

**AVATION PLC**  
**(“Avation” or “the Company”)**

**UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023**

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, announces unaudited results for the six months ended 31 December 2023.

**Financial Highlights**

- Revenue and other income US\$46.3 million (2022 restated: US\$55.7 million);
- Operating profit US\$17.5 million (2022 restated: US\$35.4 million);
- Net indebtedness reduced by US\$31.8 million to US\$699.4 million (30 June 2023: US\$731.2 million);
- Group total cash increased to US\$150.1 million (30 June 2023: US\$116.9 million);
- Loss before tax US\$9.6 million (2022 restated: Profit before tax US\$7.1 million);
- Loss before tax includes US\$2.9 million loss on sale resulting from aircraft repossession in India and US\$4.7 million non-cash amortisation expense resulting from the 2021 modification of terms of Avation Capital S.A. Senior PIK Toggle Notes due 2026 under IFRS 9; and
- Net asset value per share decreased 5.5% to £2.56 (30 June 2023 restated: £2.71).

**Operational Highlights**

- One Airbus A320-200 started a new four-year lease with Cebu Pacific;
- A lease for an ATR 72-500 was terminated and the aircraft was repossessed from an airline in India and sold;
- Avation refinanced four leased aircraft with a new loan facility; and
- Avation repurchased US\$8.0 million face value Avation Capital S.A. Senior PIK Toggle Notes due 2026.

**Outlook**

According to IATA, 2023 was marked by strong industry-wide recovery with revenue passenger kilometres increasing 25% year-on-year in December 2023 to 94% of 2019 levels.

Avation’s fleet will be 100% utilised once the delayed sale of an 11-year-old ATR 72-600 and a delayed lease of the remaining off-lease ATR 72-600 aircraft are concluded. Both transactions are expected to close shortly. There are no leases expiring before September 2024 at the earliest, with the next earliest lease expiry not until January 2026.

The Company’s future strategy will focus on leasing modern, low CO2 emissions, fuel-efficient aircraft. Avation is supportive of the aviation industry’s goal of becoming more sustainable through a transition to latest technology more fuel-efficient aircraft engines and the use of sustainable aviation fuel to reduce CO2 emissions. A portion of Avation’s fleet comprises latest technology ATR72-600 aircraft which have impeccable and world leading environmental characteristics.

The Company is focussed on optimising its capital structure, refinancing and continuing to lower debt levels and is positioned to cautiously return to organic growth through deliveries from its environmentally friendly ATR72-600 orderbook, opportunistic aircraft trading and the potential exercise of ATR purchase rights should attractive lease opportunities arise. Avation intends to repurchase Avation Capital S.A. Senior PIK Toggle Notes on the open market as and when attractive valuation opportunities arise and liquidity is available.

**Executive Chairman, Jeff Chatfield, said:**

“During the six months ending 31 December 2023 Avation repossessed an ATR 72-500 aircraft from an airline in default in India. Although this resulted in a book loss of US\$2.9 million, we were satisfied with this outcome in what can be a difficult jurisdiction for repossessions. The aircraft was not in contractual physical return condition when repossessed and was subsequently sold at a loss which was appropriate for a plane in that physical condition. We expect to conclude a delayed sale of an 11-year-old ATR 72-600 aircraft in the coming weeks at a much higher price. The sale was originally announced in September 2023, but completion has been delayed due to exchange control issues in the buyer’s jurisdiction. The buyer has now fully paid the purchase price for the aircraft and will take delivery shortly. We also expect to commence a new lease of our remaining off-lease ATR 72-600 aircraft in the coming months having signed the associated letter of intent. We expect to conclude the formal lease agreement with a new lessee shortly.

Avation has continued to de-lever its balance sheet, achieving a reduction to 59.7% in the ratio of net debt to total assets as at 31 December 2023. Improved collection of rent arrears has led to a reduction in total trade and other receivables of US\$13.9 million in the six-month period ended 31 December 2023. A significant portion of the cashflow generated by the fleet is directed towards repayments of debt. Scheduled loan maturities for the 2024 calendar year amount to US\$58.5 million.

The Company repurchased US\$8.0 million Avation Capital S.A. 8.25%/9.0% Senior PIK Toggle Notes due 2026 in December 2023. The Company intends to repurchase additional unsecured notes from time to time subject to availability and attractive pricing.

Avation’s management believes that short-term interest rates, which increased dramatically in 2022 and 2023, may have peaked and may stabilise over the coming years. This background should create opportunities for Avation to refinance debt at lower interest rates in future. Avation will review its capital structure and look for opportunities to refinance existing loans to improve its overall capital structure and cost of debt.

Avation has two ATR 72-600 aircraft on order for delivery in 2024. The delivery dates for these aircraft are likely to be pushed back by the manufacturer to the fourth quarter of 2024 due to supply chain issues. Avation will make further announcements regarding placement of these aircraft in due course.

The Company owns 28 purchase rights for ATR 72-600 aircraft which provide a pathway to future fleet growth.”

**Change in accounting policy for maintenance rent**

The Directors resolved to change the company’s accounting policy for maintenance reserve rents at a meeting held on 8 February 2024. Under the adopted accounting policy Avation will recognise any excess maintenance reserves as revenue over the duration of a lease, to the extent that maintenance reserves collected are not expected to be reimbursed to the lessee. Under the previous accounting policy, surplus maintenance reserves were recognised as revenue only at the end of the lease term. The change in accounting policy has been recorded with comparative amounts for prior financial periods restated. The change in accounting policy has led to recognition of US\$1.0 million maintenance reserve revenue in the six-months ended 31 December 2023 (2022 restated: US\$0.4 million).

## Financial Summary

US\$ '000s	Six months ended 31 December,	
	2023	2022 (restated)
Revenue	44,733	48,617
Other income	1,544	7,082
	46,277	55,699
Operating profit	17,547	35,398
Profit/(loss) before tax	(9,583)	7,077
Profit/(loss) after tax	(8,804)	8,679
EPS	(12.42c)	12.50c
US\$ '000s	31 December 2023	30 June 2023 (restated)
Fleet assets (1)	870,960	898,616
Total assets	1,172,432	1,179,596
Cash and bank balances (2)	150,072	116,905
Unrestricted cash and cash equivalents	43,456	24,816
Net asset value per share (US\$) (3)	\$3.25	\$3.44
Net asset value per share (GBP) (4)	£2.56	£2.71

1. Fleet assets are defined as property, plant and equipment plus assets held for sale plus finance lease receivables.
2. Cash and bank balances as at 31 December 2023 comprise cash and cash equivalents of US\$43.5 million (30 June 2023: US\$24.8 million) and restricted cash balances of US\$106.6 million (30 June 2023: US\$90.9 million).
3. Net asset value per share is total equity divided by the total number of shares in issue, excluding treasury shares.
4. Based on GBP:USD exchange rate as at 31 December 2023 of 1.27 (30 June 2023:1.27).

