

AVATION PLC
("Avation" or "the Company")

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021
AND INTERIM MANAGEMENT STATEMENT

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company announces unaudited financial results for the six months ended 31 December 2021.

Key Financial Results

- Revenue and Other income above the Company's expectation at \$60.1 million;
- Net Indebtedness decreased by 8% to \$851.1 million (30 June 2021: \$922.6 million);
- Unrestricted cash increased by 25% to \$31.3 million (30 June 2021: \$25.1 million);
- Loss before tax of \$15.9 million including impairment loss on aircraft of \$9.9 million and amortisation of gain on debt modification of \$3.6 million;
- Loss per share of 22.0 cents (31 Dec 2020: loss per share of 97.9 cents); and
- Net asset value per share is £1.64 (30 June 2021: £1.64).

Operational Update

- Two aircraft sold during the period, an Airbus A220-300 and an Airbus A321-200;
- Agreement to sell three ex Virgin Australia ATR72 aircraft to Aegean Airlines, with the first sale completed in January 2022;
- A Boeing 737-800 formerly with Garuda returned to the Company to be remarketed;
- The Philippine Airlines ("PAL") restructuring completed with a Boeing 777-300ER remaining with the airline;
- Of the 13 aircraft returned by Virgin Australia four have been repositioned and six aircraft sold.

Executive Chairman, Jeff Chatfield, said:

"The financial results for the six months ended 31 December 2021 reflect the emergence from the severe disruption created by the COVID-19 pandemic. Revenue exceeded expectations and Avation's strategy to conserve liquidity has succeeded with net indebtedness being reduced as cash collection rates and unrestricted cash balances improved. We expect this trend to continue throughout the second half of the financial year.

"The significant impairments and provisions for credit losses on receivables experienced in the previous financial year have not recurred. Some of these provisions may potentially be written back as a result of further collections of debts. Impairments recorded during the period relate to off-lease aircraft including six ex-Virgin Australia ATR72 aircraft, three of which are now subject to a sale agreement with Aegean Airlines.

"The fleet is returning to higher levels of utilisation, as unutilised aircraft continue to be repositioned or sold. The significant impacts of the airline insolvencies or restructuring of some of Avation's customers have been reflected in previous periods.

"Avation is engaged in a review of alternatives to de-lever the balance sheet and lower the cost of debt which has increased as a result of the agreement to extend the maturity date of Avation Capital S.A.'s Senior Notes to 31 October 2026.

"The Company is seeing an increasing number of positive data points that support increased optimism in the aircraft leasing sector. We are seeing increased interest from airlines to buy or lease aircraft at sustainable lease rates, more senior lenders willing to lend against aircraft assets, aircraft orders from airlines and improved utilisation of aircraft. These factors all support the emergence of the industry from the pandemic.

"The Company will cautiously position itself for a return to growth through opportunistic aircraft trading and deliveries from its orderbook in the post pandemic environment. Avation has no direct exposure to Russia or any Russian airline."

Financial Highlights and Analysis

	6 mths to 31 Dec 2021 US\$ 000's	6 mths to 31 Dec 2020 US\$ 000's	Change
Revenue	57,903	61,340	(6%)
Depreciation	(19,847)	(23,652)	(16%)
Administrative expense	(6,842)	(5,542)	23%
Other income and expenses (net) excluding Expected credit losses on receivables and accrued revenue	(472)	896	
	30,742	33,042	(7%)
Finance Expenses (net of finance income and IFRS 9)	(31,025)	(25,968)	19%
	(283)	7,074	
IFRS 9 amortisation of gain on debt modification	(3,638)	-	
Unrealised gain on aircraft purchase rights	60	(7,930)	
Gains on disposal of aircraft	(2,016)	-	
Impairment loss on aircraft	(9,855)	(46,652)	
Expected credit loss on receivables and accrued revenue	(131)	(12,945)	
(Loss)/Profit before taxation	(15,863)	(60,453)	(74%)
Taxation	592	(883)	
Total profit after tax	(15,271)	(61,336)	(75%)
EPS	(22.0) cents	(97.9) cents	
	31 Dec 2021 US\$ 000's	30 June 2021 US\$ 000's	
Fleet assets (1)	1,004,412	1,079,594	(7%)
Total assets	1,207,392	1,282,934	(6%)
Cash and bank balances (2)	120,826	122,471	(1%)
Net asset value per share (US\$) (3)	\$2.22	\$2.26	(2%)
Net asset value per share (GBP) (4)	£1.64	£1.64	-

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 2021 comprise unrestricted cash and cash equivalents of \$31.3 million (30 June 2021: \$25.1 million) and restricted cash balances of \$89.5 million (30 June 2021: \$97.4 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 2021 of 1.35 (30 June 2021:1.38).

