

**ADVENT AIR LTD.**  
**(INCORPORATED IN THE REPUBLIC OF SINGAPORE)**  
**(COMPANY REGISTRATION NO.: 1997-08548-K)**

**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

**JASMINE CHUA & ASSOCIATES**  
**Certified Public Accountants**

**ADVENT AIR LTD.**

**ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

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**ADVENT AIR LTD.****REPORT OF THE DIRECTORS – FINANCIAL YEAR ENDED 30 JUNE 2007**

The directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2007 and the balance sheet, income statement and statement of changes in equity of the Company as at 30 June 2007.

**DIRECTORS**

The directors of the Company in office at the date of this report are:

Robert Jeffries Chatfield  
Seah Kian Peng  
John Leonard Jost  
Ronald Lewis Aitkenhead (Appointed in 23 April 2007)

**ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

Except as described in paragraph 5 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 object 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 directors of the Company holding office at the end of the financial year and their interests in the share capital of the Company and in related corporations (other than wholly-owned subsidiaries) as recorded in the register of directors' shareholdings kept under Section 164 of the Singapore Companies Act, Chapter 50 were as follows:

<u>Name of Directors and corporation in which interests are held</u>	<u>Shareholdings registered in the name of Directors</u>		<u>Shareholdings in which Directors are deemed to have an interest</u>	
	<u>At beginning of year/date of appointment</u>	<u>At end of year</u>	<u>At beginning of year/date of appointment</u>	<u>At end of year</u>
<b><u>The Company</u></b>				
		<b><u>Number of ordinary shares</u></b>		
Robert Jeffries Chatfield	-	-	25,600,000	26,700,000
Seah Kian Peng	986,377	1,186,377	-	-
John Leonard Jost	27,250	27,250	3,473,743	3,475,412
Ronald Lewis Aitkenhead (Appointed in 23 April 2007)	-	-	-	-

By virtue of Section 7 of the Singapore Companies Act, Cap 50, Robert Jeffries Chatfield is deemed to have an interest in the shares held by the Company in its subsidiaries.

**ADVENT AIR LTD.****REPORT OF THE DIRECTORS – FINANCIAL YEAR ENDED 30 JUNE 2007****DIRECTORS' INTERESTS IN SHARES AND DEBEPTURES – cont'd**

The following warrants are granted to the Directors to subscribe for ordinary shares which are outstanding at the balance sheet date:

<u>Name of Directors and corporation in which warrants are granted</u>	<u>At beginning of year/date of appointment</u>	<u>At end of year</u>
<b><u>The Company</u></b>		<b><u>Number of warrants to subscribe for ordinary shares</u></b>
Robert Jeffries Chatfield	6,601,475	10,601,475
Seah Kian Peng	200,000	400,000
John Leonard Jost	-	800,000
Ronald Lewis Aitkenhead (Appointed in 23 April 2007)	-	-

**DIRECTORS' CONTRACTUAL BENEFITS**

Except as disclosed in the financial statements, since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Chapter 50, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

**SHARE OPTIONS**

The Company has two share options schemes as follows:

- (a) The Employees' Share Option scheme was approved by the members of the Company on 8 June 2000 and is administrated by the Board of Directors at the following terms and conditions:

The exercise price for the option ranges between S\$0.20 to S\$0.50 per share. The expiry dates of the options ranges from 3 months to 4 years after the admission to the Alternate Investment Market of London Stock Exchange ("AIM").
- (b) The current Warrant Scheme was authorized by the members of the Company on 15 May 2006 and is administrated by the Remuneration Committee at the following terms and conditions set out in the warrants:
  - (i) the subscription price per share is the average of the closing mid-price as announced by the AIM of the London Stock Exchange on the first 10 business days after 22 November 2006 which is priced at GBP0.11625; and

**ADVENT AIR LTD.****REPORT OF THE DIRECTORS – FINANCIAL YEAR ENDED 30 JUNE 2007****SHARE OPTIONS – cont'd**

- (ii) the warrant shall be exercisable in whole or in part at any time till 21 November 2007 subject to extension if the expiry date falls within a market black-out period.. At the expiry of the warrant, all unexercised warrants shall lapse, null and void.

Under both scheme, options to subscribe for 16,521,475 unissued shares in the Company were outstanding as at 30 June 2007:

**Number of shares covered by the options**

<u>Date of grant</u>	<u>Balance at beginning of year or later date of grant</u>	<u>Expired</u>	<u>Exercised</u>	<u>Balance at end of year</u>	<u>Exercise price</u>	<u>Expiry date</u>
20/4/2004	250,000	250,000	-	-	Min S\$0.30	20/4/2007
29/3/2004	400,000	-	400,000	-	Min S\$0.30	29/3/2007
29/3/2004	3,500,000	3,500,000	-	-	Min S\$0.30	12/9/2006
29/3/2004	250,000	250,000	-	-	Min S\$0.30	30/11/2006
29/3/2004	250,000	250,000	-	-	Min S\$0.30	1/12/2006
12/12/2005	2,000,000	-	-	2,000,000	GBP0.20	29/11/2007
12/12/2005	6,601,475	-	-	6,601,475	S\$0.20	29/11/2009
12/12/2005	125,000	125,000	-	-	GBP0.20	29/11/2006
15/5/2006	2,000,000	-	-	2,000,000	GBP0.0969	16/9/2007
6/6/2006	500,000	500,000	-	-	GBP0.11 to 0.20	31/12/2006
22/11/2006	5,920,000	-	-	5,920,000	GBP0.11625	21/11/2007

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 to above, during the financial year, there were:

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

**ADVENT AIR LTD.**

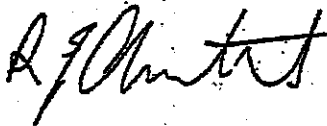
**REPORT OF THE DIRECTORS – FINANCIAL YEAR ENDED 30 JUNE 2007**

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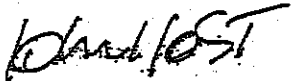
**AUDITORS**

Messrs Jasmine Chua & Associates have expressed their willingness to accept re-appointment as auditors.

**ON BEHALF OF THE BOARD OF DIRECTORS,**



.....  
**ROBERT JEFFRIES CHATFIELD**  
**DIRECTOR**



.....  
**JOHN LEONARD JOST**  
**DIRECTOR**

Date, 14 November 2007

**ADVENT AIR LTD.**

**STATEMENT OF DIRECTORS – FINANCIAL YEAR ENDED 30 JUNE 2007**

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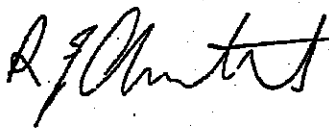
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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.

In the opinion of the directors:

- (i) the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statements together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007, and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised the financial statements for issue.

ON BEHALF OF THE BOARD OF DIRECTORS,



.....  
**ROBERT JEFFRIES CHATFIELD**  
**DIRECTOR**



.....  
**JOHN LEONARD JOST**  
**DIRECTOR**

Date, 14 November 2007



## JASMINE CHUA & ASSOCIATES

Certified Public Accountants, Singapore

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### INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ADVENT AIR LTD.