## Aircraft Fleet

Aircraft Type	31 December 2023	30 June 2023
Boeing 777-300ER	1	1
Airbus A330-300	1	1
Airbus A321-200	6	6
Airbus A320-200	2	2
Airbus A220-300	5	5
ATR 72-600	16	16
ATR 72-500	4	5
<b>Total</b>	<b>35</b>	<b>36</b>

At 31 December 2023, Avation's fleet comprised 35 aircraft, including five aircraft on finance lease. Avation serves 15 customers in 13 countries. The weighted average age of the fleet is 6.9 years (30 June 2023: 6.4 years) and the weighted average remaining lease term is 4.6 years (30 June 2023: 5.0 years).

One ATR 72-500 aircraft was sold during the period. Turboprop and narrowbody aircraft make up 82% of fleet assets as at 31 December 2023. Fleet assets have decreased 3.1% to US\$871.0 million (30 June 2023: US\$898.6 million). As at the date of this report, Avation has two off-lease ATR 72-600 aircraft. One aircraft is due to be sold shortly and one aircraft is currently subject to a non-binding letter of intent with a prospective lessee.

Avation has two new ATR 72-600 aircraft on order for delivery later this year and purchase rights for a further 28 aircraft as at 31 December 2023.

## Debt summary

US\$ '000s	31 December 2023	30 June 2023
Current loans and borrowings	60,012	61,401
Non-current loans and borrowings	682,836	694,575
<b>Total loans and borrowings</b>	<b>742,848</b>	<b>755,976</b>
Unrestricted cash and bank balances	43,456	24,816
Net indebtedness (1)	699,392	731,160
Net debt to total assets (2)	59.7%	62.0%
Weighted average cost of secured debt (3)	4.7%	4.5%
Weighted average cost of total debt (4)	6.3%	6.1%

1. Net indebtedness is defined as loans and borrowings less unrestricted cash and bank balances.
2. Net debt to assets is defined as net indebtedness divided by total assets.
3. Weighted average cost of secured debt is the weighted average interest rate for secured loans and borrowings at period end.
4. Weighted average cost of total debt is the weighted average interest rate for total loans and borrowings at period end.

Net indebtedness was reduced by 4.3% to US\$699.4 million (30 June 2023: US\$731.2 million). Four aircraft were re-financed with long-term fixed rate loans during the period.

The weighted average cost of total debt has increased to 6.3% at 31 December 2023 (30 June 2023: 6.1%) due to repayments of lower cost secured loans in the period and new secured loans with higher interest rates. The weighted average cost of secured debt also increased to 4.7% at 31 December 2023 (30 June 2023: 4.5%).

At the end of the period, Avation's net debt to total assets ratio improved to 59.7% (30 June 2023: 62.0%). As at 31 December 2023, 96.2% of total debt was at fixed or hedged interest rates (30 June 2023: 95.8%). The ratio of unsecured debt to total debt was 41.1% (30 June 2023: 40.1%).

## Financial Analysis

### Revenue

US\$ '000s	Six months ended 31 December,	
	2023	2022 (restated)
Lease rental revenue	43,887	42,608
Less: amortisation of lease incentive assets	(1,169)	(612)
	42,718	41,996
Interest income from finance leases	1,036	1,171
Maintenance reserves revenue	979	5,450
	<b>44,733</b>	<b>48,617</b>

Lease rental revenue increased by 3.1% from US\$42.6 million in the six months ended 31 December 2022 to US\$43.9 million in the six months ended 31 December 2023. The increase was principally due to improved fleet utilisation. There were two off-lease aircraft in the fleet at 31 December 2023 compared to five at 31 December 2022.

Interest income from finance leases decreased by 11.5% from US\$1.2 million in the six months ended 31 December 2022 to US\$1.0 million in the six months ended 31 December 2023. There were five aircraft leased on finance leases at 31 December 2022 and 2023.

### **Other income**

US\$ '000s	Six months ended 31 December,	
	2023	2022 (restated)
Fees for late payment	608	390
Deposit released	350	-
Foreign currency exchange gain	-	3,481
Claim recovery	385	3,166
Others	201	45
	<b>1,544</b>	<b>7,082</b>

The claim recoveries recognised in other income in the six months ended 31 December 2023 and 31 December 2022 are distributions paid to creditors of Virgin Australia in excess of amounts allocated to trade receivables.

Foreign currency exchange gains in the six months ended 31 December 2022 arose principally from the release of deferred hedged foreign currency exchange gains on two Euro loans that were refinanced during the period.

### **Administrative expenses**

US\$ '000s	Six months ended 31 December,	
	2023	2022 (restated)
Staff costs	2,792	2,868
Other administrative expenses	1,739	1,591
	<b>4,531</b>	<b>4,459</b>

Staff costs reduced by 2.6% from US\$2.9 million in the six months ended 31 December 2022 to US\$2.8 million in the six months ended 31 December 2023 principally due to lower charges for employee share warrants.

Other administrative expenses increased by 9.3% from US\$1.6 million in the six months ended 31 December 2022 to US\$1.7 million in the six months ended 31 December 2023.

### **Finance income**

US\$ '000s	Six months ended 31 December,	
	2023	2022 (restated)
Interest income	2,814	853
Fair value gain on financial derivatives	645	44
Finance income from discounting non-current deposits to fair value	332	304
Gain on repurchase of unsecured notes	311	486
Gain on early full repayment of borrowings	161	1,657
	<b>4,263</b>	<b>3,344</b>

Interest income increased in the six months ended 31 December 2023 due increased cash and bank balances and improved interest rates for cash deposits. The group deploys surplus cash balances into fixed term deposits while maintaining sufficient liquidity to meet near-term payment obligations.

Avation generated a gain of US\$0.3 million on the repurchase of US\$8.0 million of Avation Capital S.A. 8.25%/9.0% unsecured notes at a discount in December 2023.

A gain of US\$0.2 million on early full repayment of borrowings arose when an in-the-money interest rate swap was terminated concurrently with repayment of a loan in November 2023.

### **Finance expenses**

US\$ '000s	Six months ended 31 December,	
	2023	2022 (restated)
Interest expense on secured borrowings	10,125	10,742
Interest expense on unsecured notes	15,555	15,504
Amortisation of loan transaction costs	543	669
Amortisation of IFRS 9 gain on debt modification	4,730	4,342
Amortisation of interest expense on non-current borrowings	326	283
Others	114	125
	<b>31,393</b>	<b>31,665</b>

Interest expense on secured borrowings reduced by 5.7% to US\$10.1 million in the six months ended 31 December 2023 from US\$10.7 million in the six months ended 31 December 2022 as a result of repayments of secured loans. Secured loans have been paid down by US\$40.3 million from US\$478.0 million at 31 December 2022 to US\$437.5 million at 31 December 2023.

