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

FINANCIAL RESULTS AND INTERIM MANAGEMENT STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, announces reviewed financial results for the six months ended 31 December 2019.

Key Financial Results

- Revenue increased by 15% to a record $67.6 million;
- Profit before tax increased by 218% to $45.2 million;
- Profit after tax increased by 180% to $38.2 million;
- Earnings per share increased by 178% to 60.0 cents;
- Net asset value per share increased by 15% to $4.29; and
- Dividend, announced in respect of the first half grew by 5% to 2.1 cents per share.

Operational Highlights

- Repossession of two aircraft from Thomas Cook and transition to a new lessee;
- Three new ATR72-600 aircraft acquired during the period;
- Completion of finance leases and transfer of two Fokker 100 aircraft to the lessee;
- Leases signed for five ATR72-600 aircraft to be delivered to Braathens by 30 June 2020;
- Airline customers increased to eighteen; and
- First ever commercial aircraft financed with a Green loan – recognised by Airline Economics as “Deal of the Year for Innovation”.

Executive Chairman, Jeff Chatfield, said:

“Avation posted record lease rental revenue and assets for the period ended 31 December 2019. Most importantly the customer base continued to expand. In response to a proposal from an interested party the Company appointed an adviser and announced a strategic review and formal sale process. Upon completion of the strategic review and formal sale process the Board will consider the recommendations and provide further comment.

“During the period, Avation repossessed two Airbus A321 aircraft from Thomas Cook and transitioned the aircraft to a new lessee. While the airline sector performed profitably as a whole, 2019 saw a record number of airline insolvencies. Avation’s limited exposure to Thomas Cook and lack of exposure to other airline failures results from increased scale and diversification and the application of stringent investment criteria.

“Recognition of the purchase rights for ATR72-600 aircraft in the financial statements highlights the value of this previously unrecorded asset and generated a one-off unrealised gain of $37.0 million. It is important to note that notwithstanding the impact of the recognition of purchase rights for ATR72-600 aircraft, the leasing business continued to grow. The Company’s strong performance enabled the Board to declare an interim dividend of 2.1 US cents per share for the period.

“Avation has a strong cash position with four new aircraft expected to be added to the fleet through deliveries to Braathen’s and US Bangla between now and 30 June 2020. The Company believes it has sufficient liquidity to fund further fleet growth which will be sourced from the orderbook for ATR-72-600 aircraft and through aircraft acquisition.”

Strategic Review and Formal Sale Process

On 6 January 2020, the Company announced a comprehensive review of strategic options that would include the potential sale of the Company or aircraft assets through a formal sale process. Since the date of the announcement, a number of parties have expressed interest in the Company and certain portfolios of aircraft. The strategic review and formal sale process is being undertaken in response to an unsolicited approach to purchase the Company. The purpose of the review is to establish what path would represent best value for shareholders.

The Board believe that Avation's value is above the net asset value of the Company. These value drivers, which are not represented in the balance sheet, include:

- Realisable value of the fleet may exceed the book value;
- Value of the leasing platform and experienced employees;
- Singapore tax domicile and Aircraft Leasing Scheme, providing low corporate tax rates;
- Scale and diversification benefits to existing industry players;
- Positive rating trajectory and potential savings a larger entity may unlock through refinancing existing debt with lower cost debt; and
- Premium for control.

The Directors of Avation will have regard to their duties both under the Companies Act and the Takeover Code, as well as the advice from their mandated advisers in reaching their view on any transaction arising from the strategic review and formal sale process, including any recommendation to shareholders.

The strategic review and formal sale process is ongoing and further announcements will be made as the process continues.

Recognition of Purchase Rights

The Company holds Purchase Rights to acquire 25 additional aircraft under its contract with ATR. In December 2019, the Company changed its business model for Purchase Rights by recognising that it holds excess Purchase Rights over and above the Company's requirement to acquire additional ATR aircraft for its fleet. The Company will seek to dispose of excess Purchase Rights from time to time when market conditions are favourable. In recognition of this change in business model, the Company recognised the Purchase Rights at fair value through profit or loss in the financial statements for the six months ended 31 December 2019.

Purchase rights for 25 ATR72-600 aircraft, represent a material source of growth for Avation and value for shareholders. The fair values were determined by the Company based on an independent third party valuation of the aircraft delivery positions. The recognition of this asset on the balance sheet has generated an unrealised gain of $37.0 million. Further analysis of the impact on the income of the Company is provided below.

Financial Highlights and Analysis

	6 mths to 31 Dec 2019 US$ 000's	6 mths to 31 Dec 2018 US$ 000's	Change
Revenue	67,606	58,731	15%
Depreciation	(24,232)	(19,835)	22%
Administrative expense	(6,145)	(5,471)	12%
Other income and expenses (net)	(1,250)	(26)	
Operating Profit excluding Unrealised gain on purchase rights, Gains on disposal and impairment loss on aircraft	**35,979**	**33,399**	8%
Finance Expenses (net of finance income)	27,527	25,717	7%
Profit before tax excluding Unrealised gain on purchase rights, Gains on disposal of aircraft and Impairment loss on aircraft	**8,452**	**7,682**	10%
Unrealised gain on aircraft purchase rights	36,980	-	
Gains on disposal of aircraft	2,229	6,534	
Impairment loss on aircraft	(2,456)	-	
Profit before taxation	**45,205**	**14,216**	218%
Taxation	(7,051)	(583)	
Total profit after tax	**38,154**	**13,633**	180%
EPS	60.0 cents	21.6 cents	178%
Dividend per share	2.1 cents	2.0 cents	5%