Aircraft Fleet

Aircraft Type	31 December 2021
Boeing 777-300ER	1
Airbus A330-300	1
Airbus A321-200	6
Boeing 737-800NG	1
Airbus A320-200	2
Airbus A220-300	5
ATR 72-600	21
ATR 72-500	5
Total	42

At 31 December 2021, Avation's fleet comprised 42 aircraft, including six aircraft on finance lease. Avation serves 16 customers in 13 countries. The weighted average age of the fleet is 5.3 years (30 June 2021: 4.8 years) and the weighted average remaining lease term is 6.1 years (30 June 2021: 6.4 years).

Fleet assets decreased 7.0% to \$1,004.4 million (30 June 2021: \$1,079.6 million). One Airbus A220-300 and one Airbus A321-200 were sold during the period. Narrowbody aircraft make up 50% of fleet assets as at 31 December 2021. Five aircraft in the fleet were unencumbered at 31 December 2021.

Avation has orders for two ATR72-600 aircraft and purchase rights for a further 28 aircraft as at 31 December 2021. The order-book represents a growth opportunity as the purchase rights provide a visible pathway to fleet growth and access to new aircraft.

The Company has announced the sale of three ATR72-600 aircraft to Aegean Airlines which it expects will be completed prior to the end of the financial year ended 30 June 2022.

Avation is currently not aware of any sanctions with respect to the current situation that will impact the Company. Avation has no direct exposure to Russia or any Russian airline.

Airline Customers subject to Restructuring or Insolvency

Insolvency proceedings impacted two airlines during the period, Virgin Australia and PAL.

Virgin Australia

Avation's claim against Virgin Australia has been adjudicated by the Trustee of the Creditors Trust in the sum of AUD101.4 million. The Administrator previously advised of an expected pay-out of 9.5-13 cents on the dollar for unsecured claims. Following this, in November 2021, the Trustee of the Creditors Trust advised that unsecured claims in respect of Virgin Australia had increased from initial estimates provided by the Administrator by AUD1.7 billion to AUD5.8 billion in total. Avation expects that this increase in claims will lower the pay-out to creditors from the estimate provided by the Administrator. The Company believes that around 45% of its claim should take priority over unsecured claims and is participating in litigation in order for its priority claim to be recognised.

Philippine Airlines

PAL has exited bankruptcy and its restructuring plan became effective on 31 December 2021. Pursuant to an agreement with Avation, PAL has retained a Boeing 777-300ER aircraft on lease from Avation in accordance with the restructuring plan.

Under the terms of the restructuring Avation has been collecting monthly rent on the aircraft based on hourly rates of utilisation in the period from 3 September 2021. PAL is up to date with these payments. In January 2022, Avation also received a cash payment relating to utilisation for the period of 1 September 2020 to 3 September 2021 along with a promissory note for 25% of the aggregate rent outstanding for the period prior to 1 September 2020. The Company expects to receive shares in PAL in relation to the balance of its claim.

The lease will continue until the original scheduled termination date and from 1 March 2022 the lease will revert to a fixed rate rent along with cash maintenance reserves.

Debt summary

	31 December 2021	30 June 2021
	US\$000's	US\$000's
Loans and borrowings	882,490	947,640
Unrestricted cash and bank balances	31,335	25,067
Net indebtedness (1)	851,155	922,573
Net debt to assets (2)	70.5%	71.9%
Weighted average cost of secured debt (3)	4.0%	3.9%
Weighted average cost of total debt (4)	5.4%	5.4%

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.

The weighted average cost of total debt remained at 5.4% as at 31 December 2021 (30 June 2021: 5.4%). The weighted average cost of secured debt increased slightly to 4.0% at 31 December 2021 (30 June 2021: 3.9%).