Interest expense on unsecured notes includes US\$4.3 million of non-cash interest paid in kind by increasing the face value of Avation Capital S.A. 8.25%/9.0% unsecured notes.

Amortisation of IFRS 9 gain on debt modification of US\$4.7 million represents the non-cash accretion in the book value of Avation Capital S.A. 8.25%/9.0% unsecured notes resulting from the accounting treatment of the extension and changes to the terms of the notes agreed with noteholders in March 2021. The extension was accounted for as a substantial modification of a debt instrument in accordance with IFRS 9. The face value of Avation Capital S.A. 8.25%/9.0% unsecured notes outstanding as of 31 December 2023 is US\$341.6 million.

### **Results Conference Call**

Avation's senior management team will host an investor update call on 1 March 2024, at 12:00 PM GMT (UK) / 7:00 AM EST (US) / 8:00 PM SGT (Singapore), to discuss the Company's financial results. Investors can participate in the call by using the following link:

<https://www.investormeetcompany.com/avation-plc/register-investor>

A replay of the investor update call will be made available on the Investor Relations page of the Avation PLC website.

### **Forward Looking Statements**

This release contains certain "forward looking statements". Forward looking statements may be identified by words such as "expects," "intends," "initiate", "anticipates," "plans," "believes," "seeks," "estimates," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for Avation's future business and financial performance. Forward looking statements are based on management's current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors and risks. Further information on the factors and risks that may affect Avation's business is included in Avation's regulatory announcements from time to time, including its Annual Report, Full Year Financial Results and Half Year Results announcements. Avation expressly disclaims any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in its views or expectations, or otherwise.

## **Basis of presentation**

This announcement covers the unaudited results of Avation PLC for the six months ended 31 December 2023.

Financial information presented in this announcement is being published for the purposes of providing preliminary Group financial results for the six months ended 31 December 2023. The financial information in this preliminary announcement is not audited and does not constitute statutory financial statements of Avation PLC within the meaning of section 434 of the Companies Act 2006. The Board of Directors approved this financial information on 29 February 2024. Avation PLC's most recent statutory financial statements for the purposes of Chapter 7 of Part 15 of the Companies Act 2006 for the year ended 30 June 2023, upon which the auditors have given an unqualified audit, were published on 26 October 2023 and have been annexed to the annual return and delivered to the Registrar of Companies.

All "US\$" amounts in this release are US Dollar amounts unless stated otherwise. Certain comparative amounts have been reclassified to conform with current year presentation.

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Avation welcomes shareholder questions and comments and advises the email address is: [investor@avation.net](mailto:investor@avation.net)

More information on Avation is available at [www.avation.net](http://www.avation.net).

# AVATION PLC

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 US\$'000s	31 Dec 2022 (Restated) US\$'000s
Continuing operations			
Revenue	6	44,733	48,617
Other income	7	1,544	7,082
		<u>46,277</u>	<u>55,699</u>
Depreciation	12	(18,660)	(18,932)
Gain on derecognition of finance lease		-	3,235
Loss on disposal of aircraft		(2,855)	(1,000)
Unrealised gain on aircraft purchase rights	17	2,190	1,880
Unrealised (loss)/gain on equity investment	18	(500)	6,869
Impairment loss on aircraft		-	(315)
Aircraft transition expenses		(2,933)	(5,790)
Reversal of/(provision for) expected credit losses		38	(250)
Administrative expenses		(4,531)	(4,459)
Legal and professional fees		(1,254)	(1,149)
Other expenses	8	(225)	(390)
Operating profit		<u>17,547</u>	<u>35,398</u>
Finance income	9	4,263	3,344
Finance expenses	10	(31,393)	(31,665)
(Loss)/profit before taxation		<u>(9,583)</u>	<u>7,077</u>
Taxation		779	1,602
(Loss)/profit from continuing operations		<u>(8,804)</u>	<u>8,679</u>
(Loss)/profit attributable to:			
Shareholders of Avation PLC		(8,804)	8,680
Non-controlling interests		-	(1)
		<u>(8,804)</u>	<u>8,679</u>
Earnings per share for (loss)/profit attributable to shareholders of Avation PLC			
<i>Basic earnings per share</i>		(12.42 cents)	12.50 cents
<i>Diluted earnings per share</i>		<u>(12.38 cents)</u>	<u>12.50 cents</u>



AVATION PLC  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	31 Dec 2023	31 Dec 2022 (Restated)
	US\$'000s	US\$'000s
(Loss)/profit from continuing operations	<u>(8,804)</u>	<u>8,679</u>
Other comprehensive income:		
<i>Items may be reclassified subsequently to profit or loss:</i>		
Net (loss)/gain on cash flow hedge, net of tax	<u>(5,089)</u>	<u>1,427</u>
Other comprehensive income, net of tax	<u>(5,089)</u>	<u>1,427</u>
Total comprehensive (loss)/income for the period	<u>(13,893)</u>	<u>10,106</u>
Total comprehensive (loss)/income attributable to:		
Shareholders of Avation PLC	<u>(13,893)</u>	<u>10,107</u>
Non-controlling interests	<u>-</u>	<u>(1)</u>
	<u>(13,893)</u>	<u>10,106</u>