(INCORPORATED IN THE REPUBLIC OF SINGAPORE - COMPANY REGISTRATION NO.: 1997-08548-K)

We have audited the accompanying financial statements of the Advent Air Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and Company balance sheets as at 30 June 2007, and the consolidated income statements, the consolidated statements of changes in equity and consolidated cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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.

#### Auditors' Responsibility

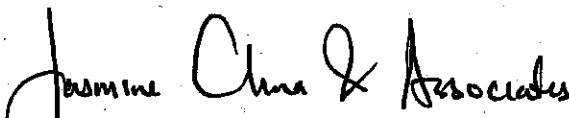
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements are properly drawn up in accordance with the provisions of International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 30 June 2007 and of the results, statement of changes in equity and cash flow of the Group for the financial year ended on that date.

  
.....  
JASMINE CHUA & ASSOCIATES  
Certified Public Accountants

Singapore, 14 November 2007

**ADVENT AIR LTD.**

**BALANCE SHEETS AS AT 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

	Note	<u>Group</u>		<u>Company</u>	
		<u>2007</u> S\$	<u>2006</u> S\$	<u>2007</u> S\$	<u>2006</u> S\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant & equipment	3	42,616,763	29,981,443	11,940	12,744
Subsidiary	4	-	-	13,054,799	13,054,799
Intangible assets	5	17,278,267	9,710,276	-	-
		<u>59,895,030</u>	<u>39,691,719</u>	<u>13,066,739</u>	<u>13,067,543</u>
<b>Current assets</b>					
Available-for-sale financial assets	6	1,144,071	26,598	-	-
Inventories	7	1,213,360	1,023,708	-	-
Trade receivables	8	12,321,944	5,373,692	-	-
Other receivables	9	3,485,581	3,474,172	29,139,101	15,124,749
Cash & cash balances		14,528,864	24,543,185	5,473,141	14,518,593
		<u>32,693,820</u>	<u>34,441,355</u>	<u>34,612,242</u>	<u>29,643,342</u>
<b>TOTAL ASSETS</b>		<u>92,588,850</u>	<u>74,133,074</u>	<u>47,678,981</u>	<u>42,710,885</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	10	43,049,248	41,167,116	43,049,248	41,167,116
Assets revaluation reserve		625	625	625	625
Currency translation reserve		2,439,541	42,027	-	-
Accumulated profits		2,028,860	(3,433,132)	4,295,294	1,088,862
		<u>47,518,274</u>	<u>37,776,636</u>	<u>47,345,167</u>	<u>42,256,603</u>
Minority interests		-	7,786,026	-	-
		<u>47,518,274</u>	<u>45,562,662</u>	<u>47,345,167</u>	<u>42,256,603</u>
<b>Non-current liabilities</b>					
Borrowings	11	5,295,481	-	-	-
Deferred tax liabilities	12	3,607,110	984,629	-	-
Provisions	13	86,653	169,221	-	-
		<u>8,989,244</u>	<u>1,153,850</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade payables	14	6,528,429	10,733,074	-	-
Other payables	15	21,704,558	12,517,815	333,814	454,282
Borrowings	11	-	86,517	-	-
Provisions	13	5,327,552	3,803,701	-	-
Income tax payable		2,520,793	275,455	-	-
		<u>36,081,332</u>	<u>27,416,562</u>	<u>333,814</u>	<u>454,282</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>92,588,850</u>	<u>74,133,074</u>	<u>47,678,981</u>	<u>42,710,885</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**ADVENT AIR LTD.****CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)**

		<u>Group</u>	
	<u>Note</u>	<u>2007</u> S\$	<u>2006</u> S\$
Revenue	16	130,485,459	98,948,644
Cost of sales		<u>(63,492,515)</u>	<u>(51,333,293)</u>
Gross profit		66,992,944	47,615,351
Other income	17	1,160,884	4,730,458
Administrative expenses		(41,271,278)	(33,926,136)
Other expenses		(13,913,148)	(12,165,975)
Finance costs	18	<u>(273,095)</u>	<u>(456,701)</u>
Profit before income tax	19	12,696,309	5,796,997
Income tax expense	20	<u>(4,730,227)</u>	<u>(1,078,288)</u>
Profit for the financial year		<u>7,966,082</u>	<u>4,718,709</u>
Attributable to:			
Equity holders of the Parent		7,178,222	3,968,687
Minority interests		<u>787,860</u>	<u>750,022</u>
		<u>7,966,082</u>	<u>4,718,709</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**ADVENT AIR LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

(Expressed in Singapore Dollars)	Share capital S\$	Share premium S\$	Assets revaluation reserve S\$	Foreign currency translation reserve S\$	Retained earnings S\$	Total attributable to equity holders of parent S\$	Minority interest S\$	Total equity S\$
<b>Group</b>								
Balance at 30 June 2005	14,320,414	15,654,105	625	705,336	(16,722,786)	13,957,694	8,955,988	22,913,682
Changes in equity								
Effect of Companies Amendment Act 2005 <sup>(1)</sup>	3,890,413	(3,890,413)	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	(663,309)	-	(663,309)	(619,042)	(1,282,351)
Offset against losses <sup>(2)</sup>	-	(13,746,551)	-	-	13,746,551	-	-	-
Net income recognized directly to equity	3,890,413	(17,636,964)	-	(663,309)	13,746,551	(663,309)	(619,042)	(1,282,351)
Profit for the year	-	-	-	-	3,968,687	3,968,687	750,022	4,718,709
Total recognized income and expenses for the year	-	-	-	-	3,968,687	3,968,687	750,022	4,718,709
Interim dividends paid (Note 24)	-	-	-	-	(4,425,584)	(4,425,584)	(533,824)	(4,959,408)
Issue of new shares	22,956,289	1,982,859	-	-	-	24,939,148	-	24,939,148
Share buy back	-	-	-	-	-	-	(767,118)	(767,118)
Balance at 30 June 2006	41,167,116	-	625	42,027	(3,433,132)	37,776,636	7,786,026	45,562,662
Foreign currency translation adjustments	-	-	-	2,397,514	-	2,397,514	-	2,397,514
Net income recognized directly to equity	-	-	-	2,397,514	-	2,397,514	-	2,397,514
Profit for the year	-	-	-	-	7,178,222	7,178,222	787,860	7,966,082
Total recognized income and expenses for the year	-	-	-	-	7,178,222	7,178,222	787,860	7,966,082
Dividends paid (Note 24)	-	-	-	-	(1,716,230)	(1,716,230)	-	(1,716,230)
Share buy back <sup>(3)</sup>	(2,915,000)	-	-	-	-	(2,915,000)	-	(2,915,000)
Equity share option issued	120,000	-	-	-	-	120,000	-	120,000
Issue of new shares	4,677,132	-	-	-	-	4,677,132	-	4,677,132
Decrease in interest	-	-	-	-	-	-	(8,573,866)	(8,573,866)
Balance at 30 June 2007	43,049,248	-	625	2,439,541	2,028,860	47,518,274	-	47,518,274

