners of the parent</b>			
Share capital	22	43,809,091	42,989,091
Treasury shares	22	–	(168,321)
Reserves	23	1,417,521	56,706
Retained earnings		14,266,886	7,928,300
<b>Total equity</b>		59,493,498	50,805,776
<b>Total equity and liabilities</b>		128,877,081	97,469,539

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity for the financial Year ended 30 June 2010

(EXPRESSED IN SINGAPORE DOLLARS)

### Equity attributable to owners of the parent

	Note	Share capital \$	Treasury shares \$	Other reserve \$	Capital reserve \$	Warrant reserve \$	Foreign currency translation reserve \$	Retained earnings \$	Total equity \$
<b>Group</b>									
Balance at 30 June 2008		43,554,574	–	625	–	–	2,188,202	6,137,919	51,881,320
Profit for the year		–	–	–	–	–	–	3,179,441	3,179,441
Other comprehensive income		–	–	–	–	–	(2,132,121)	–	(2,132,121)
Total comprehensive income for the year		–	–	–	–	–	(2,132,121)	3,179,441	1,047,320
Dividends paid	28	–	–	–	–	–	–	(1,389,060)	(1,389,060)
Purchase of treasury shares	22	–	(168,321)	–	–	–	–	–	(168,321)
Share buyback	22	(565,483)	–	–	–	–	–	–	(565,483)
Balance at 30 June 2009		42,989,091	(168,321)	625	–	–	56,081	7,928,300	50,805,776
Profit for the year		–	–	–	–	–	–	9,233,877	9,233,877
Other comprehensive income		–	–	–	–	–	345,664	–	345,664
Total comprehensive income for the year		–	–	–	–	–	345,664	9,233,877	9,579,541
Exercise of share warrants	22	820,000	–	–	–	–	–	–	820,000
Purchase of treasury shares	22	–	(811,900)	–	–	–	–	–	(811,900)
Disposal of treasury shares	22	–	980,221	–	827,779	–	–	–	1,808,000
Warrant expense		–	–	–	–	187,997	–	–	187,997
Transfer of reserve		–	–	(625)	–	–	–	–	(625)
Dividends paid	28	–	–	–	–	–	–	(2,895,291)	(2,895,291)
Balance at 30 June 2010		43,809,091	–	–	827,779	187,997	401,745	14,266,886	59,493,498

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows for the financial Year ended 30 June 2010

(EXPRESSED IN SINGAPORE DOLLARS)

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Profit before taxation		14,017,487	5,143,624
Adjustments for:			
(Gain)/loss on disposal of other investments	5	(50,291)	462,376
Fair value loss/(gain) on other investments	7	121,931	(89,782)
Amortisation of intangible assets	10	24,331	21,424
Depreciation expense	9	14,834,984	11,255,099
Warrant expense	24	187,997	–
Interest expense	6	886,310	314,361
Interest income	5	(269,234)	(281,554)
(Write-back of)/allowance for inventories obsolescence	14	(404,892)	44,991
Write-back of provision for aircraft handback	17	(75,170)	(351,118)
Provision for (write-back of provision for ) employee benefits	17	368,446	(396,698)
Unrealised foreign exchange differences		(60,286)	3,992,404
<b>Operating profit before working capital changes</b>		29,581,613	20,115,127
Increase in inventories		(417,946)	(339,260)
(Increase)/decrease in trade, other receivables and prepayments		(13,077,573)	730,986
Increase/(decrease) in trade, other payables and provisions		13,641,830	(5,687,117)
<b>Cash generated from operations</b>		29,727,924	14,819,736
Interest expense paid		(886,310)	(314,361)
Interest income received		269,234	281,554
Income tax paid		(2,427,116)	(1,487,417)
<b>Net cash generated from operating activities</b>		26,683,732	13,299,512
<b>Cash flows from investing activities</b>			
Acquisition and sales of other investments		(300,404)	71,062
Acquisition of property, plant and equipment		(25,536,623)	(11,794,382)
<b>Net cash used in investing activities</b>		(25,837,027)	(11,723,320)
<b>Cash flows from financing activities</b>			
Release of cash pledged as security	16	2,446,076	–
Proceeds from borrowings		5,568,400	–
Repayment of borrowings		(1,575,081)	(3,736,395)
Dividends paid on ordinary shares	28	(2,895,291)	(1,389,060)
Proceeds from issuing shares (net of cost)	22a	820,000	–
Share buy-back	22a	–	(565,483)
Purchase of treasury shares	22b	(811,900)	(168,321)
Proceeds from disposal of treasury shares	22b	1,808,000	–
<b>Net cash generated from/(used in) financing activities</b>		5,360,204	(5,859,259)
Net increase/(decrease) in cash and cash equivalents		6,206,909	(4,283,067)
Cash and cash equivalents at beginning of year	16	6,733,800	11,016,867
<b>Cash and cash equivalents at end of year</b>	16	12,940,709	6,733,800

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements - 30 June 2010

### 1. Corporate information

Skywest Airlines Ltd. (the "Company") is a limited liability company which is incorporated and domiciled in Singapore and is dual-listed on the London Stock Exchange's Alternative Investment Market (AIM), and the Australian Securities Exchange (ASX).

The registered office and principal place of business of the Company is located at 510, Thomson Road, #12-04, SLF Building, Singapore 298135.

The principal activities of the Company are those of investment holding.

The principal activities of the subsidiaries are set out in Note 11.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for held for trading financial assets that have been measured at fair value.

The consolidated financial statements of the Group are presented in Singapore dollars (SGD or S\$)

#### Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2009, the Group adopted the following new and amended IFRS and IFRIC interpretations for annual financial periods beginning on or after 1 January 2009.

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment : Group Cash-settled Share-based Payment Transaction effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged items effective 1 July 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognised and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

Adoption of these standards and interpretations issued by the International Accounting Standards Board that are relevant to its operations did not have any effect on the financial performance or position or performance of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

## Notes to the Financial Statements - 30 June 2010

### 2.2 Changes in accounting policies and disclosures (cont'd)

The principal effects of these changes are as follows:

#### *IFRS 7 Financial Instruments: Disclosure*

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 30.

#### *IFRS 8 Operating Segments*

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS14. The adoption of the Standard did not have any impact on the financial position or performance of the Group.

#### *IAS 1 Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense either one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

#### *IAS 23 Borrowing Costs*

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group has concluded that the adoption of the standard did not have any impact on the financial position or performance of the Group as the Group did not capitalise any borrowing costs in the current period.