AVATION PLC  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023

	Note	31 Dec 2023 US\$'000s	30 Jun 2023 (Restated) US\$'000s	1 Jul 2022 (Restated) US\$'000s
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment	12	819,325	845,471	813,908
Finance lease receivables	14	13,530	41,213	55,208
Trade and other receivables	13	8,930	14,258	19,388
Derivative financial assets	16	8,944	13,442	5,920
Aircraft purchase rights	17	88,010	85,820	65,280
Lease incentive assets		7,569	4,686	310
Goodwill	15	1,902	1,902	1,902
		<u>948,210</u>	<u>1,006,792</u>	<u>961,916</u>
Current assets				
Finance lease receivables	14	30,105	3,932	5,624
Trade and other receivables	13	22,494	31,035	13,202
Derivative financial assets	16	-	54	-
Investment in equity, fair value through profit or loss	18	10,735	11,235	3,715
Lease incentive assets		2,816	1,643	137
Cash and bank balances	19	150,072	116,905	119,171
		<u>216,222</u>	<u>164,804</u>	<u>141,849</u>
Assets held for sale	20	8,000	8,000	113,255
		<u>224,222</u>	<u>172,804</u>	<u>255,104</u>
<b>Total assets</b>		<b><u>1,172,432</u></b>	<b><u>1,179,596</u></b>	<b><u>1,217,020</u></b>
<b>EQUITY AND LIABILITIES</b>				
Equity				
Share capital	21	1,182	1,182	1,203
Share premium		70,024	70,024	67,681
Treasury shares	21	-	-	(7,811)
Merger reserve		6,715	6,715	6,715
Asset revaluation reserve		50,764	50,764	51,730
Capital reserve		8,876	8,876	8,876
Other reserves		10,436	15,069	14,174
Retained earnings		82,500	91,295	86,067
Equity attributable to shareholders of Avation PLC		<u>230,497</u>	<u>243,925</u>	<u>228,635</u>
Non-controlling interest		7	7	6
<b>Total equity</b>		<b><u>230,504</u></b>	<b><u>243,932</u></b>	<b><u>228,641</u></b>
Non-current liabilities				
Loans and borrowings	22	682,836	694,575	764,230
Trade and other payables		18,102	20,185	18,274
Derivative financial liabilities	16	933	1,632	1,055
Maintenance reserves	23	76,299	52,033	73,754
Deferred tax liabilities		25,060	26,694	25,613
		<u>803,230</u>	<u>795,119</u>	<u>882,926</u>
Current liabilities				
Loans and borrowings	22	60,012	61,401	63,900
Trade and other payables		23,766	17,167	15,940
Maintenance reserves	23	54,191	61,456	10,156
Income tax payable		729	521	658
		<u>138,698</u>	<u>140,545</u>	<u>90,654</u>
Liabilities directly associated with assets held for sale	20	-	-	14,799
		<u>138,698</u>	<u>140,545</u>	<u>105,453</u>
<b>Total equity and liabilities</b>		<b><u>1,172,432</u></b>	<b><u>1,179,596</u></b>	<b><u>1,217,020</u></b>

AVATION PLC  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Attributable to shareholders of Avation PLC										
	Share capital	Share premium	Treasury Shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2023 as previously reported	1,182	70,024	-	6,715	50,764	8,876	15,069	88,995	241,625	7	241,632
Effects of changes in accounting policies	-	-	-	-	-	-	-	2,300	2,300	-	2,300
Balance at 1 July 2023 as restated	1,182	70,024	-	6,715	50,764	8,876	15,069	91,295	243,925	7	243,932
Loss for the period	-	-	-	-	-	-	-	(8,804)	(8,804)	-	(8,804)
Other comprehensive loss	-	-	-	-	-	-	(5,089)	-	(5,089)	-	(5,089)
<i>Total comprehensive loss</i>	-	-	-	-	-	-	(5,089)	(8,804)	(13,893)	-	(13,893)
Share warrant expense	-	-	-	-	-	-	465	-	465	-	465
<i>Total transactions with owners recognised directly in equity</i>	-	-	-	-	-	-	465	-	465	-	465
Expiry of share warrants	-	-	-	-	-	-	(9)	9	-	-	-
<i>Total others</i>	-	-	-	-	-	-	(9)	9	-	-	-
Balance at 31 December 2023	1,182	70,024	-	6,715	50,764	8,876	10,436	82,500	230,497	7	230,504

Capital reserve comprises acquisitions with non-controlling interests that do not result in a change of control.

Other reserves consists of capital redemption reserve, share warrant reserve, fair value reserve and foreign currency hedge reserve.

The merger reserve arose on acquisition of additional shares of the Company's subsidiary Capital Lease Aviation Limited through the allotment of ordinary shares in the year ended 30 June 2015. The merger reserve represents the difference between the fair value and the nominal value of the shares issued by the Company.

AVATION PLC  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Attributable to shareholders of Avation PLC										
	Share capital	Share premium	Treasury Shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2022 as previously reported	1,203	67,681	(7,811)	6,715	51,730	8,876	14,174	84,519	227,087	6	227,093
Effects of changes in accounting policies	-	-	-	-	-	-	-	1,548	1,548	-	1,548
Balance at 1 July 2022 as restated	1,203	67,681	(7,811)	6,715	51,730	8,876	14,174	86,067	228,635	6	228,641
Profit for the period	-	-	-	-	-	-	-	8,680	8,680	(1)	8,679
Other comprehensive income	-	-	-	-	-	-	1,427	-	1,427	-	1,427
<i>Total comprehensive income</i>	-	-	-	-	-	-	1,427	8,680	10,107	(1)	10,106
Issuance of shares	2	226	-	-	-	-	(51)	-	177	-	177
Purchase of treasury shares	-	-	(94)	-	-	-	-	-	(94)	-	(94)
Cancellation of treasury shares	(39)	-	7,905	-	-	-	39	(7,905)	-	-	-
Share warrant expense	-	-	-	-	-	-	655	-	655	-	655
<i>Total transactions with owners recognised directly in equity</i>	(37)	226	7,811	-	-	-	643	(7,905)	738	-	738
Expiry of share warrants	-	-	-	-	-	-	(112)	112	-	-	-
<i>Total others</i>	-	-	-	-	-	-	(112)	112	-	-	-
Balance at 31 December 2022	1,166	67,907	-	6,715	51,730	8,876	16,132	86,954	239,480	5	239,485

AVATION PLC  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	31 Dec 2023	31 Dec 2022 (Restated)
		US\$'000s	US\$'000s
Cash flows from operating activities:			
(Loss)/profit before taxation		(9,583)	7,077
Adjustments for:			
Amortisation of lease incentive asset	6	1,169	612
Depreciation expense	12	18,660	18,932
Depreciation of right-of-use assets		138	110
(Reversal of)/provision for expected credit losses		(38)	250
Finance income	9	(4,263)	(3,344)
Finance expense	10	31,393	31,665
Gain on derecognition of finance lease		-	(3,235)
Loss on disposal of aircraft		2,855	1,000
Interest income from finance lease	6	(1,036)	(1,171)
Impairment loss on aircraft		-	315
Share warrants expense		465	655
Unrealised loss/(gain) on equity investment	18	500	(6,869)
Unrealised gain on aircraft purchase rights	17	(2,190)	(1,880)
Foreign currency exchange loss/(gain)		344	(3,438)
Operating cash flows before working capital changes		38,414	40,679
Movement in working capital:			
Trade and other receivables and finance lease receivables		15,513	(9)
Trade and other payables		3,785	5,940
Maintenance reserves		11,776	3,275
Cash from operations		69,488	49,885
Finance income received		3,865	1,866
Finance expense paid		(27,947)	(21,856)
Income tax paid		(345)	(346)
Net cash from operating activities		45,061	29,549
Cash flows from investing activities:			
Investment in fixed term deposits		1,225	-
Purchase of property, plant and equipment		-	(568)
Proceeds from disposal of aircraft		4,049	21,500
Net cash from investing activities		5,274	20,932
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		-	177
Purchase of treasury shares		-	(94)
(Increase)/decrease of restricted cash balances		(15,752)	4,578
Proceeds from loans and borrowings, net of transactions costs		26,171	42,958
Repayment of loans and borrowings		(42,114)	(101,247)
Net cash used in financing activities		(31,695)	(53,628)
Net increase/(decrease) in cash and cash equivalents		18,640	(3,147)
Cash and cash equivalents at beginning of financial period		24,816	35,267
Cash and cash equivalents at end of financial period	19	43,456	32,120

# AVATION PLC

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

This interim condensed consolidated financial statements for Avation PLC for the six months ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 29 February 2024.