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**ADVENT AIR LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 –  
cont'd**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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- (1) With effect from 30 January 2006, in accordance with the Singapore Companies (Amendment) Act 2005, the concepts of "par value" and "authorized capital" was abolished and on that date, the shares of the Company ceased to have a par value. The amount standing in the share, premium reserve had become part of the Company's share capital.
- (2) The Company has via an Extraordinary General Meeting held on 15 May 2007 and in compliance with the relevant provisions of the Singapore Companies Act, Cap. 50 reduces its share capital by cancelling pursuant to the provisions of Section 62B(1)(3)(b)(i) of the Companies Act, Cap. 50 debited S\$13,746,551 standing to the credit of its share premium account in order to write off preliminary expenses of the Company incurred prior to 30 January 2007.
- (3) During the financial year, the shareholders have approved a share buy back of no more than 20,322,940 Ordinary shares of the Company at the Annual General Meeting for the last financial year.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**ADVENT AIR LTD.**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

	Note	2007 S\$	2006 S\$
<b>Cash flows from operating activities</b>			
Profit before income tax		12,696,309	5,796,997
<b>Adjustments for:</b>			
Allowance for doubtful debts		258,353	66,690
Allowance for doubtful debts - release		(258,353)	(176,173)
Allowance for stock obsolescence		76,310	100,083
Assets written off		1,382,448	57,945
Deemed gain on disposal of subsidiary		-	118,439
Depreciation charges	3	7,951,259	5,495,449
(Gain)/loss on disposal of assets		(15,964)	56,519
Interest paid		273,095	456,701
Interest received		(835,086)	(471,544)
Provision for aircraft handback		466,997	(16,293)
<b>Operating profit before working capital changes</b>		<b>21,995,368</b>	<b>11,484,813</b>
Inventories		(265,962)	(189,076)
Trade & other receivables		(6,959,661)	1,891,747
Trade & other payables		5,956,384	(3,616,890)
<b>Cash generated from operations</b>		<b>20,726,129</b>	<b>9,570,594</b>
Interest paid		(273,095)	(456,701)
Interest received		835,086	471,544
Income tax paid		(136,172)	(199,610)
<b>Net cash generated from operating activities</b>		<b>21,151,948</b>	<b>9,385,827</b>
<b>Investing activities</b>			
Acquisition of additional interest in subsidiary		(16,156,796)	-
Acquisition of available-for-sale financial assets		(1,117,473)	(80,404)
Acquisition of property, plant & equipment		(19,453,463)	(8,539,642)
Proceeds from sales of property, plant & equipment		21,907	64,939
<b>Net cash (used in) investing activities</b>		<b>(36,705,825)</b>	<b>(8,555,107)</b>
<b>Financing activities</b>			
Dividends paid on ordinary shares		(1,716,230)	(4,425,584)
Proceeds from borrowings		5,295,481	-
Proceeds from shares issued		1,882,132	24,939,148
Repayment of borrowings		(86,517)	(6,662,644)
<b>Net cash generated from financing activities</b>		<b>5,374,866</b>	<b>13,850,920</b>
<b>Net changes in cash and cash equivalents</b>		<b>(10,179,011)</b>	<b>14,681,640</b>
<b>Net effect of exchange difference in consolidation of foreign subsidiaries</b>		<b>164,690</b>	<b>(341,724)</b>
<b>Cash and cash equivalents at beginning of year</b>	A	<b>24,543,185</b>	<b>10,203,269</b>
<b>Cash and cash equivalents at end of year</b>	A	<b>14,528,864</b>	<b>24,543,185</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**ADVENT AIR LTD.****CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 – cont'd**  
**(EXPRESSED IN SINGAPORE DOLLARS)****Note A – Cash and cash equivalents**

Cash and cash equivalents in the consolidated cash flow statement comprises the following balance sheet amounts:

	<u>2007</u> S\$	<u>2006</u> S\$
Bank balances	13,557,917	21,546,680
Call deposits	970,073	2,996,505
Petty cash	874	-
	<u>14,528,864</u>	<u>24,543,185</u>

The above are denominated in the following currencies:

Australian Dollars	13,847,524	10,030,551
Singapore Dollars	622,629	81,023
Sterling pounds	25,651	14,427,158
US Dollars	33,060	4,453
	<u>14,528,864</u>	<u>24,543,185</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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These notes form an integral part of and should be read in conjunction with the financial statements.

The Balance Sheet of Advent Air Ltd. (the "Company") and the consolidated financial statements of the Group for the financial year ended 30 June 2007 were authorized for issue in accordance with a resolution of the Directors dated 14 November 2007.

#### **1. GENERAL CORPORATE INFORMATION**

The Company, Advent Air Ltd. (Company Registration No.: 1997-08548-K) is incorporated and domiciled in the Republic of Singapore with its registered office and principal place of business at 510, Thomson Road, #12-04, SLF Building, Singapore 298135.

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

The principle activities of the subsidiaries are set out in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements for the financial year ended 30 June 2007 relate to the Company and its subsidiaries (referred to as "Group").

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation and presentation of financial statements**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRS include International Accounting Standards ("IAS") and related interpretations and are prepared under the historical cost convention except as disclosed in the accounting policies below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

The adoption of these new and revised IFRSs has no effect on the Group's and the Company's profit and loss and net assets for the current and prior accounting periods. The Group has not applied any new standard or interpretation that is not yet effective for the current financial year as follows:

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the financial year ended 30 June 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has operations and financial position.

## ADVENT AIR LTD.

### NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007

(EXPRESSED IN SINGAPORE DOLLARS)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

### 2.1 Basis of preparation and presentation of financial statements – cont'd

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
IFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to IAS 1	Presentation of financial statements: capital disclosures	1 January 2007
IFRIC Int 13	Customer Loyalty Programmes	1 November 2006

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency unless otherwise stated.

The preparation of financial statements in conformity with IFRSs requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2.2.

### 2.2 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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) Depreciation and amortization

Property, plant & equipment are depreciated on a straight-line basis over the asset's useful lives, after taking into account the estimated residual value. The Group reviews annually the estimated useful life of an asset and its residual value, if any. Management estimates the useful lives of these property, plant & equipment are disclosed in Note 2.8 whereas the carrying amounts of as at 30 June 2007 are disclosed in Note 3 for the financial statements. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual value of these assets, if any, therefore future depreciation charges could be revised.

## ADVENT AIR LTD.

### NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007

(EXPRESSED IN SINGAPORE DOLLARS)

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

### 2.2 Significant accounting estimates and judgements – cont'd

#### (b) Impairment

If circumstances indicate that the carrying value of investment in subsidiary, property, plant & equipment, intangible assets and goodwill may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognized in accordance with IAS 36 "Impairment of Assets". The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recovered. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

#### (c) Income tax

The Group is exposed to income tax in the jurisdiction in which it operates its activities. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision made for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due when the final tax outcome of these matters is different from the amounts that were initially recognized. Such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

The carrying amounts of the Group's current income tax payable and deferred tax liabilities as at 30 June 2007 are disclosed in Note 12 and 20 to the financial statements respectively.

#### (d) Impairment for inventories and valuation method

Inventories are valued at the lower of the actual cost of market price. Cost is determined using the first-in-first-out method.

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realizable value. In assessing the net realizable value and making appropriate allowance, the management identifies inventories that are slow moving and obsolete considering their physical conditions, market conditions and market price for similar items.

The carrying amounts of the Group's inventories as at 30 June 2007 are disclosed in Note 7 to the financial statements.