At the end of the financial period, Avation's net debt to total assets ratio was 70.5% (30 June 2021: 71.9%). As at 31 December 2021, 89.0% of total debt was at fixed or hedged interest rates (30 June 2021: 90.9%). The proportion of unsecured debt to total debt was 33.0% (30 June 2021: 29.9%).

Market Positioning

Avation's long-term 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 that seeks 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.

Interim Management Statement

The disruption created by the COVID-19 pandemic is beginning to recede following the successful rollout of global vaccination programmes that support a return to increased levels of air travel. This trend is already evidenced in regional and domestic travel and we expect this will be followed by a recovery in international travel as we move through the remainder of 2022.

Avation instituted a programme of support for its airline customers by agreeing to defer payment of a portion of their rent in the short-term. The cashflow impact of this support programme has been mitigated by adjusting the amortisation profiles of related financings with the agreement of lenders. The successful implementation of this strategy has enabled the Company to reduce net indebtedness and begin to rebuild the level of unrestricted cash on the balance sheet as historic rents are collected.

Avation has consolidated its aircraft fleet and resolved numerous operational issues that arose as a result of the pandemic. The Company is in a position to look forward with cautious optimism to future opportunities in a post pandemic environment.

The Company believes that airlines will require significant numbers of leased aircraft following the pandemic due to the large number of older aircraft that have been retired and the impact of the pandemic on airline balance sheets, reducing their ability to purchase aircraft directly. This supports the Company's strategy of focussing on young and popular commercial aircraft.

Funding of asset acquisitions is traditionally sourced from capital markets, asset-backed bank lending, operational cash flows and disposals of selected aircraft. Access to acceptably priced funding is a key factor in aircraft leasing. Specific risks which are inherent in the aircraft leasing industry include, but are not limited to, ongoing pandemic impacts on travel, the creditworthiness of airline customers, over-production of new aircraft and market saturation, technology change, residual value risks, competition from other lessors and the risk of impairment of aircraft assets.

Results Conference Call

Avation's senior management team will host an investor update call on 3 March 2022, at 1pm GMT (UK) / 8am EST (US) / 9pm 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 broadcast will be 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 financial period ended 31 December 2021.

Financial information presented in this announcement is being published for the purposes of providing preliminary Group financial results for the half year ended 31 December 2021. 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 2 March 2022. 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 2021, upon which the auditors have given an unqualified audit, were published on 27 October 2021 and have been annexed to the annual return and delivered to the Registrar of Companies.

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

-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 2021

		31 Dec 2021	31 Dec 2020
	Note	US\$'000s	US\$'000s
Continuing operations			
Revenue	5	57,903	61,340
Other income	6	2,186	1,997
		<u>60,089</u>	<u>63,337</u>
Depreciation	11	(19,847)	(23,652)
Loss on disposal of aircraft		(2,016)	-
Unrealised gain/(loss) on aircraft purchase rights	16	60	(7,930)
Impairment loss on aircraft	11,18	(9,855)	(46,652)
Expected credit losses		(131)	(12,945)
Administrative expenses		(6,842)	(5,542)
Other expenses	7	(2,658)	(1,101)
Operating profit/(loss)		<u>18,800</u>	<u>(34,485)</u>
Finance income	8	330	2,175
Finance expenses	9	(34,993)	(28,143)
Loss before taxation		<u>(15,863)</u>	<u>(60,453)</u>
Taxation		592	(883)
Loss from continuing operations		<u>(15,271)</u>	<u>(61,336)</u>
Loss attributable to:			
Shareholders of Avation PLC		(15,272)	(61,337)
Non-controlling interests		1	1
		<u>(15,271)</u>	<u>(61,336)</u>
Earnings per share for loss attributable to shareholders of Avation PLC			
<i>Basic earnings per share</i>		(21.98) cents	(97.87) cents
<i>Diluted earnings per share</i>		<u>(21.98) cents</u>	<u>(97.87) cents</u>