#### 1 CORPORATE INFORMATION

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and its shares are traded on the Standard Segment of the Main Market of the London Stock Exchange.

The Group's principal activity is aircraft leasing.

#### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and in accordance with UK-adopted International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

The interim condensed consolidated financial statements do not include all the notes of the type normally included within the annual report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the consolidated entity as the annual report.

It is recommended that the interim condensed consolidated financial statements be read in conjunction with the annual report for the year ended 30 June 2023 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2023.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2023 except for as explained in note 3, which addresses a change in accounting policy for maintenance reserves and in note 4, the adoption of new accounting standards effective as of 1 July 2023.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expenses, assets and liabilities and disclosure of contingencies at the date of the Interim Report, actual results may differ from these estimates.

The statutory financial statements of Avation PLC for the year ended 30 June 2023, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain any statements under section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements are unaudited.

The interim condensed consolidated financial statements do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

AVATION PLC  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

3 CHANGE IN ACCOUNTING POLICY

Maintenance reserves

With effect from 1 July 2023, the Group changed its accounting policy for maintenance reserves. Under the previous accounting policy, the Group recognised any surplus or shortfall identified in maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee in profit or loss at the end of lease or on sale of an aircraft.

Under the new accounting policy, the Group will recognise maintenance reserves as revenue over the term of a lease, to the extent that collected maintenance reserves are not expected to be reimbursed to the lessee.

The Group will recognise maintenance revenue once the balance the Group projects will be reimbursed to the lessee over the lease term has been collected. The policy would be applied on a component-by-component basis for aircraft where the Group collects cash maintenance reserves.

The Group believes that the new accounting policy which provides for a timely release of maintenance reserves to profit or loss over the lease term will ensure that financial statements reflect the Group's financial performance more accurately. This change in accounting policy has been applied retrospectively.

Summary of quantitative impact

The following tables summarise the material impacts on the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position resulting from the change in accounting policy.

Condensed consolidated statement of profit or loss

For six months ended 31 December 2022	Impact of changes in accounting policy		
	As previously reported US\$'000s	Adjustments US\$'000s	As restated US\$'000s
Total income	55,311	388	55,699
Taxation	1,643	(41)	1,602
Profit from continuing operations	8,332	347	8,679
Profit attributable to:			
Shareholders of Avation PLC	8,333	347	8,680
Non-controlling interest	(1)	-	(1)
	<u>8,332</u>	<u>347</u>	<u>8,679</u>
Earnings per share for profit attributable to shareholders of Avation PLC			
Basic earnings per share (US cents)	12.00 cents		12.50 cents
Diluted earnings per share (US cents)	<u>12.00 cents</u>		<u>12.50 cents</u>

AVATION PLC  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

3 CHANGE IN ACCOUNTING POLICY (continued)

Condensed consolidated statement of comprehensive income

For six months ended 31 December 2022	Impact of changes in accounting policy		
	As previously reported US\$'000s	Adjustments US\$'000s	As restated US\$'000s
Total comprehensive income for the period	9,759	347	10,106
Total comprehensive income attributable to:			
Shareholders of Avation PLC	9,760	347	10,107
Non-controlling interest	(1)	-	(1)
	<u>9,759</u>	<u>347</u>	<u>10,106</u>

Condensed interim statement of financial position

As at 1 July 2022	Impact of changes in accounting policy		
	As previously reported US\$'000s	Adjustments US\$'000s	As restated US\$'000s
Maintenance reserves – non-current	75,131	(1,377)	73,754
Deferred tax liabilities	25,437	176	25,613
Liabilities associated with assets held for sale	15,146	(347)	14,799
Retained earnings	<u>84,519</u>	<u>1,548</u>	<u>86,067</u>
As at 30 June 2023	Impact of changes in accounting policy		
	As previously reported US\$'000s	Adjustments US\$'000s	As restated US\$'000s
Maintenance reserves – non-current	54,587	(2,554)	52,033
Deferred tax liabilities	26,440	254	26,694
Retained earnings	<u>88,995</u>	<u>2,300</u>	<u>91,295</u>



4 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2024

(a) New standards and interpretations not applied

The Group has not adopted the following new or amended standards and interpretations which are relevant to the Group that have been issued but are not yet effective:

Description	Effective date (period beginning)
Amendments to IFRS 16 - Lease liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 – Disclosures : Supplier Finance Arrangements	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current Non-current liabilities with Covenants	1 January 2024
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or joint venture	Postponed indefinitely

Based on a preliminary assessment using currently available information, the Group does not expect the adoption of the above standards to have a material impact on the financial statements in the period of initial application. These preliminary assessments may be subject to changes arising from ongoing analyses when the Group adopts the standards. The Group plans to adopt the above standards on the effective date.

(b) Standard in effect in 2024

The Group has adopted all new standards that have come into effect during the six months ended 31 December 2023. The adoptions do not have a material impact on the Group's interim condensed consolidated financial statements.

## 5 FAIR VALUE MEASUREMENT

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amounts of cash and bank balances, trade and other receivables, finance lease receivables – current, trade and other payables – current, loans and borrowings – current are a reasonable approximation of fair value either due to their short-term nature or because the interest rate charged closely approximates market interest rates or that the financial instruments have been discounted to their fair value at a current pre-tax interest rate.

The fair value of the maintenance reserves is not disclosed in the table below as the timing and cost of the settlement of maintenance reserves cannot be determined with certainty in advance and hence the fair value of maintenance reserve cannot be accurately measured.