#### *Improvements to IFRS*

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.
- IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

## Notes to the Financial Statements - 30 June 2010

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Standard	Topic	Key requirements	Effective date	Transition
IFRS 5	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.	Amendment to clarify that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively. Earlier application is permitted.
IFRS 8	Disclosure of information about segment assets.	Minor textual amendment to the standard and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.
IAS 1	Current/non-current classification of convertible instruments.	Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.
IAS 7	Classification of expenditures on unrecognized assets.	Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.
IAS 17	Classification of leases of land and buildings.	Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17.	Effective for periods beginning on or after 1 January 2010.	Note: To be applied retrospectively to existing leases if the necessary information is available at the inception of the lease. Otherwise, land leases should be reassessed on date of adoption of the amendment.

## Notes to the Financial Statements - 30 June 2010

### 2.3 Standards issued by not yet effective (cont'd)

Standard	Topic	Key requirements	Effective date	Transition
IAS 36	Unit of accounting for goodwill impairment test	Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8).	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively. Earlier application is permitted.
IAS 38	Additional consequential amendments arising from IFRS 3 (revised).	Amendments to paragraphs 36 and 37 of IAS 38, 'Intangible assets', to clarify the requirements under IFRS 3 (revised) regarding accounting for intangible assets acquired in a business combination.	Effective for periods beginning on or after 1 January 2010. Linked to application of IFRS 3 (revised).	To be applied prospectively. Earlier application is permitted. If an entity applies IFRS 3 (revised) for an earlier period, the amendment also applies for that earlier period.
IAS 38	Measuring the fair value of an intangible asset acquired in a business combination.	Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.	Effective for periods beginning on or after 1 January 2010.	To be applied prospectively. Earlier application is permitted.
IAS 39	Treating loan pre-payment penalties as closely related derivatives.	Clarification that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.	Effective for periods beginning on or after 1 January 2010.	To be applied retrospectively. Earlier application is permitted.

The Group does not expect the adoption of the standards and interpretations above will have a material impact on the financial statements in the period of initial application.

## Notes to the Financial Statements - 30 June 2010

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the statement of financial position date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The accounting policy for goodwill is set out in Note 2.7(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

### 2.5 Foreign currency

#### *(i) Functional and presentation currency*

Both the functional and presentation currency of Skywest Airlines Ltd and its Singaporean subsidiaries is Singapore dollars. The Australian subsidiaries' functional currency is Australian dollars which is translated to the presentation currency (see below for consolidated reporting).

#### *(ii) Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the statement of financial position date are recognised in statement of comprehensive income.

#### *(iii) Translation of Group Companies' functional currency to presentation currency*

The assets and liabilities of the Company's Australian subsidiaries are translated into SGD at the rate of exchange ruling at the statement of financial position date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

### 2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

## Notes to the Financial Statements - 30 June 2010

### 2.6 Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Aircraft and related equipment, and rotables	- 8 to 25 years
Plant and equipment	- 3 to 15 years
Leasehold improvement	- Lease term
Motor vehicle	- 5 years
Aircraft maintenance	- 2 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

### 2.7 Intangible assets

#### (a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods. Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in note 2.5.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

#### (b) Other intangible assets - Licence

Licence that is acquired by the Group is stated at cost less accumulated depreciation and impairment losses.

Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life in the current and comparative period for licence acquired is 3 years.

### 2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying

## Notes to the Financial Statements - 30 June 2010

amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

### 2.8 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.9 Related parties

An entity or individual is considered a related party of the Group if:

- i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
- ii) it is subject to common control or common significant influence; or
- iii) the party is a member of the key management personnel (including directors) of the entity or its parent.

### 2.10 Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (a) *Financial assets at fair value through profit or loss*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the statement of comprehensive income. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

#### (b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

### 2.11 Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired.

#### (a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

## Notes to the Financial Statements - 30 June 2010

### 2.11 Impairment of financial assets (cont'd)

#### (a) *Assets carried at amortised cost (cont'd)*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of comprehensive income.

#### (b) *Assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### 2.12 Cash and cash equivalents

Cash and cash equivalents cash on hand and at banks or financial institutions, including fixed deposits. Cash and cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

For the purposes of the consolidated cash flow statement cash and cash equivalents are shown net of net cash balances pledged as collateral.

### 2.13 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

### 2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.15 Financial liabilities

Financial liabilities within the scope of IAS 39 are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

## Notes to the Financial Statements - 30 June 2010

### 2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

### 2.17 Employee benefits

#### (a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

#### (c) *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits other than defined contribution plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs, that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Australian Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the statement of comprehensive income in the period in which they arise.

### 2.18 Leases – as lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### (a) *Operating leases*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### (a) *Passenger, charter and freight revenue*

Passenger, charter and freight revenue is at the fair value of the consideration received net of passenger taxes and goods and sales tax. Sales are credited to unearned revenue, classified as part of trade and other payables, and subsequently transferred to revenue when tickets are utilised or expire or when freight is uplifted.

#### (b) *Interest income*

Interest income is recognised on time-apportioned basis, using the effective interest method unless collectibility is in doubt.

#### (c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

#### (d) *Sales of other investments*

Profit on sales of investments is recognised on trade date basis.

#### (e) *Others*

All other miscellaneous income is recognised when earned and the amount of income can be reliably measured on an accrual basis.

## Notes to the Financial Statements - 30 June 2010

### 2.20 Income taxes

#### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## Notes to the Financial Statements - 30 June 2010

### 2.21 Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about the resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been based on the information provided to the chief operating decision makers- being the executive management team.

The Group has identified that it has one operating segment with operations predominantly in Australia as an Airline operator.

### 2.22 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.23 Treasury shares

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

### 2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

## 3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

#### *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's income tax payables and deferred tax liabilities at the statement of financial position was \$1,952,190 (2009: \$3,393,010) and \$9,298,998 (2009: \$5,115,380) respectively.

## Notes to the Financial Statements - 30 June 2010

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over its useful lives. Management estimates the useful lives of property, plant and equipment to be as disclosed in Note 2.6.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

The carrying amount of the Group's property, plant and equipment at the statement of financial position date is disclosed in Note 9.

(b) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill is given in Note 10.

(c) *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with directors and third parties by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the evaluation model including the expected life of the share warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24.

(d) *Provision for aircraft handback*

A provision has been made for the present value of the estimated future cost to strip and repaint certain leased aircrafts at the conclusion of their respective lease period. These provisions are reviewed periodically and updated to reflect the facts and circumstance which exist at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense and provision. The related carrying amounts are disclosed in Note 17.

(e) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the historical experience and changes to the financial position of the debtors.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 12.