	As at 31 Dec 2019 US$ 000's	As at 30 June 2019 US$ 000's	
Fleet assets (1)	1,302,215	1,269,682	3%
Total assets	1,495,289	1,392,750	7%
Cash and bank balances	140,049	107,448	30%
Net asset value per share (US$) (2)	$4.29	$3.74	15%
Net asset value per share (GBP) (3)	£3.25	£2.95	10%

1. Fleet assets are defined as property, plant and equipment plus assets held for sale plus finance lease receivables.
2. Net asset value per share is total equity divided by the total number of shares in issue, excluding treasury shares, at period end.
3. Based on GBP:USD exchange rate as at 31 December 2019 of 1.32 (30 June 2019 : 1.27)

Aircraft Fleet

Aircraft Type	31 December 2019
Boeing 777-300ER	1
Airbus A330-300	1
Airbus A321-200	7
Boeing 737-800NG	1
Airbus A320-200	2
Airbus A220-300	6
Fokker 100	3
ATR 72-600	22
ATR 72-500	6
Total	49

As at 31 December 2019, Avation's fleet comprised 49 aircraft, including seven aircraft on finance lease. The weighted average age of the fleet is 3.7 years (30 June 2019: 3.4 years) and the weighted average remaining lease term is 7.2 years (30 June 2019: 7.5 years).

Fleet assets increased 2.6% to $1,302.2 million (30 June 2019: $1,269.7 million). Three ATR72-600 aircraft were added to the fleet in the period. Two Fokker 100 aircraft were transferred to the lessee airline upon completion of their finance leases. Narrowbody aircraft make up 46.0% of fleet assets as at 31 December 2019.

Avation had orders for six ATR72-600 aircraft for delivery by 2022 and purchase rights for a further 25 aircraft as at 31 December 2019. In February 2020 Avation exercised two purchase rights and was granted a further two purchase rights by the manufacturer. Of the eight aircraft currently on order, two are expected to be delivered to Braathens and two are expected to be delivered to US Bangla prior to 30 June 2020.

Debt summary

	31 December 2019 US$000's	30 June 2019 US$000's
Loans and borrowings	1,117,164	1,078,288
Unrestricted cash and bank balances	73,611	61,689
Net indebtedness (1)	1,043,553	1,016,599
Net debt to assets (2)	69.8%	73.0%
Weighted average cost of secured debt (3)	3.69%	3.74%
Weighted average cost of total debt (4)	4.56%	4.62%

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

The weighted average cost of total debt decreased to 4.56% as at 31 December 2019 (30 June 2019: 4.62%).

The weighted average cost of secured debt decreased to 3.69% at 31 December 2019 (30 June 2019: 3.74%) due to funding recent fleet acquisitions with comparatively low cost senior secured debt.

At the end of the financial period, Avation's net debt to total assets ratio has reduced to 69.8% (30 June 2019: 73.0%). As at 31 December 2019, 90.8% of total debt was at fixed or hedged interest rates (30 June 2019: 92.0%). The proportion of unsecured debt to total debt was 31.0% (30 June 2019: 32.0%).

Avation will continue to source secured and unsecured debt finance to fund fleet growth with the overriding objective of lowering the weighted average cost of finance.

Credit Rating

In October 2019, Standard & Poor's Global Ratings advised that the Company's issuer default rating and the issue rating for the $350 million Senior Notes due 2021 issued under the Company's Global Medium-Term Note Program had been upgraded. In December 2019 the Japan Credit Rating Agency Ltd advised that the Outlook for Avation's Foreign Currency Long-term Issuer Rating of BB had been upgraded to Positive. The Company's current credit ratings are as follows:

Rating Agency	Corporate Credit Rating	Notes Rating
Standard and Poor's	BB- outlook stable	BB-
Fitch Ratings	BB- outlook stable	BB-
Japan Credit Ratings Company	BB outlook positive	NR

Dividend

The Board declared an interim dividend of 2.1 US cents per share in respect of the six months ended 31 December 2019, which was paid 9 January 2020 (31 December 2018: 2.0 cents).

The Company confirms its aim to maintain a progressive dividend policy.

Market Positioning

Avation's strategy is to target growth and diversification by adding new airline customers, while maintaining a low average aircraft age and long remaining lease term metrics. Avation focuses on new and relatively new commercial passenger aircraft on long-term leases. Avation is capable of owning, managing and leasing turboprop, narrowbody and twin-aisle aircraft and engines.

The Company's business model involves rigorous investment criteria and has a history of delivering consistent profitability while seeking to mitigate the risks associated with the aircraft leasing sector. Avation will typically sell mid-life and older aircraft and redeploy capital to newer assets. This approach is intended to mitigate technology change risk, operational and financial risk, support sustained growth and deliver long-term shareholder value.

Avation is an active trader of aircraft and from time to time will consider the acquisition or sale of individual or smaller portfolios of aircraft, based on prevailing market opportunities and consideration of risk and revenue concentrations.