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	31 Dec 2021 US\$'000s	31 Dec 2020 US\$'000s
Loss from continuing operations		(15,271)	(61,336)
Other comprehensive income:			
<i>Items may be reclassified subsequently to profit or loss:</i>			
Net gain/(loss) on cash flow hedge, net of tax		11,398	(10,249)
		11,398	(10,249)
<i>Items may not be reclassified subsequently to profit or loss:</i>			
Revaluation gain/(loss) on property, plant and equipment, net of tax		166	(858)
Other comprehensive income, net of tax		11,564	(11,107)
Total comprehensive income for the period		(3,707)	(72,443)
Total comprehensive income attributable to:			
Shareholders of Avation PLC		(3,708)	(72,444)
Non-controlling interests		1	1
		(3,707)	(72,443)

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 Dec 2021 US\$'000s	30 June 2021 US\$'000s
ASSETS:			
Non-current assets			
Property, plant and equipment	11	914,262	963,304
Finance lease receivables	13	59,170	45,836
Trade and other receivables	12	8,924	8,857
Aircraft purchase rights	16	27,020	26,960
Lease incentive assets		6,043	6,661
Goodwill	14	1,902	1,902
		<u>1,017,321</u>	<u>1,053,520</u>
Current assets			
Finance lease receivables	13	6,980	4,154
Trade and other receivables	12	37,039	35,112
Lease incentive assets		1,226	1,377
Cash and bank balances	17	120,826	122,471
		<u>166,071</u>	<u>163,114</u>
Assets held for sale	18	24,000	66,300
		<u>190,071</u>	<u>229,414</u>
Total assets		<u>1,207,392</u>	<u>1,282,934</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,203	1,203
Share premium		67,681	67,681
Treasury shares	19	(7,811)	(7,811)
Merger reserve		6,715	6,715
Asset revaluation reserve		35,687	37,602
Capital reserve		8,876	8,876
Other reserves		(9,873)	(21,382)
Retained earnings		51,739	64,058
Equity attributable to shareholders of Avation PLC		<u>154,217</u>	<u>156,942</u>
Non-controlling interest		69	68
Total equity		<u>154,286</u>	<u>157,010</u>
Non-current liabilities			
Loans and borrowings	20	672,975	505,018
Trade and other payables		13,763	16,472
Derivative financial liabilities	15	14,663	20,161
Maintenance reserves	21	86,084	89,279
Deferred tax liabilities		16,598	17,138
		<u>804,083</u>	<u>648,068</u>
Current liabilities			
Loans and borrowings	20	209,515	442,622
Trade and other payables		17,707	16,449
Maintenance reserves	21	20,004	12,202
Income tax payable		678	666
		<u>247,904</u>	<u>471,939</u>
Liabilities directly associated with assets held for sale	18	1,119	5,917
		<u>249,023</u>	<u>447,856</u>
Total equity and liabilities		<u>1,207,392</u>	<u>1,282,934</u>

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	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 2021	1,203	67,681	(7,811)	6,715	37,602	8,876	(21,382)	64,058	156,942	68	157,010
Loss for the period	-	-	-	-	-	-	-	(15,272)	(15,272)	1	(15,271)
Other comprehensive income	-	-	-	-	166	-	11,398	-	11,564	-	11,564
Total comprehensive income	-	-	-	-	166	-	11,398	(15,272)	(3,708)	1	(3,707)
Share warrant expense	-	-	-	-	-	-	983	-	983	-	983
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	983	-	983	-	983
Release of revaluation reserve upon sale of aircraft	-	-	-	-	(2,081)	-	-	2,081	-	-	-
Expiry of share warrants	-	-	-	-	-	-	(872)	872	-	-	-
Total others	-	-	-	-	(2,081)	-	(872)	2,953	-	-	-
Balance at 31 December 2021	1,203	67,681	(7,811)	6,715	35,687	8,876	(9,873)	51,739	154,217	69	154,286

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

AVATION PLC

Balance at 1 July 2020	
Loss for the period	
Other comprehensive income	
<i>Total comprehensive income</i>	
Dividends paid to non-controlling interest of a	