## Notes to the Financial Statements - 30 June 2010

### 4. Revenue

	Group	
	2010	2009
	\$	\$
Passenger, charter and freight income	215,204,636	181,315,645

### 5. Other income

	Group	
	2010	2009
	\$	\$
Bank guarantee income from a related party	362,908	369,546
Foreign exchange gains	135,658	–
Interest income from third parties	264,044	259,554
Interest income from related parties	5,190	22,000
Gain (Loss) on sales of other investments	50,291	(462,376)
Dividend income	4,905	–
Other miscellaneous income	7,301	3,000
	830,297	191,724

### 6. Finance costs

	Group	
	2010	2009
	\$	\$
Interest expenses to third parties	886,310	314,361

### 7. Profit before tax

The following items have been included in arriving at profit for the year:

	Group	
	2010	2009
	\$	\$
(Write-back of) allowance for inventories obsolescence	(404,892)	44,991
Amortisation of intangibles	24,331	21,424
Depreciation charges	14,834,984	11,255,099
Fair value loss/ (gain) on other investments	121,931	(89,782)
Office rental expense	25,646	18,627
(Write-back of)/provision for aircraft handback	(75,170)	246,749

## Notes to the Financial Statements - 30 June 2010

### 8. Income tax expense

#### **Major components of income tax expense**

The major components of income tax expense for the years ended 30 June 2010 and 2009 are:

	Group	
	2010	2009
	\$	\$
Current income tax		
– Current income taxation	157,367	1,218,646
– Under-provision in respect of previous years	433,040	155,570
	590,407	1,374,216
Deferred income tax		
– Origination and reversal of temporary differences	4,320,228	580,073
– Over-provision in respect of previous years	(136,610)	–
	4,183,618	580,073
Overseas withholding tax expense	9,585	9,894
Income tax expense recognised in the statement of comprehensive income	4,783,610	1,964,183

#### **Relationship between tax expense and accounting profit**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2010 and 2009 are as follows:

	Group	
	2010	2009
	\$	\$
Profit before tax	14,017,487	5,143,624
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,137,782	1,681,335
Adjustments:		
Income not subject to tax	(1,712)	(200)
Expenses not deductible for tax purposes	544,688	84,216
Utilisation of deferred tax asset previously not recognised	(57,662)	–
Tax effect of qualifying income which is taxed at a concessionary rate of 10%	(120,253)	–
Overseas withholding tax expense	9,585	9,894
Effect of partial tax exemption and tax relief	(25,925)	(18,080)
Under-provision in respect of previous years	296,430	155,570
Others	677	51,448
Income tax expense recognised in the statement of comprehensive income	4,783,610	1,964,183

Starting 1 February 2009, one of the companies within the Group has been awarded a 5 year Aircraft Leasing Scheme incentive from the Economic Development Board of Singapore. This incentive entitles that company to a concessionary tax rate of 10% on qualifying income from the leasing of aircraft and/or aircraft engine and other qualifying ancillary activities. The validity of this incentive is dependent on that company meeting all the terms and conditions set by the Economic Development Board by the stipulated deadlines.

## Notes to the Financial Statements - 30 June 2010

### 9. Property, plant and equipment

Group	Rotables \$	Aircraft & related equipment \$	Aircraft maintenance \$	Plant and equipment \$	Leasehold improvement \$	Motor vehicle \$	Total \$
<u>Cost:</u>							
Balance at 1 July 2008	17,754,375	30,835,028	30,916,536	6,970,346	1,143,141	71,912	87,691,338
Additions	853,117	811,181	8,381,501	813,678	934,905	–	11,794,382
Disposal/written off	–	–	–	(15,854)	(1,672)	–	(17,526)
Translation adjustments	(1,904,091)	(3,641,581)	(3,315,687)	(723,261)	(122,418)	–	(9,707,038)
Balance at 30 June 2009 and 1 July 2009	16,703,401	28,004,628	35,982,350	7,044,909	1,953,956	71,912	89,761,156
Additions	5,335,206	11,356,416	9,710,827	952,484	–	–	27,354,933
Disposal/written off	–	–	–	(3,875)	–	–	(3,875)
Translation adjustments	396,749	468,290	506,410	167,572	46,411	–	1,585,432
Balance at 30 June 2010	22,435,356	39,829,334	46,199,587	8,161,090	2,000,367	71,912	118,697,646
<u>Accumulated depreciation:</u>							
Balance at 1 July 2008	5,069,666	9,054,519	18,215,975	4,357,498	260,776	11,985	36,970,419
Charge for the year	957,534	1,899,064	7,544,571	707,973	131,574	14,383	11,255,099
Disposal/written off	–	–	–	(15,854)	(1,672)	–	(17,526)
Translation adjustments	(475,568)	(835,933)	(1,416,747)	(394,974)	(19,260)	–	(3,142,482)
Balance at 30 June 2009 and 1 July 2009	5,551,632	10,117,650	24,343,799	4,654,643	371,418	26,368	45,065,510
Charge for the year	1,594,258	2,814,027	9,469,266	762,197	180,854	14,382	14,834,984
Disposal/written off	–	–	–	(3,875)	–	–	(3,875)
Translation adjustments	76,908	148,712	251,796	84,146	3,611	–	565,173
Balance at 30 June 2010	7,222,798	13,080,389	34,064,861	5,497,111	555,883	40,750	60,461,792
<u>Net carrying amount:</u>							
Balance at 30 June 2010	15,212,558	26,748,945	12,134,726	2,663,979	1,444,484	31,162	58,235,854
Balance at 30 June 2009	11,151,769	17,886,978	11,638,551	2,390,266	1,582,538	45,544	44,695,646

#### Aircraft purchased by instalment plan

During the financial year, the Group acquired aircraft with an aggregate cost of \$2,773,678 (2009: nil) to be paid by monthly instalments. The net cash outflow as at 30 June 2010 for the acquisition of this aircraft amounted to \$955,368 (2009: nil).

## Notes to the Financial Statements - 30 June 2010

### 10. Intangible assets

The breakdown of intangible assets is as follows:

	Note	Group 2010 \$	Group 2009 \$
Goodwill arising from business combinations	(a)	17,189,507	17,189,507
Other intangible assets	(b)	11,748	34,422
		17,201,255	17,223,929

#### a) Goodwill

Goodwill arising from business combinations	17,189,507	17,189,507
---	------------	------------

#### *Impairment test of goodwill*

Goodwill is allocated to the cash generating unit ("CGU") Skywest Airlines (Australia) Pty Ltd which is a high capacity airline operator, and the holder of an Australian high capacity air operator's certificate operating regular passenger transport services, charter services and airfreight operations.

The recoverable amount of the airline operator has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering the next financial year.