## **ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

#### **2.2 Significant accounting estimates and judgements – cont'd**

##### **(e) Impairment of bad and doubtful receivables**

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

#### **2.3 Principles of consolidation**

The consolidation financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of subsidiaries are prepared for the same reporting date as the holding company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

Subsidiaries are fully 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.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.10.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognized in the income statements on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statements.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

### **2.4 Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

### **2.5 Associates**

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit and loss of the associate is recognized in the consolidated income statement. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

##### **2.6 Affiliated companies**

An affiliated company is a company, not being a subsidiary or an associated company, in which one or more of the directors or shareholders of the Company have a significant equity interest or exercise significant influence.

##### **2.7 Intangible assets**

###### **(a) Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of identifiable net assets acquired and liabilities and contingent liabilities assumed of the acquiree. Goodwill is measured at cost less accumulated impairment losses. Goodwill arising from the acquisition of subsidiaries is presented as intangible assets. Goodwill arising from the acquisition of associates is presented together with interest in associates.

Goodwill is tested for impairment as described in Note 2.10.

###### **(b) Acquisition of minority interest**

Goodwill arising on the acquisition of minority interest in subsidiary represents the excess of cost of the additional investment over the net fair value of the identifiable net assets acquired and liabilities and contingent liabilities assumed at the date of exchange.

##### **2.8 Property, plant & equipment**

###### **(a) Measurement**

###### **(i) Rotable assets**

Rotables held for use in supply of services, are stated in the balance sheet at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any revaluation increase arising on the revaluation of such rotables is credited to the assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the profit and loss statement in which case, the increase is credited to the profit and loss statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such rotables is charged to profit and loss statement to the extent that it exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of those assets.

###### **(ii) Other property, plant & equipment**

All other assets are stated at cost less accumulated depreciation and impairment in value, if any.

## ADVENT AIR LTD.

### NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007

(EXPRESSED IN SINGAPORE DOLLARS)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

### 2.8 Property, plant & equipment – cont'd

#### (iii) Component of costs & subsequent expenditure

The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Expenditure incurred after the assets are put into operation, such as repairs and maintenance is normally charged to the income statement in the period in which the costs are incurred. In situations when it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset beyond its originally assessed standard of performance, the expenditure is capitalized as an additional cost of assets.

#### (b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Aircraft & rotables	6 years
Other fixed assets	3 to 15 years
Leasehold improvement	Over the lease terms
Motor vehicle	5 years

The residual values, useful lives and depreciation method of property, plant & equipment are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant & equipment, and adjusted as appropriate, at each balance sheet date.

Fully depreciated property, plant & equipment are retained in the financial statements until they are no longer in use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

#### (c) Disposal

On disposal of an item of the assets, the difference between the net disposal proceeds and its carrying amount is taken to income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings.

### 2.9 Inventories

Inventories are stated at the lower of cost or net realizable value. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using first-in-first-out basis. Net realizable value represents the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

### **2.10 Impairment – non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable Group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognized in respect of cash-generating units

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **2.11 Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

##### **2.11 Impairment of tangible and intangible assets excluding goodwill – cont'd**

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **2.12 Leases**

###### **(a) Finance leases**

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

###### **(b) Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

##### **2.13 Foreign currency translation and transactions**

###### **(a) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates (for effective hedges) where they are covered by forward exchange contracts. Exchange differences arising are taken to the income statement.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

##### **2.13 Foreign currency translation and transactions – cont'd**

###### **(b) Group companies**

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet date;**
- (ii) Income and expenses for each income statement are translated at average monthly exchange rate**

The exchange differences arising on translation of foreign subsidiaries, the Group's share of exchange differences arising from the translation of foreign associated companies, and borrowings and other currency instruments designated as hedges of investments in such foreign entities, are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognized in the consolidated income statement as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rates.

##### **2.14 Financial instruments**

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

###### **(a) Loan and receivables**

Loan and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in income statement when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

###### **(b) Investments**

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

An impairment loss is recognized in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

## ADVENT AIR LTD.

### NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007

(EXPRESSED IN SINGAPORE DOLLARS)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

### 2.14 Financial Instruments – cont'd

#### (b) Investments

Investments other than held-to-maturity investments are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

#### (c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (d) Financial liabilities

Financial liabilities are recognized when and only when the Group becomes a party to the contractual provision of the financial instrument. Financial liabilities are initially recognized at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the income statement and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

#### (e) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

#### (f) Share capital

Ordinary share capital is recognized at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

##### **2.14 Financial Instruments – cont'd**

###### **(g) Derivative financial instruments and hedge accounting**

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank borrowings and fixed deposits placed with financial institutions.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

##### **2.15 Derecognition of financial assets and liabilities**

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in equity is recognized in the income statements.

A financial liability is derecognized from the balance sheet when the obligation under the liability is discharged, cancelled or expired.

##### **2.16 Provisions**

Provisions are recognized when the Group has a legal or constructive obligation (legal or constructive) where, as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

##### **2.17 Borrowing costs**

Borrowing costs are generally expensed in the period in which they are incurred.

## **ADVENT AIR LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

### **2.18 Dividends**

Interim dividends are recorded in the Group's financial statements in the period in which they are declared by the Company's directors.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

### **2.19 Convertible bonds**

Convertible bonds that can be converted to share capital where the number of shares issued does not vary with changes in the fair value of the bonds are accounted for as compound financial instruments. The gross proceeds from the bond issue are allocated separately between the liability component which represents the fair value of the financial liability and equity component which represents the implied fair value of the conversion rights.

### **2.20 Related parties**

For the purposes of these financial statements, parties are considered to be related if the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### **2.21 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. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**2.22 Income tax**

**(a) Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

**(b) Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred 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 subsidiary companies, 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 recognized 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 utilized 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 subsidiary companies, deferred tax assets are recognized 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 utilized.

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**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**2.22 Income tax – cont'd**

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity.

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

**2.23 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes, and after eliminating sales as follows:

Passenger, charter and freight revenue is at the fair value of the consideration received net of passenger taxes and goods and sales tax.

Sales of goods are recognized upon the transfer of significant risk and rewards of ownership of the goods to the customers, which generally coincides with delivery and acceptance of the goods sold.

Revenue from services rendered is recognized upon the performance of services to the customers, which generally coincides with their acceptance.

Interest income is recognized on a time-proportion basis using the effective interest method.

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

Revenue from technical consultancy and management income is recognized over the period in which the management services are rendered.

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

License fee received is recognized over the life of the license agreement. Ongoing royalties/commissions pursuant to the license agreement are recognized when earned and the amount can be reliably measured on an accrual basis.