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	31 Dec 2021	31 Dec 2020
		US\$'000s	US\$'000s
Cash flows from operating activities:			
Loss before taxation		(15,863)	(60,453)
Adjustments for:			
Amortisation of lease incentive asset	5	769	541
Depreciation expense	11	19,847	23,652
Depreciation of right-of-use assets		108	108
Expected credit losses		131	12,945
Finance income	8	(330)	(2,175)
Finance expense	9	34,993	28,143
Loss on disposal of aircraft		2,016	-
Interest income from finance lease	5	(1,406)	(765)
Impairment loss on aircraft	11,18	9,855	46,652
Share warrants expense		983	548
Unrealised (gain)/loss on aircraft purchase rights	16	(60)	7,930
Operating cash flows before working capital changes		51,043	57,126
Movement in working capital:			
Trade and other receivables and finance lease receivables		1,652	(24,969)
Trade and other payables		(1,563)	4,914
Maintenance reserves		585	11,655
Cash from operations		51,717	48,726
Finance income received		673	1,066
Finance expense paid		(25,776)	(24,836)
Income tax paid		(308)	(46)
Net cash from operating activities		26,306	24,910
Cash flows from investing activities:			
Purchase of property, plant and equipment		(4)	-
Proceeds from disposal of property, plant and equipment		40,361	-
Net cash from investing activities		40,357	-
Cash flows from financing activities:			
Dividends paid to non-controlling interest of a subsidiary		-	(5)
Placement of restricted cash balances		7,913	(12,942)
Proceeds from loans and borrowings, net of transactions costs		17,318	11,815
Repayment of loans and borrowings		(85,626)	(33,644)
Net cash used in financing activities		(60,395)	(34,776)
Net increase/(decrease) in cash and cash equivalents		6,268	(9,866)
Cash and cash equivalents at beginning of financial period		25,067	35,290
Cash and cash equivalents at end of financial period	17	31,335	25,424

AVATION PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

This interim condensed consolidated financial statements for Avation PLC for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 2 March 2022.

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 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 2021 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2021.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2021 except for the adoption of new accounting standards effective as of 1 July 2021.

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 2021, 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.

3 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2021

(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 IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16: Property, Plant and Equipment, Proceeds before Intended Use	1 January 2022
AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities	1 January 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practise statement 2 – Disclosure of accounting policies	1 January 2023
Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from single transaction	1 January 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or joint venture	No effective date

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 2021

The Group has adopted all new standards that have come into effect during the six months ended 31 December 2021. The adoptions do not have a material impact on the Group’s interim condensed consolidated financial statements.

4 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 the maintenance reserve cannot be accurately measured.

	31 Dec 2021		30 Jun 2021	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
Financial assets:				
Finance lease receivables – non-current	59,170	59,552	45,836	45,290
Financial liabilities:				
Deposits collected – non-current	11,495	10,958	13,897	12,742
Loans and borrowings other than unsecured notes – non-current	381,917	363,457	221,765	210,465
Unsecured notes	291,058	286,730	283,253	283,536
Derivative financial liabilities	14,663	14,663	20,161	20,161

The fair values (other than the unsecured notes and derivative financial liabilities) 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 are based on level 1 quoted prices (unadjusted) in 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.

4 FAIR VALUE MEASUREMENT (continued)

Non-financial assets measured at fair value:

	31 Dec 2021 US\$'000s	30 Jun 2021 US\$'000s
Fair value measurement using significant unobservable inputs		
Aircraft	912,477	961,474
Aircraft purchase rights	27,020	26,960

Aircraft were valued at 30 June 2021. Refer to Note 11 for the details on the valuation technique and significant inputs used in the valuation.

5 REVENUE

	31 Dec 2021 US\$'000s	31 Dec 2020 US\$'000s
Lease rental revenue	48,531	60,174
Less: amortisation of lease incentive asset	(769)	(541)
	47,762	59,633
Interest income on finance leases	1,406	765
Deposits released revenue	-	726
Maintenance reserves revenue	4,461	216
End of lease return compensation revenue	4,274	-
	57,903	61,340

Geographical analysis

	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
31 Dec 2021	24,311	33,592	57,903
31 Dec 2020	15,919	45,421	61,340

5 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 2021	31 Dec 2020
	US\$'000s	US\$'000s
Within one year	88,258	100,572
One to two years	87,479	108,300
Two to three years	86,216	111,335
Three to four years	86,020	97,924
Four to five years	71,742	88,339
Later than five years	155,281	249,806

6 OTHER INCOME

	31 Dec 2021	31 Dec 2020
	US\$'000s	US\$'000s
Aircraft purchase option activation fee	-	1,182
Fees for late payment	1,419	-
Deposit released	200	-
Foreign currency exchange gain	240	384
Others	327	431
	2,186	1,997