The pre-tax risk adjusted discount rate applied to these cash flow projections is 19% (2009: 14.5%). The long-term growth rate used to extrapolate the cash flows 14 years beyond the next financial year is 3.0% (2009: 3.0%) per annum.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

#### b) Other intangible assets

Group	Licence \$
<u>Cost:</u>	
At 1 July 2008	128,520
Translation adjustment	(13,783)
At 30 June 2009 and 1 July 2009	114,737
Translation adjustment	2,725
At 30 June 2010	117,462
<u>Accumulated depreciation:</u>	
At 1 July 2008	64,258
Charge for the year	21,424
Translation adjustment	(5,367)
At 30 June 2009 and 1 July 2009	80,315
Charge for the year	24,331
Translation adjustment	1,068
At 30 June 2010	105,714
<u>Net carrying amount:</u>	
At 30 June 2010	11,748
At 30 June 2009	34,422

## Notes to the Financial Statements - 30 June 2010

### 11. Subsidiaries

*Details of the subsidiaries are as follows:*

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2010	2009
Held by the Company:				
^ CaptiveVision Capital Ltd	Singapore	Investment holding and trading of quoted and unquoted securities	100	100
^ Skywest Airlines (S) Pte. Ltd.	Singapore	Provision of management, aircraft leasing/finance and parts procurement services to the holding company and other related companies	100	100

*Held by subsidiaries:*

A.C.N. 098 904 262 Pty Ltd*	Australia	Investment holding	100	100
Skywest Airlines (Australia) Pty Ltd (formerly known as Skywest Airlines Pty Ltd)*	Australia	Airline operator	100	100

^ Audited by Ernst & Young LLP, Singapore

\* Audited by Ernst & Young, Australia

### 12. Trade and other receivables

**Trade and other receivables - current**

	Group	
	2010	2009
	\$	\$
Trade receivables from third parties <sup>(1)</sup>	17,598,018	15,795,147
Deposits	4,730,853	3,983,340
Interest bearing loan <sup>(2)</sup>	372,346	492,514
Interest receivable <sup>(2)</sup>	65,277	68,486
Amount due from related parties <sup>(3)</sup>	219,237	54,987
Bank guarantee income receivable from a related party <sup>(4)</sup>	555,097	313,914
	<b>23,540,828</b>	<b>20,708,388</b>

**Other receivables - non-current**

	Group	
	2010	2009
	\$	\$
Deposits	2,798,447	–
Interest bearing debentures <sup>(5)</sup>	149,024	–
	<b>2,947,471</b>	<b>–</b>

<sup>(1)</sup> Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## Notes to the Financial Statements - 30 June 2010

### 12. Trade and other receivables (cont'd)

The ageing analysis of the trade receivables at the statement of financial position date is as follows:

The ageing analysis of the trade receivables past due but not impaired is as follows:

	Group	
	2010	2009
	\$	\$
Not past due	13,492,189	11,723,747
Past due 0 to 30 days	4,020,481	3,938,265
Past due 31 to 60 days	32,411	112,341
Past due more than 61 days	52,937	20,794
	17,598,018	15,795,147

100% (2009: 100%) of the Group's trade receivables that are past due as at the statement of financial position date are not impaired.

<sup>(2)</sup> Interest bearing loan and interest receivable

The interest bearing loan due from a company which a director of the Group has interest is unsecured and repayable on demand. Interest is charged as follows:

- (a) effective interest rate of 10% per annum to be applied from the drawdown date to 31 March 2008;
- (b) effective interest rate of 7% per annum to be applied from 1 April 2008 to 27 November 2008;
- (c) and interest rate of GBP LIBOR per annum to be applied from 28 November 2008 to the loan repayment date.
- (d) Singapore Inter-bank offered interest rate in respect of Singapore Dollar (SGD SIBOR) as fixed by the Association of Banks in Singapore

The interest is calculated on the outstanding principal amount of the loan on a daily rest basis of a year of 365 days.

<sup>(3)</sup> Amounts due from related parties and subsidiaries

The amounts due from related parties and subsidiaries are non-trade in nature, unsecured, non-interest bearing, and are repayable on demand.

<sup>(4)</sup> Bank guarantee income receivable from a related party

The bank guarantee income receivable from a related party is secured and repayable on demand. Interest is charged at effective interest rate of 14% (2009: 14%) per annum and calculated on the commitment amount of AUD\$2,089,967 (Note 29) on a daily rest basis of a year of 365 days.

<sup>(5)</sup> Interest bearing debenture

The debenture is due from a third party and is repayable on 6 November 2014. Interest is charged at 10% (2009: Nil%) per annum.

Trade and other receivables are denominated in the following currencies:

	Group	
	2010	2009
	\$	\$
Australian Dollars	25,619,986	19,984,040
Euro	2,956	-
Singapore Dollars	428,710	163,348
Pounds Sterling	287,623	561,000
United States Dollars	149,024	-
	26,488,299	20,708,388

## Notes to the Financial Statements - 30 June 2010

### 13. Prepayments

#### Prepayments - current

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Prepayments	2,062,562	1,814,681	15,643	–

#### Prepayments – non-current

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Prepaid maintenance expense	7,049,781	–	–	–

The prepaid maintenance expense represents monthly payments to lessors of aircraft in operating lease arrangements for maintenance of those aircraft. These amounts will be charged to the statement of comprehensive income when the maintenance payments are incurred.

### 14. Inventories

	Group	
	2010	2009
	\$	\$
Consumable spare parts	4,365,908	3,922,598
Consumable spare parts subject to retention of title clauses	76,049	78,385
Less: Allowance for inventories obsolescence	–	(381,864)
	4,441,957	3,619,119

The consumable spare parts subject to retention of title clauses are items that have been physically received by the Group, but whose title does not pass until payment for the items are made.

The movement of the allowance for inventories obsolescence is as follows:

Balance at beginning of year	381,864	373,756
(Write-back)/charge during the year	(404,892)	44,991
Translation adjustment	23,028	(36,883)
Balance at end of year	–	381,864

The cost of inventories included in consolidated statement of comprehensive income as part of engineering and maintenance costs, amounted to \$3,806,451 (2009: \$2,949,421).

## Notes to the Financial Statements - 30 June 2010

### 15. Other investments

	2010 \$	Group 2009 \$
Held for trading investments		
Quoted equity shares, at fair value	456,664	227,900

Quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains.