Engine Leasing

In January 2020 Avation completed the purchase of a Pratt & Whitney PW127M aircraft engine. This acquisition represents Avation's first investment in an individual engine for leasing. Avation has leased this engine to a new airline customer. Airlines require access to spare engines to ensure continuous operation of aircraft. This new business line is highly synergistic to Avation's core aircraft leasing business. Avation will look to leverage its position in the aviation industry and will consider further investment in aircraft engines in the future.

Interim Management Statement

Avation's Board of Directors is pleased to deliver a satisfactory financial result from its aircraft leasing business during this period of diversification and growth.

Upon completion of the strategic review the Board will consider the recommendations and provide further comment.

The Company is aware of the impact of pandemics, including COVID-19, on the global travel industry. Such pandemics can have a material impact, however, historically the impacts of these events have been relatively short term. The Company will remain vigilant on the monitoring of lessee customers and their financial performance.

Results Conference Call

Avation's senior management team will host a conference call on 28 February 2020, at 1pm GMT (UK) / 8am EST (US) / 9pm SGT (Singapore), to discuss the Company's financial results. Participants should dial: United Kingdom 020 3059 5868; United States +1 866 796 1566; Singapore +65 3157 6417; other locations +44 20 3059 5868 and quote "Avation Half Year 2020 Results" when prompted. The conference call will also be webcast live through the following link:

http://avation.emincote.com/results/2020halfyearresults

To view the webcast investors will be invited to register their name and email address, participants can do this in advance or on the day. A replay of the webcast will be available on the Investor Relations page of the Avation website.

Forward Looking Statements

This release contains certain “forward looking statements”. Forward looking statements may be identified by words such as “expects,” “intends,” “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.

-ENDS-

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Avation welcomes shareholder questions and comments and advises the email address is: investor@avation.net

More information on Avation is available at www.avation.net.

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	31 Dec 2019	31 Dec 2018 (re-stated)
		US$'000s	US$'000s
Continuing operations			
Revenue	5	67,606	58,731
Other income	6	113	84
		67,719	58,815
Depreciation	11	(24,232)	(19,835)
Gain on disposal of aircraft	11	2,229	6,534
Unrealised gain on aircraft purchase rights	16	36,980	-
Impairment loss on aircraft	11	(2,456)	-
Administrative expenses		(6,145)	(5,471)
Other expenses	7	(1,363)	(110)
Operating profit		72,732	39,933
Finance income	8	717	1,830
Finance expenses	9	(28,244)	(27,547)
Profit before taxation		45,205	14,216
Taxation		(7,051)	(583)
Profit from continuing operations		38,154	13,633
Profit attributable to:			
Equity holders of the Company		38,153	13,632
Non-controlling interests		1	1
		38,154	13,633
Earnings per share for profit attributable to equity holders of the Company			
Basic earnings per share		60.04 cents	21.56 cents
Diluted earnings per share		59.67 cents	21.53 cents

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 US$'000s	31 Dec 2018 US$'000s
Profit from continuing operations		38,154	13,633
Other comprehensive income:			
Items may be reclassified subsequently to profit or loss:			
Net gain/(loss) on cash flow hedge		1,730	(3,115)
		1,730	(3,115)
Items may not be reclassified subsequently to profit or loss:			
Revaluation loss on property, plant and equipment, net of tax		(793)	-
Other comprehensive income, net of tax		937	(3,115)
Total comprehensive income for the period		39,091	10,518
Total comprehensive income attributable to:			
Equity holders of the Company		39,090	10,517
Non-controlling interests		1	1
		39,091	10,518

AVATION PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	31 Dec 2019 US$'000s	30 June 2019 US$'000s
ASSETS:			
Non-current assets			
Property, plant and equipment	11	1,127,577	1,225,324
Trade and other receivables	12	8,606	8,930
Finance lease receivables	13	68,554	37,137
Goodwill	14	1,902	1,902
Derivative financial assets	15	156	363
Aircraft purchase rights	16	36,980	-
		1,243,775	1,273,656
Current assets			
Trade and other receivables	12	5,381	4,425
Finance lease receivables	13	7,241	7,221
Cash and bank balances	17	140,049	107,448
		152,671	119,094
Assets held for sale	18	98,843	-
		251,514	119,094
Total assets		1,495,289	1,392,750
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,108	1,104
Share premium		57,747	56,912
Treasury shares	19	(7,695)	(1,147)
Merger reserve		6,715	6,715
Asset revaluation reserve		33,599	34,392
Capital reserve		8,876	8,876
Other reserves		(9,851)	(11,809)
Retained earnings		178,146	145,644
Equity attributable to equity holders of the parent		268,645	240,687
Non-controlling interest		71	70
Total equity		268,716	240,757
Non-current liabilities			
Loans and borrowings	20	1,038,027	1,005,693
Trade and other payables		18,278	16,091
Derivative financial liabilities	15	10,457	10,174
Maintenance reserves	21	48,708	31,325
Deferred tax liabilities		6,789	179
		1,122,259	1,063,462
Current liabilities			
Loans and borrowings	20	79,137	72,595
Trade and other payables		14,092	11,964
Maintenance reserves	21	730	1,166
Income tax payables		1,247	2,806
		95,206	88,531
Liabilities directly associated with assets held for sale	18	9,108	-
		104,314	88,531
Total equity and liabilities		1,495,289	1,392,750