7 OTHER EXPENSES

	31 Dec 2021	31 Dec 2020
	US\$'000s	US\$'000s
Aircraft repossession expenses	-	205
Aircraft maintenance expenses	2,658	896
	2,658	1,101

8 FINANCE INCOME

	31 Dec 2021	31 Dec 2020
	US\$'000s	US\$'000s
Interest income from financial institutions	-	4
Interest income from non-financial institutions	45	68
Finance income from discounting non-current deposits to fair value	285	230
Gain on early cancellation of unsecured note	-	1,873
	330	2,175

9 FINANCE EXPENSES

	31 Dec 2021	31 Dec 2020
	US\$'000s	US\$'000s
Interest expense on borrowings	12,600	13,123
Interest expense on unsecured notes	15,473	11,199
Amortisation of gain on debt modification	3,638	-
Amortisation of loan transaction costs	1,644	3,134
Amortisation of interest expense on non-current deposits	280	217
Finance charges on early full repayment on borrowings	726	-
Others	632	470
	34,993	28,143

10 RELATED PARTY TRANSACTIONS

Significant related party transactions:

	31 Dec 2021	31 Dec 2020
	US\$'000s	US\$'000s
Entities controlled by key management personnel (including directors):		
Lease liability paid	(145)	(125)
Consulting fee expense	(112)	(42)
Maintenance service	(23)	-
Service fee income	51	51

11 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment US\$'000s	Aircraft engine US\$'000	Jet aircraft US\$'000s	Turboprop aircraft US\$'000s	Total US\$'000s
31 December 2021:					
<i>Cost or valuation:</i>					
At 1 July 2021	74	1,940	868,253	390,322	1,260,589
Additions	4	-	-	-	4
Reclassified as held under finance leases	-	-	-	(53,343)	(53,343)
At 31 December 2021	78	1,940	868,253	336,979	1,207,250
<i>Representing:</i>					
At cost	78	1,940	-	-	2,018
At valuation	-	-	868,253	336,979	1,205,232
	78	1,940	868,253	336,979	1,207,250
<i>Accumulated depreciation and impairment:</i>					
At 1 July 2021	56	128	179,219	117,882	297,285
Depreciation expense	6	43	14,543	5,255	19,847
Reclassified as asset held for sale	-	-	-	(32,999)	(32,999)
Impairment loss	-	-	4,308	4,547	8,855
At 31 December 2021	62	171	198,070	94,685	292,988
<i>Net book value:</i>					
At 1 July 2021	18	1,812	689,034	272,440	963,304
At 31 December 2021	16	1,769	670,183	242,294	914,262

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and equipment US\$'000s	Aircraft engine US\$'000	Jet aircraft US\$'000s	Turboprop aircraft US\$'000s	Total US\$'000s
30 June 2021:					
<i>Cost or valuation:</i>					
At 1 July 2020	92	1,940	814,749	441,799	1,258,580
Additions	-	-	-	104	104
Reclassified from held under finance leases	-	-	-	41,433	41,433
Reclassified from asset held for sale	-	-	106,124	-	106,124
Disposal/written off	(18)	-	-	(38,326)	(38,344)
Reclassified as asset held for sale	-	-	(60,894)	(54,557)	(115,451)
Revaluation recognised in equity	-	-	8,274	(131)	8,143
At 30 June 2021	74	1,940	868,253	390,322	1,260,589
Representing:					
At cost	74	1,940	-	-	2,014
At valuation	-	-	868,253	390,322	1,258,575
	74	1,940	868,253	390,322	1,260,589
<i>Accumulated depreciation and impairment:</i>					
At 1 July 2020	60	41	97,542	103,036	200,679
Depreciation expense	14	87	32,219	14,012	46,332
Reclassified from asset held for sale	-	-	23,240	-	23,240
Disposal/written off	(18)	-	-	(11,191)	(11,209)
Reclassified as asset held for sale	-	-	(19,594)	(29,557)	(49,151)
Impairment loss	-	-	45,812	41,582	87,394
At 30 June 2021	56	128	179,219	117,882	297,285
<i>Net book value:</i>					
At 1 July 2020	32	1,899	717,207	338,763	1,057,901
At 30 June 2021	18	1,812	689,034	272,440	963,304

Assets pledged as security

The Group's aircraft with carrying values of US\$889.5 million (30 June 2021 : US\$939.7 million) are mortgaged to secure the Group's borrowings (Note 20).