	31 Dec 2023		30 Jun 2023	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
Financial assets:				
Finance lease receivables – non-current	13,530	12,241	41,213	38,555
Derivative financial assets	8,944	8,944	13,496	13,496
Investment in equity, fair value through profit or loss	10,735	10,735	11,235	11,235
Financial liabilities:				
Deposits collected – non-current	14,983	12,001	15,907	13,502
Loans and borrowings other than unsecured notes – non-current	377,531	338,847	391,110	360,055
Unsecured notes	305,305	292,030	303,465	300,539
Share warrants	933	933	1,632	1,632

The fair values (other than for unsecured notes, investment in debt instrument, fair value through profit or loss) above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period, which is classified under level 2 of the fair value hierarchy.

The fair value of the unsecured notes and share warrants are based on level 1 quoted prices (unadjusted) in an active market that the Group can access at measurement date.

The fair value of the derivative financial instruments is determined by reference to marked-to-market values provided by counterparties. The fair value measurement of all derivative financial instruments is classified under level 2 of the fair value hierarchy, for which inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) are included as inputs for the determination of fair value.

## 5 FAIR VALUE MEASUREMENT (continued)

### Assets measured at fair value classified under level 3:

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Fair value measurement using significant unobservable inputs:		
Aircraft	819,314	845,455
Aircraft purchase rights	88,010	85,820
Investment in equity, fair value through profit or loss	10,735	11,235

Aircraft were valued at 30 June 2023. Refer to Note 12 for the details on the valuation technique and significant inputs used in the valuation.

## 6 REVENUE

	31 Dec 2023 US\$'000s	31 Dec 2022 (Restated) US\$'000s
Lease rental revenue	43,887	42,608
Less: amortisation of lease incentive asset	(1,169)	(612)
	42,718	41,996
Interest income on finance leases	1,036	1,171
Maintenance reserves revenue	979	5,450
	44,733	48,617

### Geographical analysis

	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
31 Dec 2023	10,621	34,112	44,733
31 Dec 2022 (Restated)	13,588	35,029	48,617

## 6 REVENUE (continued)

### Operating lease commitments

The Group leases out aircraft under operating leases. The maturity analysis of the undiscounted lease payments to be received under operating leases are as follows:

	31 Dec 2023 US\$'000s	31 Dec 2022 US\$'000s
Within one year	92,367	91,067
One to two years	87,210	89,924
Two to three years	72,240	85,575
Three to four years	64,442	69,896
Four to five years	37,535	62,236
Later than five years	49,527	85,277

## 7 OTHER INCOME

	31 Dec 2023 US\$'000s	31 Dec 2022 US\$'000s
Fees for late payment	608	390
Deposit released	350	-
Foreign currency exchange gain	-	3,481
Recovery of claims from customer	385	3,166
Others	201	45
	1,544	7,082

## 8 OTHER EXPENSES

	31 Dec 2023 US\$'000s	31 Dec 2022 US\$'000s
Deferment fees	-	390
Foreign currency exchange loss	225	-
	225	390

## 9 FINANCE INCOME

	31 Dec 2023	31 Dec 2022
	US\$'000s	US\$'000s
Interest income from financial institutions	2,365	204
Interest income from non-financial institutions	449	649
Fair value gain on financial derivatives	645	44
Finance income from discounting non-current deposits to fair value	332	304
Gain on repurchases of unsecured notes	311	486
Gain on early full repayment of borrowings	161	1,657
	<u>4,263</u>	<u>3,344</u>

## 10 FINANCE EXPENSES

	31 Dec 2023	31 Dec 2022
	US\$'000s	US\$'000s
Interest expense on borrowings	10,125	10,742
Interest expense on unsecured notes	15,555	15,504
Amortisation of loan transaction costs	543	669
Amortisation of gain on loan modification	4,730	4,342
Amortisation of interest expense on non-current deposits	326	283
Others	114	125
	<u>31,393</u>	<u>31,665</u>

## 11 RELATED PARTY TRANSACTIONS

### Significant related party transactions:

	31 Dec 2023	31 Dec 2022
	US\$'000s	US\$'000s
Entities controlled by key management personnel (including directors):		
Lease liability paid	(164)	(159)
Consulting fee expense	(205)	(123)
Maintenance service	(7)	(47)
Interest expense	-	(40)
Service fee income	37	43
	<u>          </u>	<u>          </u>
Directors:		
Interest expense	-	(8)
	<u>          </u>	<u>          </u>

12 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment US\$'000s	Jet aircraft US\$'000s	Turboprop aircraft US\$'000s	Total US\$'000s
31 December 2023:				
<i>Cost or valuation:</i>				
At 1 July 2023	97	851,435	310,169	1,161,701
Disposals	-	-	(17,692)	(17,692)
At 31 December 2023	97	851,435	292,477	1,144,009
Representing:				
At cost	97	-	-	97
At valuation	-	851,435	292,477	1,143,912
	97	851,435	292,477	1,144,009
<i>Accumulated depreciation and impairment:</i>				
At 1 July 2022	81	230,783	85,366	316,230
Depreciation expense	5	13,890	4,765	18,660
Disposals	-	-	(10,206)	(10,206)
At 31 December 2023	86	244,673	79,925	324,684
<i>Net book value:</i>				
At 1 July 2023	16	620,652	224,803	845,471
At 31 December 2023	11	606,762	212,552	819,325

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and equipment US\$'000s	Jet aircraft US\$'000s	Turboprop aircraft US\$'000s	Total US\$'000s
30 June 2023:				
<i>Cost or valuation:</i>				
At 1 July 2022	91	771,859	305,923	1,077,873
Additions	6	-	-	6
Reclassified from held under finance lease	-	-	16,166	16,166
Reclassified from asset held for sale	-	106,124	-	106,124
Reclassified as asset held for sale	-	(28,034)	(9,354)	(37,388)
Revaluation recognised in equity	-	1,486	(2,566)	(1,080)
At 30 June 2023	97	851,435	310,169	1,161,701
Representing:				
At cost	97	-	-	97
At valuation	-	851,435	310,169	1,161,604
	97	851,435	310,169	1,161,701
<i>Accumulated depreciation and impairment:</i>				
At 1 July 2022	68	182,815	81,082	263,965
Depreciation expense	13	28,615	9,938	38,566
Reclassified from asset held for sale	-	28,124	-	28,124
Reclassified as asset held for sale	-	(9,784)	(1,354)	(11,138)
(Reversal of)/impairment loss	-	1,013	(4,300)	(3,287)
At 30 June 2023	81	230,783	85,366	316,230
<i>Net book value:</i>				
At 1 July 2022	23	589,044	224,841	813,908
At 30 June 2023	16	620,652	224,803	845,471

Assets pledged as security

The Group's aircraft and aircraft held under asset for sale with carrying values of US\$819.3 million (30 June 2023: US\$838.5 million) are mortgaged to secure the Group's borrowings (Note 22).