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

		Attributable to shareholders of the parent										
	Note	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 2019		1,104	56,912	(1,147)	6,715	34,392	8,876	(11,809)	145,644	240,687	70	240,757
Effect of adoption of IFRS 16 Leases	3b	-	-	-		-	-	-	(199)	(199)	-	(199)
As at 1 July 2019 (adjusted)		1,104	56,912	(1,147)	6,715	34,392	8,876	(11,809)	145,445	240,488	70	240,558
Profit for the period		-	-	-	-	-	-	-	38,153	38,153	1	38,154
Other comprehensive income		-	-	-	-	(793)	-	1,730	-	937	-	937
Total comprehensive income		-	-	-	-	(793)	-	1,730	38,153	39,090	1	39,091
Dividends paid	24	-	-	-	-	-	-	-	(5,454)	(5,454)	-	(5,454)
Issue of new shares	19	4	835	-	-	-	-	(69)	-	770	-	770
Purchase of treasury shares	19	-	-	(6,548)	-	-	-	-	-	(6,548)	-	(6,548)
Share warrant expense		-	-	-	-	-	-	299	-	299	-	299
Total transactions with owners recognised directly in equity		4	835	(6,548)	-	-	-	230	(5,454)	(10,933)	-	(10,933)
Expiry of share warrants		-	-	-	-	-	-	(2)	2	-	-	-
Total others		-	-	-	-	-	-	(2)	2	-	-	-
Balance at 31 December 2019		1,108	57,747	(7,695)	6,715	33,599	8,876	(9,851)	178,146	268,645	71	268,716

Other reserves consist of capital redemption reserve, warrant reserve, fair value reserve and foreign currency translation reserve.

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	Attributable to shareholders of the parent									
		Share capital	Share premium	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
Balance at 1 July 2018		1,080	53,083	6,715	27,847	8,876	6,389	124,119	228,109	69	228,178
Profit for the period		-	-	-	-	-	-	13,632	13,632	1	13,633
Other comprehensive income		-	-	-	-	-	(3,115)	-	(3,115)	-	(3,115)
Total comprehensive income		-	-	-	-	-	(3,115)	13,632	10,517	1	10,518
Dividends paid	24	-	-	-	-	-	-	(5,840)	(5,840)	-	(5,840)
Issue of new shares	19	22	3,425	-	-	-	(579)	-	2,868	-	2,868
Share warrants expense		-	-	-	-	-	244	-	244	-	244
Total transactions with owners recognised directly in equity		22	3,425	-	-	-	(335)	(5,840)	(2,728)	-	(2,728)
Expiry of share warrants		-	-	-	-	-	(31)	31	-	-	-
Total others		-	-	-	-	-	(31)	31	-	-	-
Balance at 31 December 2018		1,102	56,508	6,715	27,847	8,876	2,908	131,942	235,898	70	235,968

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	31 Dec 2019	31 Dec 2018 (restated)
		US$'000s	US$'000s
Cash flows from operating activities:			
Profit before taxation		45,205	14,216
Adjustments for:			
Depreciation expense	11	24,232	19,835
Depreciation of right-of-use assets		109	-
Share warrants expense		299	244
Impairment loss on aircraft	11	2,456	-
Expected credit loss on trade receivables		123	-
Gain on disposal of aircraft		(2,229)	(6,534)
Unrealised gain on aircraft purchase rights		(36,980)	-
Foreign exchange loss		-	68
Interest income on finance leases	5	(1,318)	(499)
Finance income	8	(717)	(1,830)
Finance expense	9	28,244	27,547
Operating cash flows before working capital changes		59,424	53,047
Movement in working capital:			
Trade and other receivables and finance lease receivables		8,009	(2,824)
Trade and other payables		3,573	139
Maintenance reserves		16,947	2,462
Cash from operations		87,953	52,824
Interest income received		1,631	988
Interest expense paid		(25,540)	(23,743)
Income tax paid		(1,930)	(7,718)
Net cash from operating activities		62,114	22,351
Cash flows from investing activities:			
Purchase of property, plant and equipment		(56,676)	(95,397)
Proceeds from disposal of aircraft		-	54,365
Net cash used in investing activities		(56,676)	(41,032)
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		770	2,868
Dividends paid to shareholders	24	(5,454)	(5,840)
Purchase of treasury shares		(6,548)	-
Placement of restricted cash balances		(20,679)	(7,101)
Proceeds from loans and borrowings, net of transactions costs		76,875	152,418
Repayment of loans and borrowings		(38,480)	(58,660)
Net cash from financing activities		6,484	83,685
Net increase in cash and cash equivalents		11,922	65,004
Cash and cash equivalents at beginning of financial period		61,689	57,950
Cash and cash equivalents at end of financial period	17	73,611	122,954

This interim condensed consolidated financial statements for Avation PLC for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 27 February 2020.

1 CORPORATE INFORMATION

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and is listed as a Standard Listing on 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 International Accounting Standard (IAS) 34 'Interim 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 2019 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2019.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2019 except for the changes in accounting estimates of residual values of aircraft (see note 11) and the adoption of new accounting standards effective as of 1 July 2019.