Additions and disposals

During the six months ended 31 December 2021, three turboprop aircraft were reclassified as finance leases.

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

The Group's aircraft were valued in June 2021 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 8.00% (2020: 5.50% to 8.00%) per annum for jet aircraft and 5.50% to 8.00% (2020: 5.50% to 9.00%) 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 2021, an impairment loss of US\$8.9 million was recognised during the year.

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

	31 Dec 2021		30 Jun 2021	
	Jets	Turbo props	Jets	Turbo props
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Cost	829,593	325,857	829,593	379,201
Accumulated depreciation and impairment	(185,559)	(94,243)	(167,355)	(117,691)
Net book value	644,034	231,614	662,238	261,510

Geographical analysis

31 Dec 2021	Europe	Asia Pacific	Total
	US\$'000s	US\$'000s	US\$'000s
Capital expenditure	-	4	4
Net book value – aircraft and aircraft engines	280,366	633,880	914,246
30 Jun 2021	Europe	Asia Pacific	Total
	US\$'000s	US\$'000s	US\$'000s
Capital expenditure	104	-	104
Net book value – aircraft and aircraft engines	291,913	671,373	963,286

12 TRADE AND OTHER RECEIVABLES

	31 Dec 2021 US\$'000s	30 Jun 2021 US\$'000s
Current		
Trade receivables	40,461	43,401
Less:		
Allowance for expected credit losses	(11,060)	(22,766)
	29,401	20,635
Accrued revenue	4,069	13,935
Less:		
Allowance for expected credit losses	(435)	(2,055)
	3,634	11,880
Other receivables	3,353	2,607
Less:		
Allowance for expected credit losses	(873)	(892)
	2,480	1,715
Interest receivables	1,083	468
Less:		
Allowance for expected credit losses	(173)	(101)
	910	367
Deposits	335	49
Prepaid expenses	279	466
	37,039	35,112
Non-current:		
Other receivables	769	559
Less:		
Allowance for expected credit losses	-	(97)
	769	462
Deposits for aircraft	7,749	7,749
Prepaid expenses	-	143
Right-of-use assets	406	503
	8,924	8,857

The Company has reached agreement in principle with a customer to repay \$30.0 million of rent and maintenance reserve arrears included in trade and other receivables. The amount will be converted to a loan subject to interest at 5.5%, repayable in 24 equal monthly instalments of principal and interest starting from January 2023.

13 FINANCE LEASE RECEIVABLES

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

	31 Dec 2021		31 Jun 2021	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Within one year	11,146	7,177	6,465	4,244
Less:				
Allowance for expected credit losses	(197)	(197)	(90)	(90)
	10,949	6,980	6,375	4,154
One to two years	7,955	5,385	5,681	4,024
Two to three years	34,646	31,520	5,681	4,218
Three to four years	11,725	10,528	31,419	29,458
Four to five years	12,302	11,737	8,185	8,136
Later than five years	-	-	-	-
Total minimum lease payments	77,577	66,150	57,341	49,990
Less: amounts representing interest income	(11,427)	-	(7,351)	-
Present value of minimum lease payments	66,150	66,150	49,990	49,990

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 2021.

15 DERIVATIVE FINANCIAL LIABILITIES

	Contract/ notional amount		Fair value	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Interest rate swap	257,385	279,884	11,058	16,427
Cross-currency interest rate swap	4,000	4,000	111	240
Warrants	-	-	3,494	3,494
	261,385	283,884	14,663	20,161

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.

15 DERIVATIVE FINANCIAL LIABILITIES (continued)

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 26 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 gain net of tax of US\$5.1 million (31 December 2020: gain of US\$3.6 million) on these derivative financial instruments was recognised in the fair value reserve for the six-month period ended 31 December 2021.

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 to movements in the EUR:USD exchange rate. To hedge its exposure to various cash flows resulting from changes in EUR:SGD 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 (hedge 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.