As the Group's other investments are held for trading, the fair value loss on other investments recognised in the statement of comprehensive income during the current year is \$121,931 (2009 : fair value gain of \$89,782)

Other investments are denominated in the following currencies:

Australian Dollars	352,089	150,473
Canadian Dollars	–	30,681
Singapore Dollars	–	18,396
Pounds Sterling	40,893	28,350
United States Dollars	63,682	–
	456,664	227,900

### 16. Cash and cash equivalents

	2010 \$	Group 2009 \$
Bank balances	12,940,709	9,179,876
Less: Bank balances restricted in use	–	(2,446,076)
Cash and cash equivalents in consolidated cash flow statement	12,940,709	6,733,800

As at 30 June 2009, the Group had AUD \$2,089,467, which is equivalent to \$2,446,076, of bank balances whose use was restricted as it was to secure borrowings for a corporation in which one of the directors has an interest. The effective interest rate per annum relating to the balances is 3.8% (2009: 2.3%).

Cash and cash equivalents are denominated in the following currencies:

Australian Dollars	11,573,641	8,624,857
Euro	25,922	–
Singapore Dollars	47,509	524,374
Pounds Sterling	551,586	493
United States Dollars	742,051	30,152
	12,940,709	9,179,876

## Notes to the Financial Statements - 30 June 2010

### 17. Provisions

Group	Aircraft handback	Employee benefits	Total
	\$	\$	\$
Balance at 1 July 2008	689,358	6,256,810	6,946,168
Write-back for the year	(351,118)	(396,698)	(747,816)
Currency realignment	(73,931)	(671,022)	(744,953)
Balance at 30 June 2009	264,309	5,189,090	5,453,399
Less: Non-current portion	(264,309)	–	(264,309)
Current portion	–	5,189,090	5,189,090
Balance at 1 July 2009	264,309	5,189,090	5,453,399
Reversal	–	–	–
(Write-back)/charge for the year	(75,170)	368,446	293,276
Currency realignment	6,276	110,552	116,828
Balance at 30 June 2010	195,415	5,668,088	5,863,503
Less: Non-current portion	(195,415)	(693,313)	(888,728)
Current portion	–	4,974,775	4,974,775

Provisions for aircraft handback are made in accordance with the respective operating lease agreements. The provisions have been made on the same basis as that in 2009.

Provision for employee benefits include provisions for long service leave, annual leave and other entitlements.

### 18. Borrowings

Current liabilities	Group	
	2010 \$	2009 \$
Secured loan I	658,473	559,297
Secured loan II	1,014,574	–
Secured loan III	1,257,946	452,444
	2,930,993	1,011,741
<b>Non-current liabilities</b>		
Secured loan I	235,933	920,828
Secured loan II	4,095,608	–
Secured loan III	–	1,223,187
	4,331,541	2,144,015

#### Secured loan I

The secured loan I is a loan between Skywest Airlines (Australia) Pty Ltd. and Capital Finance Australia Ltd, taken out for the purchase of an aircraft. The repayment term is 60 months from 31 December 2006 and bears an effective interest rate of 6.73% (2009: 6.73%) per annum.

The loan is secured by a first registered equitable mortgage over all the assets and undertakings of the Group.

## Notes to the Financial Statements - 30 June 2010

### 18. Borrowings (cont'd)

#### **Secured loan II**

The secured loan II is a loan between Skywest Airlines (S) Pte Ltd and Capital Finance Australia Ltd, taken out for the purchase of an aircraft. The repayment terms is 60 months from 15 December 2009 and bears an effective interest rate of 6.18% (2009: nil) per annum.

The loan is secured by a charge over the purchased aircraft whose carrying amount as at 30 June 2010 is \$5,488,290 (2009: nil), a guarantee from Skywest Airlines Ltd and Skywest Airlines (Australia) Pty Ltd, a charge over the income earned by the Group from this aircraft, and a floating charge over a bank account of the Group.

#### **Secured loan III**

The secured loan III is an equipment loan facility established for the funding of an aircraft engine. The repayment term is 60 months from October 2007, and bears an effective interest rate of 8.248% (2009: 8.248%) per annum.

The loan is secured by a fixed and floating charge over all the assets of Skywest Airlines (Australia) Pty Ltd.

Borrowings are denominated in the following currencies:

United States Dollars	6,004,588	1,480,125
Australian Dollars	1,257,946	1,675,631
	<u>7,262,534</u>	<u>3,155,756</u>

### 19. Trade and other payables

#### **Trade and other payables - current**

	2010 \$	Group 2009 \$
Trade payables	20,814,699	10,507,466
Amount due to related party	214	214
Instalment payments due to a supplier	1,678,440	–
Other payables and accruals	10,281,471	7,180,912
	<u>32,774,824</u>	<u>17,688,592</u>

#### **Trade and other payables – non- current**

	2010 \$	Group 2009 \$
Instalment payments due to a supplier	139,870	–

Trade payables are normally on 60-days term.

Trade and other payables are denominated in the following currencies:

Australian Dollars	23,822,125	13,153,779
Euro	665,129	601,685
New Zealand Dollars	74,413	90,931
Singapore Dollars	319,887	35,679
Pounds Sterling	960	77,132
United States Dollars	8,032,180	3,729,386
	<u>32,914,694</u>	<u>17,688,592</u>

## Notes to the Financial Statements - 30 June 2010

### 20. Revenue received in advance

	2010	Group	2009
	\$		\$
Revenue received in advance	12,091,664		11,857,626

This pertains to passenger, charter or freight income that has been received in advance and will be recognised as revenue in the statement of comprehensive income when the tickets are utilised or expire, or when freight is uplifted.

### 21. Deferred tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal tax authority.

The amounts, are shown in the statement of financial positions as follows:

	2010	Group	2009
	\$		\$
Deferred tax assets arise as result of:			
Provisions and accruals	1,923,938		2,164,122
Revenue received in advance	99,199		117,150
Property, plant and equipment	–		218,538
Trade and other receivables	137,825		–
Unutilised tax losses	2,499,576		112,782
Others	114,603		199,902
	4,775,141		2,812,494
Deferred tax liabilities arise as result of:			
Inventories	1,332,588		1,109,660
Property, plant and equipment	9,288,276		6,808,388
Trade and other receivables	–		9,826
Maintenance reserves	3,381,148		–
Unrealised foreign exchange gain	72,127		–
	14,074,139		7,927,874
Net deferred tax liabilities	9,298,998		5,115,380

At the end of the reporting period, the Group has capital tax losses of approximately AUD\$9,075,517 (2009: AUD\$9,075,517) that are available for offset against future capital taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## Notes to the Financial Statements - 30 June 2010

### 22. Share capital and treasury shares

#### (a) Share capital

	2010		2009	
	No. of shares	\$	No. of shares	\$
<b>Group and Company</b>				
Issued and fully paid :				
At 1 July	195,500,000	42,989,091	199,500,000	43,554,574
Share buy-back	–	–	(4,000,000)	(565,483)
Issue of shares under warrant scheme	4,100,000	820,000	–	–
At 30 June	199,600,000	43,809,091	195,500,000	42,989,091

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Company acquired 4,000,000 of its shares through purchases on the AIM during the last financial year. The total amount paid to acquire the shares was \$565,483.