The Group has applied IFRS 16 Leases for the first time in these interim condensed consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed in Note 3b.

Several other amendments and interpretations which apply for the first time in the six months ended 31 December 2019 do not have an impact on the Group's interim condensed consolidated financial statements.

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 2019, 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 and reviewed by the auditors.

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

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019

(a) New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

The Group intends to apply these standards and interpretations when they become effective.

International Accounting Standards (IAS/IFRS)	Effective Date (accounting periods commencing after)
IFRS 17 Insurance contracts	1 January 2021
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 : Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 3 : Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 : Definition of Material	1 January 2020
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint venture	To be determined

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods.

(b) Standard in effect in 2019

The Group has adopted all new standards that have come into effect during the six months ended 31 December 2019.

IFRS 16 Leases

The Group adopted IFRS 16 Leases on 1 July 2019. The changes in accounting policies are as follows:

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings and the comparative figures are not re-stated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019 (continued)

(b) Standard in effect in 2019 (continued)

The effect of adoption IFRS 16 as at 1 July 2019 (increase/(decrease) is, as follows:

	US$'000s
Assets:	
Right-of-use assets	945
Total assets	945
Liabilities:	
Lease liabilities	1,144
Total liabilities	1,144
Total adjustment on equity:	
Retained earnings	(199)
	(199)

The Group has lease contracts for offices. Before the adoption of IFRS 16, the Group classified these leases (as lessee) as operating leases. The Group did not have short-term leases and leases of low-value assets before the adoption of IFRS 16.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases
The Group recognised right-of-use assets and lease liabilities for lease contracts for offices previously classified as operating leases. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the weighted average of cost of debt of the Group of 4.6% at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	US$'000s
Operating lease commitments as at 30 June 2019	1,278
Weighted average of cost of debt as at 1 July 2019	4.6%
Discounted operating lease commitments and lease liabilities as at 1 July 2019	1,144

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019 (continued)

(b) Standard in effect in 2019 (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long term interests in its associate and joint venture.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019 (continued)

(b) Standard in effect in 2019 (continued)

Annual Improvements 2015-2017 Cycle

- IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019 (continued)

(b) Standard in effect in 2019 (continued)

Annual Improvements 2015-2017 Cycle (continued)

- IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

(c) New accounting policies

These accounting policies are applied on and after the initial application date of IFRS 16:

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

The Group's right-of-use assets are included in trade and other receivables.

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019 (continued)

(c) New accounting policies (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included in trade and other payables.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4 FAIR VALUE MEASUREMENT

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

The carrying amounts of cash and cash equivalents, trade and other receivables, finance lease receivables – current, trade and other payables – current, loans and borrowings – current and lease liabilities- 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.

	31 Dec 2019		30 Jun 2019	
	Carrying amount US$'000s	Fair value US$'000s	Carrying amount US$'000s	Fair value US$'000s
Financial assets:				
Finance lease receivables – non-current	68,554	66,495	37,137	35,661
Aircraft purchase rights	36,980	36,980	-	-
Financial liabilities:				
Deposits collected – non-current	15,440	14,397	13,979	13,273
Loans and borrowings other than unsecured note– non-current	691,709	669,000	660,727	644,726
Unsecured notes	346,318	365,502	344,966	358,327

The fair values (other than aircraft purchase rights and the unsecured notes) above are estimated by discounting expected future cash flows using a market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period, classified as level 2

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

The fair values of aircraft purchase rights are classified as level 3 and are estimated by discounting expected future cash flows using the Group's weighted average cost of capital (WACC) at the end of the reporting period. Expected future cash flows include an assumed sale of the relevant aircraft at delivery. Assumed aircraft sales values are based on independent third-party valuations of the relevant type at estimated future delivery dates. The assumed sales values of aircraft less the assumed purchase price presents the fair value recorded for the aircraft purchase rights.

4 FAIR VALUE MEASUREMENT (continued)

Non-financial assets measured at fair value:

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Fair value measurement using significant unobservable inputs		
Aircraft	1,127,537	1,225,285

Aircraft were valued at 30 June 2019. Refer to Note 11 for the details on the valuation technique and significant inputs used in the valuation.

Classification of financial instruments:

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Financial assets measured at amortised cost:		
Cash and cash balances	140,049	107,448
Trade and other receivables	12,185	12,616
Finance lease receivables	75,795	44,358
	228,029	164,422
Financial liabilities measured at amortised cost:		
Trade and other payables	23,987	19,324
Loans and borrowings	1,117,164	1,078,288
Maintenance reserves	49,438	32,491
	1,190,589	1,130,103
Derivative used for hedging:		
Derivative financial assets	156	363
Derivative financial liabilities	(10,457)	(10,174)
Financial assets fair value through profit or loss:		
Aircraft purchase rights	36,980	-

5 REVENUE

	31 Dec 2019 US$'000s	31 Dec 2018 (restated) US$'000s
Lease rental revenue	65,046	58,232
Interest income on finance leases	1,318	499
Maintenance reserves released	1,242	-
	67,606	58,731

The maintenance reserves revenue relates to the recovery of maintenance reserve from an insolvent airline customer that defaulted on its lease payments. See Note 21.