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

**ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

**3. PROPERTY, PLANT & EQUIPMENT**

	<u>Rotables</u> S\$	<u>Aircraft &amp; collision system</u> S\$	<u>Plant &amp; equipment</u> S\$	<u>Leasehold improvements</u> S\$	<u>Motor vehicle</u> S\$	<u>Total</u> S\$
<b>Group</b>						
<b>2007</b>						
<b>Cost/Valuation</b>						
Balance at beginning of year	-	31,939,887	3,669,846	217,357	43,918	35,871,008
Cost	10,309,870	-	-	-	-	10,309,870
Valuation	3,136,608	14,743,321	1,550,027	23,507	-	19,453,463
Additions	(1,152,163)	(265,167)	(16,119)	-	-	(1,433,449)
Disposal/written off	1,038,180	3,216,276	367,950	21,719	-	4,644,125
Currency realignment	13,332,495	49,634,317	5,571,704	262,583	43,918	68,845,017
Balance at end of year	-	49,634,317	5,571,704	262,583	43,918	55,512,522
Representing:						
Cost	13,332,495	49,634,317	5,571,704	262,583	43,918	13,332,495
Valuation	13,332,495	49,634,317	5,571,704	262,583	43,918	68,845,017
<b>Accumulated depreciation</b>						
Balance at beginning of year	2,955,972	10,227,658	2,781,229	190,658	43,918	16,199,435
Charge for the year	699,358	6,669,398	554,881	27,622	-	7,961,259
Disposal/written off	-	-	(13,130)	-	-	(13,130)
Currency realignment	341,544	1,448,405	279,881	20,860	-	2,090,690
Balance at end of year	3,996,874	18,345,461	3,602,861	239,140	43,918	26,228,254
<b>Net book value</b>						
Balance at end of year	9,335,621	31,288,856	1,968,843	23,443	-	42,616,763

**ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

**3. PROPERTY, PLANT & EQUIPMENT – cont'd**

	<u>Rotables</u> S\$	<u>Aircraft &amp; collision system</u> S\$	<u>Plant &amp; equipment</u> S\$	<u>Leasehold improvements</u> S\$	<u>Motor vehicle</u> S\$	<u>Total</u> S\$
<b>Group</b>						
<b>2006</b>						
<b>Cost/Valuation</b>						
Balance at beginning of year	-	28,212,748	3,976,349	196,760	43,918	32,429,775
Cost	9,011,104	-	-	-	-	9,011,104
Valuation	2,248,443	6,181,906	70,308	38,984	-	8,539,641
Additions	(149,175)	-	(67,113)	(1,559)	-	(217,847)
Disposal/written off	(29,824)	(41,864)	29,824	-	-	(41,864)
Reclassification	(770,678)	(2,412,903)	(339,522)	(16,828)	-	(3,539,931)
Currency realignment						
Balance at end of year	10,309,870	31,939,887	3,669,846	217,357	43,918	46,180,878
<b>Representing:</b>						
Cost	-	31,939,887	3,669,846	217,357	43,918	35,871,008
Valuation	10,309,870	-	-	-	-	10,309,870
	10,309,870	31,939,887	3,669,846	217,357	43,918	46,180,878
<b>Accumulated depreciation</b>						
Balance at beginning of year	2,660,161	6,146,153	3,037,525	173,271	36,599	12,053,709
Charge for the year	578,663	4,270,192	605,240	34,035	7,319	5,495,449
Disposal/written off/reclassification	(29,828)	525,237	(575,356)	(360)	-	(80,307)
Currency realignment	(253,024)	(713,924)	(286,180)	(16,288)	-	(1,269,416)
Balance at end of year	2,955,972	10,227,658	2,781,229	190,658	43,918	16,199,435
<b>Net book value</b>						
Balance at end of year	7,353,898	21,712,229	888,617	26,699	-	29,981,443

**ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

**3. PROPERTY, PLANT & EQUIPMENT – cont'd**

	<u>Leasehold improvements</u> S\$	<u>Plant &amp; equipment</u> S\$	<u>Motor vehicle</u> S\$	<u>Total</u> S\$
<b>Company</b>				
<b><u>2007</u></b>				
<b>Cost</b>				
Balance at beginning of year	1,672	15,855	43,918	61,445
Additions	-	6,873	-	6,873
Balance at end of year	<u>1,672</u>	<u>22,728</u>	<u>43,918</u>	<u>68,318</u>
<b>Accumulated depreciation</b>				
Balance at beginning of year	372	4,411	43,918	48,701
Charge for the year	557	7,120	-	7,677
Balance at end of year	<u>929</u>	<u>11,531</u>	<u>43,918</u>	<u>56,378</u>
<b>Net book value</b>				
Balance at end of year	<u>743</u>	<u>11,197</u>	<u>-</u>	<u>11,940</u>
<b><u>2006</u></b>				
<b>Cost</b>				
Balance at beginning of year	-	6,536	43,918	50,454
Additions	1,672	9,319	-	10,991
Balance at end of year	<u>1,672</u>	<u>15,855</u>	<u>43,918</u>	<u>61,445</u>
<b>Accumulated depreciation</b>				
Balance at beginning of year	-	274	36,599	36,873
Charge for the year	372	4,137	7,319	11,828
Balance at end of year	<u>372</u>	<u>4,411</u>	<u>43,918</u>	<u>48,701</u>
<b>Net book value</b>				
Balance at end of year	<u>1,300</u>	<u>11,444</u>	<u>-</u>	<u>12,744</u>

The motor vehicle of the Group with a net book value of S\$Nil (2006: S\$Nil) is registered in the name of a Director of the Company who is holding the motor vehicle in trust for the Group.

Subsequent to the balance sheet date, the motor vehicle has been sold.

## ADVENT AIR LTD.

### NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007

(EXPRESSED IN SINGAPORE DOLLARS)

#### 3. PROPERTY, PLANT & EQUIPMENT – cont'd

As at the balance sheet date, if the rotables stated at valuation had been included in the financial statements at cost less depreciation, the net book value would have been as follows:

	<u>Group</u>	
	<u>2007</u> S\$	<u>2006</u> S\$
Rotables	<u>7,085,538</u>	<u>5,169,589</u>

#### 4. SUBSIDIARY

	<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$
Unquoted shares in corporation, at cost	<u>13,054,799</u>	<u>13,054,799</u>

The particulars of the subsidiaries are as follows:

<u>Name of Company/ Corporation</u>	<u>Principal activities</u>	<u>Country of Incorporation /operations</u>	<u>Company's Cost of Investment</u>		<u>Group's Percentage of equity held</u>	
			<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
			S\$	S\$	%	%
<u>Held by the Company</u>						
CaptiveVision Capital Ltd <sup>(1)</sup>	Investment holding	Singapore	13,054,799	13,054,799	100.00	100.00
<u>Held by subsidiary company - CaptiveVision Capital Ltd</u>						
A.C.N 098 904 262 Pty Ltd*	Investment holding	Australia	-	-	100.00	65.13
<u>Held by sub-subsidiary company - ANC 098 904 262 Pty Ltd</u>						
Skywest Airline Pty Ltd <sup>(2)</sup>	Airline operator	Australia	-	-	100.00	65.13
Skywest Airlines (S) Pte. Ltd. <sup>(1)</sup>	Passenger air transportation/ provision of management services to holding company	Singapore	-	-	100.00	100.00
			<u>13,054,799</u>	<u>13,054,799</u>		

<sup>(1)</sup> Audited by Jasmine Chua & Associates.

<sup>(2)</sup> Audited by KPMG Australia using Australian Accounting Standards - AIFRS.

\* Formerly known as Skywest Limited and was delisted on 8 September 2006 from the Australian Stock Exchange and changed its name to A.C.N. 098 904 262 Pty Ltd with effect from 13 April 2007.