Additions and disposals

During the six months ended 31 December 2023, one turboprop aircraft was sold.

## 12 PROPERTY, PLANT AND EQUIPMENT (continued)

### Valuation

The Group's aircraft were valued in June 2023 by independent valuers on a lease-encumbered value basis ("LEV"). LEV takes into account the current lease arrangements for the aircraft and estimated residual values at the end of the lease. These amounts have been discounted to present value using discount rates ranging from 5.50% to 7.00% (30 June 2022: 5.5% to 7.0%) per annum for jet aircraft and 5.50% to 9.00% (30 June 2022: 5.5% to 8.0%) per annum for turboprop aircraft. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles.

If the aircraft were measured using the cost model, carrying amounts would be as follows:

	31 Dec 2023		30 Jun 2023	
	Jets	Turbo props	Jets	Turbo props
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Cost	801,559	276,103	801,559	293,795
Accumulated depreciation and impairment	(229,295)	(77,734)	(216,316)	(83,657)
Net book value	572,264	198,369	585,243	210,138

### Geographical analysis

31 Dec 2023	Europe	Asia	Total
	US\$'000s	Pacific US\$'000s	US\$'000s
Capital expenditure	-	-	-
Net book value – aircraft	219,536	599,778	819,314

  

30 Jun 2023	Europe	Asia	Total
	US\$'000s	Pacific US\$'000s	US\$'000s
Capital expenditure	-	6	6
Net book value – aircraft	241,508	603,947	845,455



## 13 TRADE AND OTHER RECEIVABLES

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
<i>Current</i>		
Trade receivables	9,053	26,545
Less:		
Allowance for expected credit losses	(173)	(10,542)
	8,880	16,003
Accrued revenue	2,754	3,375
Less:		
Allowance for expected credit losses	(7)	(8)
	2,747	3,367
Other receivables	10,420	12,012
Less:		
Allowance for expected credit losses	(499)	(1,358)
	9,921	10,654
Interest receivables	561	752
Less:		
Allowance for expected credit losses	(28)	(44)
	533	708
Deposits	49	48
Prepaid expenses	364	255
	22,494	31,035
<i>Non-current:</i>		
Other receivables	281	5,487
Deposits for aircraft	8,139	8,139
Right-of-use assets	510	632
	8,930	14,258

## 14 FINANCE LEASE RECEIVABLES

Future minimum lease payments receivable under finance leases are as follows:

	31 Dec 2023		30 Jun 2023	
	Minimum lease payments US\$'000s	Present value of payments US\$'000s	Minimum lease payments US\$'000s	Present value of payments US\$'000s
Within one year	31,915	30,125	5,675	3,952
Less:				
Allowance for expected credit losses	(20)	(20)	(20)	(20)
	31,895	30,105	5,655	3,932
One to two years	2,430	1,571	30,041	28,491
Two to three years	9,032	8,413	2,430	1,627
Three to four years	3,588	3,546	11,358	11,095
Four to five years	-	-	-	-
Later than five years	-	-	-	-
Total minimum lease payments	46,945	43,635	49,484	45,145
Less: amounts representing interest income	(3,310)	-	(4,339)	-
Present value of minimum lease payments	43,635	43,635	45,145	45,145

## 15 GOODWILL

The Group performs its annual impairment test in June and when circumstances indicate the carrying value may be impaired. For the purpose of these financial statements there was no indication of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 30 June 2023.

## 16 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	Contract/ notional amount		Fair value	
	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Derivative financial assets -current				
Interest rate swap – current	-	3,531	-	54
Derivative financial assets -non-current				
Interest rate swap	198,903	220,110	8,445	12,847
Cross-currency interest rate swap	4,000	4,000	499	595
	202,903	224,110	8,944	13,442
Derivative financial liabilities				
Share warrants	-	-	933	1,632

Hedge accounting has been applied for interest rate swap contracts and cross-currency interest rate swap contracts which have been designated as cash flow hedges.

## 16 DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

The Group determines the economic relationship between the finance lease income, loans and borrowings and the derivative by matching the critical terms of the hedging instrument with the terms of the hedged item. The hedge ratio (the ratio between notional amount of the derivative financial instrument to the amount of the finance lease income and loans and borrowings being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivative match exactly with the terms of the hedged item.

The Group pays fixed rates of interest of 1.0% to 2.6% per annum and receives floating rate interest equal to 1-month to 3-month SOFR or 3-month EURIBOR under the interest rate swap contracts.

The Group pays fixed rates of interest of 3.1% to 4.9% per annum and receives floating interest equal to 3-month SOFR under the cross-currency interest rate swap contracts.

The swap contracts mature between 24 January 2026 and 21 November 2030.

Changes in the fair value of these interest rate swap and cross-currency interest rate swap contracts are recognised in the fair value reserve. The net fair value loss net of tax of US\$4.2 million (31 December 2022: gain of US\$6.5 million) on these derivative financial instruments was recognised in the fair value reserve for the year.

The fair value of the derivative financial instruments is determined by reference to marked-to-market values provided by counterparties. The fair value measurement of all derivative financial instruments is classified under level 2 of the fair value hierarchy, for which inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) are included as inputs for the determination of fair value.

The Group entered into Euro denominated lease agreements which create exposure to variability in cash flows due movements in the EUR:USD exchange rate. To hedge its exposure to variable cash flows resulting from changes in EUR:USD spot rates, the Group has arranged Euro denominated financing which reduces overall exposure to variable cash flows to the extent that lease receipts and debt service cashflows are matched. The Group is making use of a non-derivative hedging instrument and has designated the cash flows with respect to the loan interest and principal repayment (hedging instrument) against a specific portion of the lease receivable (hedged item).

Unrealised foreign exchange gains and losses arising on Euro denominated loans designated as cash flow hedges are recognised in the foreign currency hedge reserve. Unrealised foreign exchange gains and losses recorded in the foreign currency hedging reserve are systematically re-cycled through profit or loss over the remaining term of the related loan on a straight-line basis.

The Group determine the hedging relationship between the hedging instruments and the hedged item on a number of criteria including the reference interest rates, tenors, repricing dates and maturities and to notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- Differences in the pricing dates between the swaps and the borrowings
- Differences in the timing of the cash flows of the hedged items and the hedging requirements
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and the hedged items

- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

## 17 AIRCRAFT PURCHASE RIGHTS

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Aircraft purchase rights, at fair value:		
At 1 July 2023/ 1 July 2022	85,820	65,280
Unrealised gain	2,190	20,540
At 31 December/30 June	<u>88,010</u>	<u>85,820</u>

The Group holds 28 purchase rights to acquire additional ATR 72-600 aircraft from the manufacturer. The purchase rights are available for aircraft to be delivered on or before the end of June 2027.