Geographical analysis

	Europe US$'000s	Asia Pacific US$'000s	Total US$'000s
31 Dec 2019	21,115	46,491	67,606
31 Dec 2018 (restated)	14,165	44,566	58,731

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 2019 US$'000s	31 Dec 2018 US$'000s
Within one year	129,744	120,582
In the second to fifth years inclusive	410,929	435,863
More than five years	287,665	358,296

6 OTHER INCOME

	31 Dec 2019 US$'000s	31 Dec 2018 (restated) US$'000s
Foreign currency exchange gain	42	-
Others	71	84
	113	84

7 OTHER EXPENSES

	31 Dec 2019 US$'000s	31 Dec 2018 US$'000s
Aircraft repossession expenses	1,237	-
Expected credit loss on trade receivables	123	-
Foreign currency exchange loss	-	110
Others	3	-
	1,363	110

The aircraft repossession expenses relate to the repossession of the 2 aircraft previously leased to an insolvent airline customer.

8 FINANCE INCOME

	31 Dec 2019 US$'000s	31 Dec 2018 (restated) US$'000s
Interest income	503	327
Fair value gain on derivatives	-	778
Finance income from discounting non-current deposits to fair value	214	181
Interest rate swap break gain	-	174
Loan modification gain	-	370
	717	1,830

9 FINANCE EXPENSES

	31 Dec 2019 US$'000s	31 Dec 2018 US$'000s
Interest expense on borrowings	13,935	13,159
Interest expense on unsecured notes	11,375	10,445
Amortisation of loan transaction costs	2,554	2,032
Amortisation of interest expense on non-current deposits	220	186
Finance charges on early full repayment on borrowings	-	1,362
Others	160	363
	28,244	27,547

10 RELATED PARTY TRANSACTIONS

Significant related party transactions:

	31 Dec 2019 US$'000s	31 Dec 2018 US$'000s
Entities controlled by key management personnel (including directors):		
Rental expenses paid	(145)	(152)
Consulting fee paid	(174)	(417)
Service fee received	52	-

11 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment US$'000s	Jet aircraft US$'000s	Turboprop aircraft US$'000s	Total US$'000s
31 December 2019:				
Cost or valuation:				
At 1 July 2019	80	916,534	450,439	1,367,053
Additions	11	-	57,615	57,626
Reclassified as held under finance leases	-	-	(37,887)	(37,887)
Reclassified as asset held for sale	-	(106,124)	-	(106,124)
Revaluation recognised in equity	-	(863)	-	(863)
At 31 December 2019	91	809,547	470,167	1,279,805
Representing:				
At cost	91	-	-	91
At valuation	-	809,547	470,167	1,279,714
	91	809,547	470,167	1,279,805
Accumulated depreciation and impairment loss:				
At 1 July 2019	41	73,065	68,623	141,729
Depreciation expense	10	16,932	7,290	24,232
Reclassified as asset held for sale	-	(16,189)	-	(16,189)
Impairment loss	-	2,456	-	2,456
At 31 December 2019	51	76,264	75,913	152,228
Net book value:				
At 1 July 2019	39	843,469	381,816	1,225,324
At 31 December 2019	40	733,283	394,254	1,127,577

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and equipment US$'000s	Jet aircraft US$'000s	Turboprop aircraft US$'000s	Total US$'000s
30 June 2019:				
Cost or valuation:				
At 1 July 2018	346	713,142	374,876	1,088,364
Additions	8	211,548	117,014	328,570
Disposals/written-off	(274)	(18,624)	-	(18,898)
Reclassified as held under finance leases	-	-	(39,631)	(39,631)
Revaluation recognised in equity	-	10,468	(1,820)	8,648
At 30 June 2019	80	916,534	450,439	1,367,053
Representing:				
At cost	80	-	-	80
At valuation	-	916,534	450,439	1,366,973
	80	916,534	450,439	1,367,053
Accumulated depreciation and impairment:				
At 1 July 2018	292	51,341	55,555	107,188
Depreciation expense	23	27,920	13,068	41,011
Disposals/written-off	(274)	(6,196)	-	(6,470)
At 30 June 2019	41	73,065	68,623	141,729
Net book value:				
At 1 July 2018	54	661,801	319,321	981,176
At 30 June 2019	39	843,469	381,816	1,225,324

Assets pledged as security

The Group's aircraft including those classified as assets held for sale with carrying values of US$1,161.3 million (30 June 2019 : US$1,122.0 million) are mortgaged to secure the Group's borrowings (Note 20).

Additions and Disposals

During the six months ended 31 December 2019, the Group acquired 3 turboprop aircraft and 2 turboprop aircraft were reclassified as held under finance leases. A gain on transfer of the aircraft to finance lease of US$2.2 million was recorded and included within the gain on disposal of aircraft.

During the six months ended 31 December 2019, 2 jet aircraft were reclassified as held for sale.

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

The Group's aircraft were valued in June 2019 by independent valuers on lease-encumbered 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 5.75% to 7.75% per annum for jet aircraft and 6.00% to 9.25% per annum for turboprop aircraft. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles.