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****5. INTANGIBLE ASSETS**

This represents goodwill arising on acquisition of business as follows:

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Balance at beginning of year	9,710,276	9,925,959
Acquisition/(disposal) of subsidiary	<u>7,567,991</u>	<u>(215,683)</u>
Balance at end of year	<u>17,278,267</u>	<u>9,710,276</u>

Goodwill is allocated to the Group's cash generating unit ("CGU") identified by the management.

In the current financial year, the CGU identified as the Air operator of its subsidiary, Skywest Airline Pty Ltd.

In the opinion of the management, the carrying amount approximates its fair value.

**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	S\$	S\$	S\$	S\$
Quoted equity shares, at market value	<u>1,144,071</u>	<u>26,598</u>	<u>-</u>	<u>-</u>

An impairment loss of S\$14,688 (2006: (S\$4,983)) was recognized during the financial year so that the investments are recorded at fair value and a total gain of S\$105,186 (2006: S\$Nil) is recognized in the income statement for the financial year.

The above balances are denominated in Australian Dollars.

**7. INVENTORIES**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Consumable spare parts	<u>1,213,360</u>	<u>1,023,708</u>
Carrying amount of inventories subject to retention of title clause	<u>487,328</u>	<u>431,292</u>

The inventory subject to retention of title clauses relate to inventory, which has been received by the Group, but title does not pass until payment is made.

Inventories are stated after deducting allowance for stock obsolescence of S\$947,441 (2006: S\$871,131).

The cost of inventories included in "cost of sale" amounted to S\$2,294,455 (2006: S\$1,242,189).

**ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

**8. TRADE RECEIVABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$	<u>2007</u> S\$	<u>2006</u> S\$
Trade receivables from third parties	<u>12,321,944</u>	<u>5,373,692</u>	<u>-</u>	<u>-</u>

Trade receivables are stated after deducting allowance for doubtful debts of S\$212,686 (2006: S\$212,686).

Trade receivables are denominated in Australian Dollars.

**9. OTHER RECEIVABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$	<u>2007</u> S\$	<u>2006</u> S\$
A related corporation <sup>(1)</sup>	154,285	1,716	154,285	1,716
Convertible bond <sup>(2)</sup>	-	-	3,148,427	3,148,427
Deposits & prepayments <sup>(3)</sup>	2,688,828	3,472,456	81,117	76,159
Dividend receivables	-	-	3,250,000	-
Outside parties	642,468	-	-	-
Subsidiaries <sup>(1)</sup>	-	-	<u>22,505,272</u>	<u>11,898,447</u>
	<u>3,485,581</u>	<u>3,474,172</u>	<u>29,139,101</u>	<u>15,124,749</u>

Amount due from outside parties are non-interest bearing, non-trade in nature, unsecured and repayable on demand.

- (1) The non-trade balances are unsecured, interest free and repayable on demand (2006: without fixed repayment terms).
- (2) This represents convertible bond receivables in a related corporation which expires on 30 June 2008 (2006: expired on 31 July 2007).
- (3) Refundable deposits are refundable at the expiry of the terms or on termination of the contract which ever is earlier.

Other receivables are denominated in the following currencies:

	<u>Group</u>		<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$	<u>2007</u> S\$	<u>2006</u> S\$
Australian Dollars	3,250,179	3,396,297	-	-
US Dollars	154,285	1,716	154,285	1,716
Singapore Dollars	81,117	76,159	<u>28,984,816</u>	<u>15,123,033</u>
	<u>3,485,581</u>	<u>3,474,172</u>	<u>29,139,101</u>	<u>15,124,749</u>

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****10. SHARE CAPITAL**

	<u>Number of shares</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u> S\$	<u>2006</u> S\$
<b>Issued and fully paid</b>				
Balance at beginning of year	186,383,517	71,602,070	41,167,116	14,320,414
Transfer of share premium to share capital			-	3,890,413
Issue of shares	17,112,561	101,403,138	4,677,132	20,280,626
Issue of shares under share option scheme	400,000	1,349,998	120,000	270,000
Issue of shares under bond conversion	-	5,431,878	-	1,086,376
Issue of shares under conversion of short term loan	-	6,596,433	-	1,319,287
Repurchase of shares	<u>(6,896,073)</u>	<u>-</u>	<u>(2,915,000)</u>	<u>-</u>
Balance at end of year	<u>197,000,005</u>	<u>186,383,517</u>	<u>43,049,248</u>	<u>41,167,116</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

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

Under the Employees' Share Option scheme, the exercise price for the option ranges between S\$0.20 to S\$0.50 per share and the expiry dates of the options ranges from 3 months to 4 years after the admission to the Alternate Investment Market of London Stock Exchange ("AIM").

As at the balance sheet date, the Company does not has any employee share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees.

Under the Warrant Scheme, the subscription price per share is the average of the closing mid-price as announced by the AIM of the London Stock Exchange on the first 10 business days after 22 November 2006 which is priced at GBP0.11625; and the warrant shall be exercisable in whole or in part at any time till 21 November 2007 subject to extension if the expiry date falls within a market black-out period.. At the expiry of the warrant, all unexercised warrants shall lapse, null and void.

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****11. BORROWINGS**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	<u>S\$</u>	<u>S\$</u>
Secured loan	2,708,621	23,868
Secured bank loan	<u>2,586,860</u>	<u>62,649</u>
	5,295,481	86,517
Less: Non-current portion of borrowings	<u>(5,295,481)</u>	<u>-</u>
Current portion of borrowings	<u>-</u>	<u>86,517</u>
Present value using effective borrowing rate on non-current portion of borrowings	<u>4,897,369</u>	<u>-</u>

**Secured loan**

The secured loan is between Skywest Airlines Pty Ltd and Capital Finance Australia Ltd. The repayment date is 60 months from the initial drawing of the facility which commenced on 31 December 2006 and bears an effective interest rate of 6.73%.

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

In the last financial year, the secured loan represented a three years loan and was secured by a second priority fixed and floating charge over the subsidiary and its subsidiary subordinated to Commonwealth Bank of Australia and bore an effective interest rate of 9.5%.

**Secured bank loan**

The secured bank loan is a business credit facility to the value of S\$2,586,860 (equivalent to AUD\$2,000,000). The repayment date is 24 months from the initial drawing of the facility commencing 28 August 2006 and bears an effective interest rate of 10%.

In the last financial year, secured bank loan originally of AUD\$6,500,000 for a three years and was secured by a first registered equitable mortgage over all assets and undertaking of the subsidiary and its subsidiary under the terms of finance facility with Commonwealth Bank of Australia whereby the subsidiary was required to maintain a debt service coverage ratio.

Borrowings are denominated in Australian Dollars.