The Company issued 4,100,000 (2009 : Nil) of its shares under the warrant scheme at \$0.20 per share during the financial year, these were fully vested on issue.

#### (b) Treasury shares

	2010		2009	
	No. of treasury shares	\$	No. of treasury shares	\$
<b>Group and Company</b>				
Issued and fully paid :				
At 1 July	(1,000,000)	(168,321)	–	–
Acquired during the year	(3,000,000)	(811,900)	(1,000,000)	(168,321)
Disposed during the year				
-Cash consideration net of expenses	4,000,000	1,808,000	–	–
-Gain transferred to capital accretion reserve	–	(827,779)	–	–
	4,000,000	980,221	–	–
At 30 June	–	–	(1,000,000)	(168,321)

The Company acquired 3,000,000 (2009: 1,000,000) shares through purchases on the AIM during the financial year. The total amount paid to acquire the shares was \$811,900 (2009: \$168,321) and this was presented as a component within shareholders' equity.

The Company disposed 4,000,000 (2009: Nil) treasury shares on the AIM during the financial year and the total cash consideration net of expenses received was \$1,808,000 (2009: nil).

### 23. Other reserves

#### a) Capital reserve

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

#### b) Warrant reserve

Warrant reserve represents warrants on shares granted to directors and other executives of the Group. The reserve is made up of the cumulative fair values of the warrants which are issued fully vested at grant date.

#### c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## Notes to the Financial Statements - 30 June 2010

### 24. Employee benefits expenses

	Group	
	2010	2009
Employee benefits expense (including directors):	<b>\$</b>	<b>\$</b>
Directors' fees	75,000	150,000
Short term benefits	42,900,099	36,078,991
Defined contribution plan contributions	3,298,333	2,831,142
Warrant expense	187,997	–
	46,461,429	39,060,133

Key management personnel of the Group are identified as those having the authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of directors and key management personnel are as follows:

Directors' fees	75,000	150,000
Short term benefits	1,834,831	715,967
Defined contribution plan contributions	72,961	7,946
Warrant expense	185,523	–
	2,168,315	873,913
Comprise amounts paid to:		
Directors	879,648	627,039
Key management personnel	1,288,667	246,874
	2,168,315	873,913

#### **Warrant expense**

The Company has a warrant scheme under which options to subscribe for the Company's ordinary shares have been granted to the Directors and Executives of the Group for the purpose of providing incentives and rewards to eligible participants who have contributed significantly to the growth and performance of the Group.

## Notes to the Financial Statements - 30 June 2010

### 24. Employee benefits (cont'd)

#### Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2010		2009	
	No.	WAEP	No.	WAEP
Outstanding at 1 July	6,601,475	S\$0.20	12,321,275	S\$0.32
- Granted	3,040,000	S\$0.24 (10.25 pence)	-	-
- Lapsed	(2,501,475)	S\$0.20	(5,719,800)	S\$0.34 (15.25 pence)
- Exercised	(4,100,000)	S\$0.20	-	-
Outstanding at 30 June	3,040,000	S\$0.24 (10.25 pence)	6,601,475	S\$0.20
Exercisable at 30 June	3,040,000	S\$0.24 (10.25 pence)	6,601,475	S\$0.20

- The weighted average fair value of the warrants granted during the financial year was S\$0.06 (2009: Nil).

- The weighted average share price at the date of exercise of the warrant exercised during the financial year was 9.34 pence. (2009: Nil).

- The exercise price for warrant outstanding at the end of the year was S\$0.24 (10.25 pence) (2009: S\$0.20).

#### Fair value of warrants granted

The fair value of the warrants granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs into the binomial option pricing model year ended 30 June 2010 and 2009:

	2010	2009
Dividend yield	7.24%	-
Expected volatility	65%	-
Risk-free interest rate	1.25% per annum	-
Expected life of warrant	1 year	-
Weighted average share price	10.25 pence	-

The expected life of the warrants is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the warrants is indicative of future trends, which may also not necessarily be the actual outcome.

## Notes to the Financial Statements - 30 June 2010

### 25. Related party transactions

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties took place at terms agreed between the parties as follows:

	2010 \$	Group 2009 \$
<b>Transactions with related parties</b>		
Interest income	5,190	22,000
Bank guarantee income	362,908	369,546
Aircraft lease rental	22,043,933	13,834,160
Management fee expense	663,325	530,501
Purchases of good and services	2,559,823	248,784
<b>Transactions with subsidiaries</b>		
Dividend income	–	–
Interest income	–	–
Management fee income	–	–

For remuneration information in relation to directors and key management personnel, please refer to Note 24.

### 26. Operating Lease commitments – as lessee

#### (a) In respect of operating lease for office premise

Future lease payments under a non-cancellable operating lease of office premises at the end of the reporting period are as follows:

	2010 \$	Group 2009 \$
Less than one year	57,038	76,050
Between two to five years	–	57,038
	57,038	133,088

At the end of the reporting period, the remaining lease term is 1 year (2009: 2 years), out of the original lease term of 2 years.

#### (b) In respect of operating leases for aircraft

The Group has 9 (2009: 8) aircraft under operating leases. At the end of the reporting period, the remaining lease terms are 2 to 4 years. The original lease terms for the aircraft are as follows:

10 years	-	2 aircraft
6 years	-	1 aircraft
5 years	-	5 aircraft
1 year	-	1 aircraft

None of the operating lease agreements confer on the Group an option to purchase the related aircraft.