The Group has determined that it would seek to dispose of excess aircraft purchase rights over and above its requirement to acquire additional aircraft for its fleet. The Group accounts for aircraft purchase rights at fair value through profit or loss.

## 18 INVESTMENT IN EQUITY, FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Non-listed equity, at fair value		
At 1 July 2023/ 1 July 2022	11,235	3,715
Unrealised (loss)/gain	(500)	7,520
At 31 December/30 June	<u>10,735</u>	<u>11,235</u>

The Group received 8,014,602 ordinary shares from an airline customer as part of the airline's restructuring plan. The Group entered into an agreement to exchange 8,014,602 ordinary shares in Philippine Airlines, Inc. with 124,787,353 ordinary shares in PAL Holdings, Inc. The exchange of shares is expected to be completed in the first quarter of 2024.

## 19 CASH AND BANK BALANCES

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Fixed deposits	71,980	62,306
Other cash and bank balances	78,092	54,599
Total cash and bank balances	150,072	116,905
Less: restricted	(106,616)	(90,864)
Less: investment in fixed terms deposit	-	(1,225)
Cash and cash equivalents	43,456	24,816

The Group's restricted cash and bank balances have been pledged as security for certain loan obligations.

In the consolidated statement of cash flows, cash and cash equivalents comprises unrestricted cash and bank balances.

## 20 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

The Group's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Assets held for sale:		
Property, plant and equipment - aircraft		
At 1 July 2023/ 1 July 2022	8,000	100,500
Additions	-	26,250
Disposals	-	(40,750)
Transfer to property, plant and equipment	-	(78,000)
At 31 December/30 June	8,000	8,000

## 21 SHARE CAPITAL AND TREASURY SHARES

### (a) Share capital

	31 Dec 2023		30 Jun 2023	
	No of shares	US\$'000s	No of shares	US\$'000s
Allotted, called up and fully paid Ordinary shares of 1 penny each:				
At 1 July 2023/ 1 July 2022	70,883,124	1,182	71,698,124	1,203
Issue of shares	-	-	1,495,000	18
Cancellation	-	-	(2,310,000)	(39)
At 31 December/30 June	<u>70,883,124</u>	<u>1,182</u>	<u>70,883,124</u>	<u>1,182</u>

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

### (b) Treasury shares

	31 Dec 2023		30 Jun 2023	
	No of shares	US\$'000s	No of shares	US\$'000s
At 1 July 2023/ 1 July 2022	-	-	2,210,000	7,811
Acquired during the period	-	-	100,000	94
Cancellation	-	-	(2,310,000)	(7,095)
At 31 December/30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### (c) Net asset value per share

	31 Dec 2023	30 Jun 2023 (Restated)
Net asset value per share (US\$) <sup>(1)</sup>	\$3.25	\$3.44
Net asset value per share (GBP) <sup>(2)</sup>	<u>£2.56</u>	<u>£2.71</u>

<sup>(1)</sup> Net asset value per share is total equity divided by the total number of shares issued and outstanding at period end.

<sup>(2)</sup> Based on GBP:US\$ exchange rate as at 31 December 2023 of 1.27 (30 June 2023: 1.27).

## 22 LOANS AND BORROWINGS

	31 Dec 2023 US\$'000s		30 Jun 2023 US\$'000s	
Secured borrowings	437,543		452,511	
Unsecured notes	305,305		303,465	
Total loans and borrowings	742,848		755,976	
Less: current portion	(60,012)		(61,401)	
Non-current loans and borrowings	682,836		694,575	

  

	Maturity		Weighted average interest rate per annum	
	31 Dec 2023	30 Jun 2023	31 Dec 2023 %	30 Jun 2023 %
Secured borrowings	2025-2031	2024-2031	4.70%	4.52%
Unsecured notes	2026	2026	8.25%	8.25%

Secured borrowings are secured by first ranking mortgages over the relevant aircraft, security assignments of the Group's rights under leases and other contractual agreements relating to the aircraft, charges over bank accounts in which lease payments relating to the aircraft are received and charges over the issued share capital of certain subsidiaries.

## 23 MAINTENANCE RESERVES

	31 Dec 2023 US\$'000s	30 Jun 2023 (Restated) US\$'000s
Current:		
Maintenance reserves	54,191	61,456
Non-current:		
Maintenance reserves	58,903	41,639
Maintenance lease contribution	17,396	10,394
	76,299	52,033
Total maintenance reserves	130,490	113,489

	31 Dec 2023 US\$'000s	30 Jun 2023 (Restated) US\$'000s
At 1 July 2023/ 1 July 2022	113,489	83,910
Contributions	18,952	29,152
Utilisations	(390)	(7,544)
Released to profit or loss	(1,561)	(2,773)
Transfer from liabilities directly associated with asset held for sale	-	10,744
At 31 December/30 June	130,490	113,489

During the six months ended 31 December 2023, maintenance reserves of US\$1.0 million were released to profit or loss as revenue and US\$0.6 million was offset against loss on disposal of aircraft.

## 24 CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	31 Dec 2023 US\$'000s	30 Jun 2023 US\$'000s
Property, plant and equipment	31,446	32,761

Capital commitments represent amounts due under contracts entered into by the group to purchase aircraft. The company has paid deposits towards the cost of these aircraft which are included in trade and other receivables.

As at 31 December 2023, the Group has commitments to purchase two ATR 72-600 aircraft from the manufacturer with expected delivery dates in 2024.

## 25 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2023.



## PRINCIPAL RISKS

The Group's risk management processes bring greater judgement to decision making as they allow management to make better, more informed and more consistent decisions based on a clear understanding of risk involved. We regularly review the risk assessment and monitoring process as part of our commitment to continually improve the quality of decision-making across the Group.

The principal risks and uncertainties which may affect the Group in the second half of the financial year will include the typical risks associated with the aviation business, including but not limited to any downturn in the global aviation industry, fuel costs, finance costs, war and acts of terror and the like which may affect our airline customers' ability to fulfil their lease obligations.

The business also relies on its ability to source finance on favourable terms. Should this supply of finance contract, it would limit our fleet expansion and therefore growth.

## GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk and liquidity risk are discussed in the annual report for the Group for the year ended 30 June 2023.

## DIRECTORS

The directors of Avation PLC are named in its Annual Report for the year ended 30 June 2023. A list of the current directors is maintained on the Avation PLC website: [www.avation.net](http://www.avation.net)

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information have been prepared in accordance with UK-adopted IAS 34 and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely

- an indication of important events that have occurred during the first six months and their impact on the Interim Report, and a description required by the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board

Jeff Chatfield  
Executive Chairman  
Singapore, 29 February 2024