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****12. 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 authority. The amounts, determined after appropriate offsetting, are shown in the balance sheets as follows:

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Deferred tax assets arises as result of:		
Accruals & provision	2,079,979	1,535,776
Deferred income	163,940	6,663
Property, plant & equipment	231,230	5,783,939
Tax losses carry-forward	-	2,282,933
Trade & other receivables	143,592	63,808
Others	594,785	362,300
	<u>3,213,526</u>	<u>10,035,419</u>
Deferred tax liabilities arises as result of:		
Asset revaluation	635,168	655,292
Intangible assets	-	31,104
Inventories	633,689	566,144
Lease liability	-	5,610,704
Property, plant & equipment	5,030,938	4,073,095
Trade & other receivables	118,114	83,709
Others	402,727	-
	<u>6,820,636</u>	<u>11,020,048</u>
Net deferred tax liabilities	<u>3,607,110</u>	<u>984,629</u>

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****12. DEFERRED TAX LIABILITIES – cont'd**

The Group and the Company have tax losses carry forwards available for offsetting against future taxable income as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$	<u>2007</u> S\$	<u>2006</u> S\$
Balance at beginning of year	20,331,000	14,771,000	1,412,431	2,556,000
Adjustments	(5,228,472)	-	492,622	-
Change in tax rate	(406,620)	-	(28,249)	-
Amount arising/(utilized) in current year	<u>(945,459)</u>	<u>5,560,000</u>	<u>(310,804)</u>	<u>(1,143,569)</u>
Balance at end of year	<u>13,750,449</u>	<u>20,331,000</u>	<u>1,566,000</u>	<u>1,412,431</u>
Comprises:				
Tax losses	2,705,000	9,666,360	1,566,000	1,412,431
Capital allowances	<u>11,045,449</u>	<u>10,664,640</u>	<u>-</u>	<u>-</u>
	<u>13,750,449</u>	<u>20,331,000</u>	<u>1,566,000</u>	<u>1,412,431</u>
Deferred tax benefit on above not recorded	<u>2,475,081</u>	<u>4,066,200</u>	<u>281,880</u>	<u>282,486</u>

The above deferred tax asset has not been recognized due to the unpredictability of future profit streams.

The realization of the future income tax benefits from tax loss carry forwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****13. PROVISIONS**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Aircraft handback	680,119	213,122
Employee's benefits	4,734,086	3,759,800
	<u>5,414,205</u>	<u>3,972,922</u>
Less: Non-current portion	(86,653)	(169,221)
Current portion	<u>5,327,552</u>	<u>3,803,701</u>

Provision for maintenance for hand back of aircraft is made in accordance with the operating lease agreement.

Included in provision for employee's benefits, liabilities are made for long service leave, annual leave and other entitlements.

In the opinion of the directors, the carrying value of the non-current portion of provisions is approximate its fair value.

Provisions are denominated in Australian Dollars.

**14. TRADE PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	S\$	S\$	S\$	S\$
Outside parties	<u>6,528,429</u>	<u>10,733,074</u>	<u>-</u>	<u>-</u>

Trade payables are denominated in Australian Dollars.

**15. OTHER PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	S\$	S\$	S\$	S\$
Accrued director's remuneration	206,210	-	206,210	-
Accrued expenses	10,062,632	3,921,724	126,395	88,972
Directors' fee	-	23,472	-	-
Dividends declared yet to paid	-	365,310	-	365,310
A related corporation	1,209	-	1,209	-
Unearned income	<u>11,434,507</u>	<u>8,207,309</u>	<u>-</u>	<u>-</u>
	<u>21,704,558</u>	<u>12,517,815</u>	<u>333,814</u>	<u>454,282</u>

Amount due from a related corporation is non-interest bearing, non-trade in nature, unsecured and repayable on demand.

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****15. OTHER PAYABLES – cont'd**

Other payables are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	S\$	S\$	S\$	S\$
Sterling pounds	-	23,472	-	-
Australian Dollars	21,319,961	12,040,061	-	-
Singapore Dollars	384,597	454,282	333,814	454,282
	<u>21,704,558</u>	<u>12,517,815</u>	<u>333,814</u>	<u>454,282</u>

**16. REVENUE**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Fair value adjustments for financial assets	-	4,983
Passenger, charter and freight income	130,374,747	96,268,325
Right income	5,526	-
Sales of finished goods	-	2,675,336
Sales of quoted securities	105,186	-
Total revenue	<u>130,485,459</u>	<u>98,948,644</u>

**17. OTHER INCOME**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Disposal of subsidiary	-	4,060,274
Foreign currency exchange adjustment gain	322,227	190,614
Interest income from non-related companies	835,086	471,544
Others	3,571	8,026
	<u>1,160,884</u>	<u>4,730,458</u>

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

**18. FINANCE COSTS**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Interest paid to outside parties	<u>273,095</u>	<u>456,701</u>

**19. PROFIT BEFORE INCOME TAX**

In addition to charges and credits disclosed elsewhere in the notes to the income statement is arrived at:

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
<b>After charging/(crediting):</b>		
(Gain)/loss on disposal of assets	(15,964)	56,519
Aircraft rental	5,735,877	6,103,590
Allowances for doubtful debts	258,353	66,690
Allowances for doubtful debts - release	(258,353)	(176,173)
Allowances for stock obsolescence	76,310	100,083
Amortization of intangible assets	23,862	-
Assets written off	1,382,448	57,945
Bad debts written off - trade	258,353	176,173
Depreciation charges	7,951,259	5,495,449
Directors' fee	196,002	113,472
Directors' remuneration	727,548	440,590
Impairment loss on fair value adjustment to investment	14,688	(4,983)
Office rental	40,141	29,177
Provision for aircraft handback	<u>466,997</u>	<u>(16,293)</u>

**20. INCOME TAX**

Tax expenses

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Current tax expense	2,375,404	433,713
Underprovision in prior years	6,106	-
Deferred tax	<u>2,348,717</u>	<u>644,575</u>
Income tax expenses	<u>4,730,227</u>	<u>1,078,288</u>

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****20. INCOME TAX – cont'd**

The income tax varied from the amount of income tax determined by applying the Singapore income tax rate of 18% (2006: 20%) to profit before income tax as a result of the following differences:

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	<u>S\$</u>	<u>S\$</u>
Profit before income tax	<u>12,696,309</u>	<u>5,796,997</u>
Statutory tax rate	18%	20%
Taxation at statutory tax rate	2,285,336	1,159,399
Non-deductible items	20,510	3,579,474
Income not subjected to tax	(585,000)	-
Underprovision in prior year	6,106	-
Deferred tax	834,705	(9,378,578)
Revaluation of assets taken to equity	43,522	-
Capital raising costs taken to equity	(69,145)	-
Unrecorded deferred tax benefits arising (utilized) in current year	(945,459)	5,560,000
Others	250,287	-
Overseas tax	<u>2,889,365</u>	<u>157,993</u>
Income tax expenses	<u>4,730,227</u>	<u>1,078,288</u>

**21. SALARIES AND EMPLOYEE BENEFITS**

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	<u>S\$</u>	<u>S\$</u>
Directors' fee	196,002	113,472
Staff costs	<u>20,708,978</u>	<u>17,175,113</u>
	<u>20,904,980</u>	<u>17,288,585</u>
Cost of defined contribution plans included in staff costs	<u>1,757,742</u>	<u>1,917,326</u>

**ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

(EXPRESSED IN SINGAPORE DOLLARS)

**21. SALARIES AND EMPLOYEE BENEFITS – cont'd**

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors are considered as key management personnel of the Company and payments made to the Directors included in the staff cost was as follows:

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	S\$	S\$
Directors' fee	196,002	113,472
Salaries, benefits & defined contribution	<u>727,548</u>	<u>440,590</u>
	<u>923,550</u>	<u>554,062</u>

**22. RELATED PARTY TRANSACTIONS**

An entity or individual is considered a related party of the Group for the purposes of the financial statements if (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financing decisions of the Group or vice versa; or (ii) it is subject to common control or common significant influence.