Future lease payments under non-cancellable operating leases of aircraft at the end of the reporting period are as follows:

	2010 \$	Group 2009 \$
Less than one year	15,906,206	13,214,797
Between two to five years	30,858,618	40,881,105
More than five years	–	8,395,031
	46,764,824	62,490,933

## Notes to the Financial Statements - 30 June 2010

### 27. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issued during the financial year.

Diluted earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilution potential shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 June:

	2010	Group	2009
	\$		\$
Profit for the year	9,233,877		3,179,441
		No. of ordinary shares	
Weighted average number of ordinary shares for basic earnings per share computation *	196,186,027		198,793,151
Effects of dilutive warrants	513,975		6,601,475
Weighted average number of ordinary shares for diluted earnings per share computation *	196,700,002		205,394,626

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

### 28. Dividends

	2010	Company	2009
	\$		\$
<b>Declared and paid during the financial year</b>			
<i>Dividends on ordinary shares</i>			
- Final exempt (one-tier) dividend for 2009: \$0.010 (2008: \$0.007) per share	1,920,075		1,389,060
- Interim exempt (one-tier) dividend for 2010: \$0.005 (2009: nil) per share	975,216		-
	2,895,291		1,389,060
<b>Proposed but not recognised as a liability as at 30 June</b>			
<i>Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting</i>			
- Final exempt (one-tier) dividend for 2010: \$0.011 (2009: \$0.010) per share	2,195,600		1,945,000

### 29. Contingent liability

The Group has agreed to extend a guarantee of US\$2,000,000 to a related company, for the related company to obtain a US\$2,000,000 loan to acquire two aircraft for its operations.

## Notes to the Financial Statements - 30 June 2010

### 30. Fair value of financial instruments

#### Determination of fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

#### *Fair value of financial instruments that are carried at fair value*

#### Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group's held for trading quoted equity shares are classified as Level 1 of the fair value hierarchy.

#### Determination of fair value

Quoted equity shares (Note 15): The fair values of these shares are determined directly by reference to their published market bid price at the end of the reporting period.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings are reasonable approximations of fair values either due to their short-term nature, or because the interest rate charged closely approximates market interest rates, or that the financial instruments have been discounted to their fair value at a current pre-tax interest rate.

#### **Fair values versus carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial positions are as follows:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<b>Group</b>				
Trade and other receivables	26,488,299	26,488,299	20,708,388	20,708,388
Cash and cash equivalents	12,940,709	12,940,709	9,179,876	9,179,876
Borrowings	(7,262,534)	(7,262,534)	(3,155,756)	(3,155,756)
Trade and other payables	(32,914,694)	(32,914,694)	(17,688,592)	(17,688,592)
	(748,220)	(748,220)	9,043,916	9,043,916

### 31. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, market risk, interest rate risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Through training and management standards and procedures, the Group aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

## Notes to the Financial Statements - 30 June 2010

### 31. Financial risk management objectives and policies (cont'd)

#### (i) Foreign currency risk

The Group operates in Australia and Singapore, and has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities.

The Group also has trade and other receivables, trade and other payables, and borrowings that are denominated in foreign currencies; and also hold cash and cash equivalents denominated in foreign currencies for working capital purposes

The Group's currency exposure based on the information provided to key management is as follows:

	Australian Dollars	United States Dollars	Pounds Sterling	Euro	Canadian Dollars	New Zealand Dollars	Singapore Dollars	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Group</b>								
<b>2010</b>								
<b>Financial assets</b>								
Trade and other receivables	25,619,986	149,024	287,623	2,956	–	–	428,710	26,488,299
Other investments	352,089	63,682	40,893	–	–	–	–	456,664
Cash and cash equivalents	11,573,641	742,051	551,586	25,922	–	–	47,509	12,940,709
	37,545,716	954,757	880,102	28,878	–	–	476,219	39,885,672
<b>Financial liabilities</b>								
Borrowings	1,257,946	6,004,588	–	–	–	–	–	7,262,534
Trade and other payables	23,822,125	8,032,180	960	665,129	–	74,413	319,887	32,914,694
	25,080,071	14,036,768	960	665,129	–	74,413	319,887	40,177,228
Net financial assets/ (liabilities)	12,465,645	(13,082,011)	879,142	(636,251)	–	(74,413)	156,332	(291,556)
	Australian Dollars	United States Dollars	Pounds Sterling	Euro	Canadian Dollars	New Zealand Dollars	Singapore Dollars	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Group</b>								
<b>2009</b>								
<b>Financial assets</b>								
Trade and other receivables	19,984,040	–	561,000	–	–	–	163,348	20,708,388
Other investments	150,473	–	28,350	–	30,681	–	18,396	227,900
Cash and cash equivalents	8,624,857	30,152	493	–	–	–	524,374	9,179,876
	28,759,370	30,152	589,843	–	30,681	–	706,118	30,116,164
<b>Financial liabilities</b>								
Borrowings	1,675,631	1,480,125	–	–	–	–	–	3,155,756
Trade and other payables	13,153,541	3,729,386	35,917	601,685	–	90,931	77,132	17,688,592
	14,829,172	5,209,511	35,917	601,685	–	90,931	77,132	20,844,348
Net financial assets/ (liabilities)	13,930,198	(5,179,359)	553,926	(601,685)	30,681	(90,931)	628,986	9,271,816

## Notes to the Financial Statements - 30 June 2010

### 31. Financial risk management objectives and policies (cont'd)

#### (i) Foreign currency risk (cont'd)

##### *Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the Australian Dollar (AUD), Euro (EUR), Sterling Pound (GBP) and United States Dollar (USD) exchange rates against the Singapore dollar, with all other variables held constant.

Group		Profit before tax	
		2010	2009
		\$	\$
AUD	- strengthened 10% (2009: 10%)	+ 1,246,000	+ 1,392,000
	- weakened 10% (2009: 10%)	- 1,246,000	- 1,392,000
EUR	- strengthened 10% (2009: 10%)	- 64,000	- 60,000
	- weakened 10% (2009: 10%)	+ 64,000	+ 60,000
GBP	- strengthened 10% (2009: 10%)	+ 88,000	+ 55,000
	- weakened 10% (2009: 10%)	- 88,000	- 55,000
USD	- strengthened 10% (2009: 10%)	- 1,308,000	- 518,000
	- weakened 10% (2009:10%)	+ 1,308,000	+ 518,000

#### (ii) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investments in quoted equity shares. These shares are mainly quoted on the Australian Stock Exchange (ASX) in Australia and are classified as held for trading financial assets.

##### *Sensitivity analysis for equity price risk*

At the end of the reporting period, if shares on the ASX had performed 2% (2009: 2%) better/worse with all other variables held constant, the Group's profit before tax would have been \$7,000 (2009: \$3,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity shares.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

At the end of the reporting period, the Group has minimal exposure to interest rate risk, as the interest rates on its borrowings are fixed.

#### (iv) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including other investments and cash and cash equivalents), the Group and Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

##### *Exposure to credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

## Notes to the Financial Statements - 30 June 2010

### 31. Financial risk management objectives and policies (cont'd)

#### **Credit risk concentration profile**

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

Group	2010		2009	
	\$	%	\$	%
<b>By country</b>				
Australia	17,598,018	100%	15,795,147	100%
<b>By industry</b>				
Airline operator	17,598,018	100%	15,795,147	100%

#### *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and other investments that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### *Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade and other receivables) and Note 15 (Other investments).