16 AIRCRAFT PURCHASE RIGHTS

	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s
Aircraft purchase rights, at fair value:		
At 1 July 2021/ 1 July 2020	26,960	27,110
Unrealised gain/(loss)	60	(150)
At 31 December/30 June	27,020	26,960

The Company holds rights to purchase an additional 28 ATR 72-600 aircraft from the manufacturer. The purchase rights are for aircraft to be delivered prior to 30 June 2027.

17 CASH AND BANK BALANCES

	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s
Cash and bank balances	120,826	122,471
Less: restricted	(89,491)	(97,404)
Cash and cash equivalents	31,335	25,067

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 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 2021	30 Jun 2021
	US\$'000	US\$'000s
Assets held for sale:		
Property, plant and equipment - aircraft		
At 1 July 2021/ 1 July 2020	66,300	82,884
Additions	-	66,300
Impairment loss	(1,000)	-
Disposals	(41,300)	-
Transfer to property, plant and equipment	-	(82,884)
At 31 December/30 June	24,000	66,300
Liabilities directly associated with assets held for sale:		
Deposit collected	-	776
Maintenance reserves	1,119	5,141
	1,119	5,917

During the six months ended 31 December 2021, an impairment loss of US\$1.0 million was recognised to write down the book value of 3 turboprop aircraft.

During the six months ended 31 December 2021, the Group sold two jet aircraft.

19 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	31 Dec 2021		30 Jun 2021	
	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 2021/ 1 July 2020	71,698,124	1,203	64,879,942	1,108
Issue of shares	-	-	6,818,182	95
At 31 December/30 June	71,698,124	1,203	71,698,124	1,203

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 2021		30 Jun 2021	
	No of treasury shares	US\$'000s	No of treasury shares	US\$'000s
At 1 July 2020, 30 June 2021 and 31 December 2021	2,210,000	7,811	2,210,000	7,811

(c) Net asset value per share

	31 Dec 2021	30 Jun 2021
Net asset value per share (US\$) ⁽¹⁾	\$2.22	\$2.26
Net asset value per share (GBP) ⁽²⁾	£1.64	£1.64

⁽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 December 2021 of 1.35 (30 June 2021: 1.38).

20 LOANS AND BORROWINGS

	31 Dec 2021		30 Jun 2021	
	US\$'000s		US\$'000s	
Secured borrowings	591,432		664,387	
Unsecured notes	291,058		283,253	
Total loans and borrowings	882,490		947,640	
Less: current portion	(209,515)		(442,622)	
Non-current loans and borrowings	672,975		505,018	

	Maturity		Weighted average interest rate per annum	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s	%	%
Secured borrowings	2022-2031	2022-2031	4.0%	3.9%
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.

21 MAINTENANCE RESERVES

	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s
Current:		
Maintenance reserves	20,004	12,202
Non-current:		
Maintenance reserves	74,651	77,846
Maintenance lease contribution	11,433	11,433
	86,084	89,279
Total maintenance reserves	106,088	101,481

	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s
At 1 July 2021/ 1 July 2020	90,048	60,977
Contributions	8,715	38,937
Utilisations	(1,492)	(4,644)
Released to profit or loss	(2,616)	(216)
Transferred from liabilities associated with asset held for sale	-	135
Transfer to liabilities directly associated with assets held for sale	-	(5,141)
At 31 December/30 June	94,655	90,048

22 CAPITAL COMMITMENTS

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

	31 Dec 2021	30 Jun 2021
	US\$'000s	US\$'000s
Property, plant and equipment	31,230	31,230

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 2021, the Group has commitments to purchase two ATR 72-600 aircraft from the manufacturer with expected delivery dates in 2022.

23 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2021.

24 SUBSEQUENT EVENTS

The Group has completed the sale of the first of a series of three ex-Virgin Australia Airlines ATR 72-600s to Aegean Airlines.

The Company has reached agreement in principle with a customer to repay \$30.0 million of rent and maintenance reserve arrears included in trade and other receivables. The amount will be converted to a formal loan arrangement with terms including interest at 5.5%, repayable in 24 equal monthly instalments of principal and interest starting from January 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, pandemics, fuel costs, finance costs, sanctions, war and extremism 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 2021.

DIRECTORS

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2021. 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, 2 March 2022