During the financial year, in addition to related party information disclosed elsewhere in the financial statements, the following significant transactions with related, were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	S\$	S\$	S\$	S\$
<b>Transactions with subsidiaries</b>				
<b>Revenue</b>				
Dividend income - gross	-	-	3,250,000	-
Finance costs	-	-	-	5,520,086
Interest income	-	-	2,261,390	-
Management fee	-	-	980,000	447,481
Reimbursement of expenses billed	-	-	-	371,012
<b>Transactions with related parties</b>				
Purchases	1,197,036	-	-	-
Lease expenditure	<u>3,115,541</u>	-	-	-
<b>Transactions with Directors</b>				
Directors' fee	196,002	113,472	153,000	90,000
Directors of the Company				
Included in staff costs	727,548	440,590	660,882	160,781
Capitalized against share premium	-	151,320	-	151,320
Directors & executives of subsidiaries	<u>-</u>	<u>751,310</u>	<u>-</u>	<u>-</u>

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****23. LEASE COMMITMENTS**

Commitments in relation to non-cancellable operating lease contracted for but not recognized as liabilities, are payable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$	<u>2007</u> S\$	<u>2006</u> S\$
<b>In respect of operating lease for office premise</b>				
Not later than 1 year	107,475	-	107,475	-
Later than 1 but not later than 5 years	49,191	-	49,191	-
	<u>156,666</u>	<u>-</u>	<u>156,666</u>	<u>-</u>
<b>In respect of operating lease for aircraft</b>				
Not later than 1 year	5,600,479	4,992,668	-	-
Later than 1 but not later than 5 years	19,895,772	2,513,165	-	-
After 5 years	12,546,271	-	-	-
	<u>38,042,522</u>	<u>7,505,833</u>	<u>-</u>	<u>-</u>

**24. DIVIDENDS**

	<u>Company</u>	
	<u>2007</u> S\$	<u>2006</u> S\$
<b>Ordinary dividends paid</b>		
<b>In respect of the previous financial year</b>		
Final dividend - S\$0.0053 per share under one tier	1,077,116	-
<b>In respect of the current financial year</b>		
Interim dividends - S\$0.03 per share under one tier	639,114	4,425,584
	<u>1,716,230</u>	<u>4,425,584</u>

Subsequent to the balance sheet date, the directors propose a final dividend of S\$0.018 per ordinary share (one tier) amounting to S\$3,564,000.09 based on 198,000,005 equity shares on 14 November 2007 to be paid for the financial year ended 30 June 2007. These financial statements do not reflect this dividend payable, which if approved at the Annual General Meeting of the Company, will be accounted for in the shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 June 2008.

The Company is not required to withhold any tax on payment of dividends to its shareholders. The dividends will be paid at the gross amount. Dividends received by shareholders may or may not be taxable in their hands depending on their tax profile and on the jurisdiction they are in. Shareholders must meet their own tax obligations in respect of dividends.

**ADVENT AIR LTD.****NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007****(EXPRESSED IN SINGAPORE DOLLARS)****25. EARNINGS PER SHARE**

Basic earnings per share ("EPS") 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 ("EPS") 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 table reflects the income statement and share data used in the computation of basic and diluted earnings per share for the financial year ended 30 June:

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	<u>S\$</u>	<u>S\$</u>
Profit for the year attributable to ordinary equity holders of the Company	<u>7,178,222</u>	<u>3,968,687</u>
	<u>Number of ordinary shares</u>	
Weighted average number of ordinary shares issued during the year	198,697,625	128,992,792
Effects of diluted share options	<u>16,521,475</u>	<u>7,001,475</u>
Weighted average number of ordinary shares outstanding used in the calculation of diluted EPS	<u>215,219,100</u>	<u>135,994,267</u>
	<u>Cents</u>	
Basic EPS	0.04	0.03
Diluted EPS	<u>0.03</u>	<u>0.03</u>

**26. FINANCIAL INSTRUMENTS**

Financial risk management objective and policies: The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency exchange rate risk and liquidity risk. The Group's policies in managing these risks are summarized below:

**Credit risk** – Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group.

The Group has no significant concentrations of credit risk. The Group has adopted relevant credit policy in extending credit terms to customers and in monitoring its credit terms.

The credit policy spelt out clearly the guidelines on extending credit terms to customers, including monitoring the process. This includes assessing customers' credit standing and periodic review of their financial status to determine the credit limits to be granted. Credit evaluation of the customers' financial condition is performed on an on-going basis and no collateral is required.

The carrying amount of cash and cash equivalents, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash is placed with established financial institutions.

## ADVENT AIR LTD.

### NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007

(EXPRESSED IN SINGAPORE DOLLARS)

#### 26. FINANCIAL INSTRUMENTS – cont'd

**Liquidity and cash flow risk** – The Group's financial activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group ensures the availability of bank credit lines to address any short term funding requirements.

**Foreign exchange risk** – The Group transacts business in various foreign currencies, including Australian Dollar, US Dollar, Euro Dollars, and Sterling Pound and therefore is exposed to foreign exchange risk.

These exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities. The Group does not engage in trading of or speculation in foreign currencies.

The Group has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

**Interest rate risk** - The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Those exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The interest rate and terms of repayment of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

**Investment Risk Management** - The Group has in place processes and procedures to consider and approve all capital investment proposals. All capital investment proposals are subject to thorough review to ensure that they meet the internal investment criteria and all the relevant risk factors are considered comprehensively before submitting to the Management Executive Committee or Board for approval.

**Fair value** - The fair values of financial assets and financial liabilities reported in the balance sheet approximates the carrying amount of those assets and liabilities as the Group do not anticipate the carrying amounts recorded at balance sheet would be significantly difference from the values that would eventually be received or settled.

#### 27. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the followings occurred:

##### Subsidiary and its controlling entities

- (a) Skywest Airlines Pty Ltd has committed to lease another 3 F100 jets with its first plane due for delivery in early October 2007.
- (b) Skywest Airlines Pty Ltd has committed to purchase an additional engine from Rolls Royce for US\$1.8 million to be financed through a 5 years facility from Commonwealth Bank of Australia.

##### The Company

- (a) 2,040,000 ordinary shares were issued under the share option scheme.
- (b) 1,040,000 ordinary shares were bought back from its equity holders.
- (c) Subject to filing with the relevant authority, the Company has obtained principal approval from Accounting and Corporate Regulatory Authority to change its name from Advent Air Ltd. to Skywest Airlines Ltd.

**ADVENT AIR LTD.**

**NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2007**

**(EXPRESSED IN SINGAPORE DOLLARS)**

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**28. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with current year's presentation to better reflect the nature of this item:

	<u>Group</u>	
	<u>2006</u>	<u>2006</u>
	<u>Restated</u>	<u>Previously</u>
	<u>S\$</u>	<u>reported</u>
		<u>S\$</u>
<b>Consolidated income statement</b>		
Administrative expenses	(41,271,278)	(33,937,964)
Other expenses	<u>(13,913,146)</u>	<u>(12,154,147)</u>