#### (v) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is that not more than 45% (2009: 45%) of loans and borrowings should mature in the next one year period, and to maintain sufficient liquid financial assets and stand-by credit facilities with different banks.

At the end of the reporting period, approximately 40% (2009: 32%) of the Group's borrowings (Note 18) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	Less than one	One to five years	Total
	year		
2010	\$	\$	\$
<b>Financial assets:</b>			
Trade and other receivables	23,540,828	2,947,471	26,488,299
Other investments	456,664	–	456,664
Cash and cash equivalents	12,940,709	–	12,940,709
Total undiscounted financial assets	36,938,201	2,947,471	39,885,672
<b>Financial liabilities:</b>			
Trade and other payables	32,774,824	139,870	32,914,694
Borrowings	2,930,993	4,331,541	7,262,534
Total undiscounted financial liabilities	35,705,817	4,471,411	40,177,228
Total net undiscounted financial assets/(liabilities)	1,232,384	(1,523,940)	(291,556)

## Notes to the Financial Statements - 30 June 2010

### 31. Financial risk management objectives and policies (cont'd)

#### (v) Liquidity risk (cont'd)

Group 2009	Less than one year \$	One to five years \$	Total \$
<b>Financial assets:</b>			
Trade and other receivables	20,708,388	–	20,708,388
Other investments	227,900	–	227,900
Cash and cash equivalents	9,179,876	–	9,179,876
Total undiscounted financial assets	30,116,164	–	30,116,164
<b>Financial liabilities:</b>			
Trade and other payables	17,688,592	–	17,688,592
Borrowings	1,011,741	2,144,015	3,155,756
Total undiscounted financial liabilities	18,700,333	2,144,015	20,844,348
Total net undiscounted financial assets/(liabilities)	11,415,831	(2,144,015)	9,271,816

### 32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2010 and 30 June 2009.

The Group monitors capital based on gearing ratio. The target for the Group's gearing ratio is between 25% to 35%. The gearing ratio is calculated as net debt divided by total equity and net debt.

	2010 \$	Group 2009 \$
Borrowings (Note 18)	7,262,534	3,155,756
Trade and other payables (Note 19)	32,914,694	17,688,592
Less: Cash and cash equivalents (Note 16)	(12,940,709)	(9,179,876)
Net debt	27,236,519	11,664,472
Total equity	59,493,498	50,805,776
Total equity and net debt	86,730,017	62,470,248
Gearing ratio	31.40%	18.67%

### 33. Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has one reportable operating segment as follows:

#### Airline operator segment

This segment is in the business of being a high capacity airline operator, holder of an Australian high capacity air operator's certificate operating regular passenger transport services, charter services and airfreight operations. This is the main business segment of the Group.

## Notes to the Financial Statements - 30 June 2010

### 33. Operating segments (cont'd)

The Board reviews revenue from regular passenger transport and charter and freight sales separately as follows:

	2010	Group	2009
	\$		\$
Regular passenger transport	95,259,175		83,989,597
Charter and freight sales	119,945,461		97,326,048
Total revenue	215,204,636		181,315,645

The overall results of the segment reviewed by the Board are the financial results as presented.

No operating segments have been aggregated to form the above reportable operating segments.

Revenue from external customers by geographical locations is detailed below. Revenue is attributable to geographic location based on the location of the customers.

	2010	Group	2009
	\$		\$
Australia	215,204,636		181,315,645

The analysis of the geographical location of property, plant and equipment are as follows:

Australia	58,197,667	44,638,841
Singapore	38,187	56,805
Total property plant and equipment	58,235,854	44,695,646

### 34. Subsequent events

Subsequent to the statement of financial position date, the followings occurred:

- (a) A subsidiary, Skywest Airlines (Australia) Pty Ltd has committed to lease additional Hangar Space from Hawker Pacific Pty Ltd in line with increasing operational requirements. At the date of this report, the Airline has begun the process of moving into the new Hangar Space.
- (b) A subsidiary, Skywest Airlines (Australia) Pty Ltd has entered into a memorandum of understanding with Virgin Blue Group of Airlines over a reciprocal codeshare arrangement. This agreement means that Virgin Blue customers will have access to an expanded network in Western Australia to include destinations such as: Albany, Esperance, Geraldton, Exmouth Carnavon, Monkey Mia and Kalbarri.
- (c) The Board of Skywest Airlines (Australia) Pty Ltd accepted an offer of facilities for A\$6.68m from Bank of Western Australia to provide additional working capital to fund the Group's growing operational requirements.
- (d) The directors of the Company have resolved to recommend a dividend of \$0.011 with the declaration of that dividend a matter to consider at the Company's AGM.

### 35. Comparative figures

The financial statements for the year ended 30 June 2009 were audited by another firm. Certain comparative figures have been reclassified to conform with the current period's presentation.

### 36. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 28 September 2010.

## Shareholding Information

### Register of Top 20 Ordinary Shareholders

(AS AT 16 SEPTEMBER 2010)

Name of Holder	Number of Shares
HANOVER NOMINEES LIMITED	24,702,560
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	12,107,440
UBS NOMINEES PTY LTD <PB SEG AVC>	12,010,958
FITEL NOMINEES LIMITED	10,901,012
HARGREAVE HALE NOMINEES LIMITED	9,798,988
FITEL NOMINEES LIMITED	7,000,000
UBS WEALTH MANAGEMENT AUSTRALIA NOM	6,200,000
QUEENSLAND INVESTMENT CORPORATION	4,880,000
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	4,500,000
TD WATERHOUSE NOMINEES (EUROPE) LIMITED	4,316,063
BARCLAYSHARE NOMINEES LIMITED	4,156,500
L R NOMINEES LIMITED	3,625,807
FITEL NOMINEES LIMITED	3,500,000
MR LEE HONG KEN	3,298,381
PERSHING NOMINEES LIMITED	3,296,000
FITEL NOMINEES LIMITED	3,173,743
SMITH & WILLIAMSON NOMINEES LIMITED	3,057,450
PERSHING NOMINEES LIMITED	3,011,278
VIDACOS NOMINEES LIMITED	2,993,114
MR ROBERT JEFFRIES CHATFIELD	2,400,000

# Corporate Directory

## Directors

Robert Jeffries Chatfield (Executive Chairman)  
Seah Kian Peng (Non-executive Director)  
John Leonard Jost (Non-executive Director)  
Ron Aitkenhead (Non-executive Director)

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## Company Secretaries

Siobhan Mary Cool  
Han Kee Fong  
Carissa Gina Tan

## Registered Office

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## Stockbroker

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