During the six months ended 31 December 2019, a downward revaluation of US$0.9 million to equity and an impairment loss of US$2.5 million was recognised to write down the book value of 2 jet aircraft to its fair value prior to reclassify as held for sale.

Changes in accounting estimates of residual values of aircraft

During the six months ended 31 December 2019, the Group revised the residual values of its old technology widebody aircraft to reflect the likely decrease in future residual values for old technology widebody aircraft with effect from 1 July 2019. The effect of this change is an increase in depreciation expense of approximately US$0.9 million for the six months ended 31 December 2019.

The table below outline the effect of these changes in estimate on the current financial year depreciation charge and subsequent years:

	30 Jun 2020 US$'000s	30 Jun 2021 US$'000s	30 Jun 2022 US$'000s	30 Jun 2023 US$'000s	30 Jun 2024 onwards US$'000s
Increase in depreciation charge	1,781	1,781	1,781	1,781	28,068

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

	31 Dec 2019		30 Jun 2019	
	Jets US$'000s	Turbo props US$'000s	Jets US$'000s	Turbo props US$'000s
Cost	792,891	449,586	776,330	552,544
Accumulated depreciation and impairment	(76,495)	(72,449)	(58,706)	(81,504)
Net book value	716,396	377,137	717,624	471,040

Geographical analysis

31 Dec 2019	Europe US$'000s	Asia Pacific US$'000s	Total US$'000s
Capital expenditure	20,007	37,619	57,626
Net book value - aircraft	352,310	775,227	1,127,537

30 Jun 2019	Europe US$'000s	Asia Pacific US$'000s	Total US$'000s
Capital expenditure	223,058	105,512	328,570
Net book value - aircraft	415,139	810,146	1,225,285

12 TRADE AND OTHER RECEIVABLES

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Current		
Trade receivables	4,884	3,954
Less:		
Allowance for estimated credit loss	(330)	(207)
	4,554	3,747
Other receivables:		
-Third parties	167	106
Interest receivables	40	12
Deposits	47	47
Prepaid expenses	573	513
	5,381	4,425
Non-current		
Deposits for aircraft	7,377	8,704
Prepaid expenses	384	226
Right-of-use assets	845	-
	8,606	8,930

13 FINANCE LEASE RECEIVABLES

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

	31 Dec 2019		30 Jun 2019	
	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	9,823	7,241	8,440	7,221
Later than one year but not more than five years	70,321	59,610	13,848	10,566
More than five years	9,295	8,944	28,534	26,571
Total minimum lease payments	89,439	75,795	50,822	44,358
Less: amounts representing interest income	(13,644)	-	(6,464)	-
Present value of minimum lease payments	75,795	75,795	44,358	44,358

14 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 2019.

15 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	Contract/ notional amount 31 Dec 2019 US$'000s	Contract/ notional amount 30 Jun 2019 US$'000s	Fair value 31 Dec 2019 US$'000s	Fair value 30 Jun 2019 US$'000s
Non-current asset				
Interest rate swap	59,648	63,185	156	363
Non-current liability				
Interest rate swap	257,515	267,118	(10,405)	(10,117)
Cross-currency interest rate swap	4,000	4,000	(52)	(57)
	261,515	271,118	(10,457)	(10,174)

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.

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 LIBOR 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 LIBOR under the cross-currency interest rate swap contracts.

The swap contracts mature between 23 September 2021 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 of US$0.5 million (31 December 2018: loss of US$4.37 million) on these derivative financial instruments was recognised in the fair value reserve for the six month period ended 31 December 2019.

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 for the Group 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 as prices or indirectly derived from prices are included as inputs for the determination of fair value.

16 AIRCRAFT PURCHASE RIGHTS

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Aircraft purchase rights, at fair value	36,980	-

Prior to the six months period ended 31 December 2019, the Group held aircraft purchase rights for the purpose of acquiring aircraft to its fleet. Aircraft purchase rights were accounted for as non-financial assets at amortised cost. During the six months period ended 31 December 2019, the Group adopted a new business model for aircraft purchase rights and determined that it would seek to dispose of excess aircraft purchase rights over and above its requirement to acquire additional aircraft for its fleet. To reflect this change, the Group now accounts for aircraft purchase rights through profit or loss. Disclosures about the fair value measurement of aircraft purchase rights are included in Note 4.

17 CASH AND BANK BALANCES

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Fixed deposits	48,217	6,700
Other cash and bank balances	91,832	100,748
Total cash and bank balances	140,049	107,448
Less: restricted	(66,438)	(45,759)
Cash and cash equivalents	73,611	61,689

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.

18 ASSETS HELD FOR SALE

As at 31 December 2019, the Group's aircraft which met the criteria to be classified as assets held for sale are as follows:

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Assets held for sale:		
Property, plant and equipment - aircraft		
At 1 July 2019/ 1 July 2018	-	48,745
Additions	89,935	-
Disposals	-	(48,745)
At 31 Dec/30 June	89,935	-
Lease incentive asset	8,908	-
	98,843	-
Liabilities directly associated with assets held for sale:		
Deposit collected	200	-
Lessor maintenance contribution	8,908	-
	9,108	-

19 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	31 Dec 2019		30 Jun 2019	
	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 2019/ 1 July 2018	64,609,939	1,104	62,760,246	1,080
Issue of shares	270,003	4	1,849,693	24
At 31 Dec / 30 June	64,879,942	1,108	64,609,939	1,104

During the six months period ended 31 December 2019, the Company issued 270,003 ordinary shares of 1 penny each at 2.15p to 2.32p following the exercise of warrants by warrant holders raising total gross proceeds of US$0.8 million.

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 2019		30 Jun 2019	
	No of treasury shares	US$'000s	No of treasury shares	US$'000s
At 1 July 2019/ 1 July 2018	300,000	1,147	-	-
Acquired during the period	1,870,000	6,548	300,000	1,147
At 31 Dec / 30 June	2,170,000	7,695	300,000	1,147

(c) Net asset value per share

	31 Dec 2019	30 Jun 2019
Net asset value per share (US$) (1)	$4.29	$3.74
Net asset value per share (GBP) (2)	£3.25	£2.95

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

(2) Based on GBP:US$ exchange rate as at 31 Dec 2019 of 1.32 (30 June 2019 : 1.27).

20 LOANS AND BORROWINGS

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Secured borrowings	770,846	733,322
Unsecured notes	346,318	344,966
Total loans and borrowings	1,117,164	1,078,288
Less: current portion	(79,137)	(72,595)
Non-current loans and borrowings	1,038,027	1,005,693

	Maturity		Weighted average interest rate per annum	
	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s	31 Dec 2019 %	30 Jun 2019 %
Secured borrowings	2019-2031	2019-2031	3.7%	3.7%
Unsecured notes	2021	2021	6.5%	6.5%

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.

21 MAINTENANCE RESERVES

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Current	730	1,166
Non-current	48,708	31,325
Total maintenance reserves	49,438	32,491

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
At 1 July 2019/ 1 July 2018	32,491	23,544
Contributions	21,091	15,413
Utilisations	(2,902)	(1,558)
Released to profit or loss	(1,242)	-
Transferred to buyer upon sale of aircraft	-	(4,908)
At 31 Dec/30 June	49,438	32,491

During the six months ended 31 December 2019, maintenance reserve of US$1.2 million were released to profit or loss as revenue due to the recovery of maintenance reserves from an insolvent airline customer that defaulted on its lease payments. See Note 5.

22 CAPITAL COMMITMENTS

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

	31 Dec 2019 US$'000s	30 Jun 2019 US$'000s
Property, plant and equipment	111,175	169,034

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 2019, the Group has commitments to purchase six ATR 72-600 aircraft from the manufacturers with expected delivery dates from April 2020 to April 2022.

23 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2019.

24 DIVIDENDS

	31 Dec 2019 US$'000s	31 Dec 2018 US$'000s
Dividends declared and/or paid during the six months ended 31 December 2019		
Dividends on ordinary shares		
- First interim exempt (one-tier) dividend for 8.50 US cents (31 Dec 2018 : 7.25 US cents) per share	5,454	4,550
- Second interim exempt (one-tier) dividend for 2.10 US cents (31 Dec 2018 : 2.00 US cents) per share	1,319	1,290
	6,773	5,840

Dividends are recorded directly in equity when they are paid. The second interim dividend of US$1.3 million was unpaid at 31 December 2019. The US$1.3 million was paid on 9 January 2020.

No dividends have been declared subsequent to 31 December 2019.

25 RECLASSIFICATIONS AND COMPARATIVES

For the year ended 30 June 2019, in order to be more representative of the operating activities of the Group, interest income from finance leases had been reclassified from “Finance income” to “Revenue” and interest rate swap break gain has been reclassified from “Other income” to “Finance income”.

As a result, comparative figures have been adjusted to conform to the current six-month period presentation for consolidated statement of profit or loss, consolidated statement of cash flows the related notes to the financial statements.

26 SUBSEQUENT EVENTS

On 6 January 2020, the Group announced that it is undertaking a comprehensive review of the strategic options open to it in order to maximise value for shareholders. These options include merger and acquisition activity, an aircraft portfolio sale or review etc., as well as a potential sale of the Group through the commencement of a “formal sale process” (as referred to in Note 2 on Rule 2.6 of the City Code on Takeovers and Mergers.

On 9 January 2020, the Group has delivered to Vietjet Air under a long-term operating lease the first of two Airbus A321 aircraft, which are being transitioned from a prior operator.

On 10 January 2020, the Group has completed the purchase of its first engine, which is now available for lease as a spare engine to commercial aircraft operators.

On 15 January 2020, the Group delivered to VietJet Air under a long-term operating lease the second of two Airbus A321 aircraft which are being transitioned from a prior operator.

On 16 January 2020, the Group has delivered the second in a series of five new ATR 72-600 turboprop aircraft to Braathens Regional Airways AB.

On 12 February 2020, the Group has converted two Purchase Rights from its order book into firm orders for two ATR 72-600 aircraft. The aircraft will be leased to Bangladeshi airline US-Bangla.

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 terrorism and the like which may affect our airline customers' ability to fulfil their lease obligations.

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

GOING 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 2019.

DIRECTORS

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2019. A list of the current directors is maintained on the Avation PLC website: www.avation.net

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

By order of the Board

Jeff Chatfield
Executive Chairman
Singapore, 27 February 2020