

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

FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2020

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, announces unaudited financial results for the nine months ended 31 March 2020.

Key Financial Results

- Revenue increased by 14% to \$99.6 million;
- Profit before tax increased by 173% to \$46.6 million;
- Profit after tax increased by 151% to \$38.3 million;
- Earnings per share increased by 152% to 60.6 cents; and
- Net asset value per share increased by 10% to £3.24.

Executive Chairman, Jeff Chatfield, said:

“Avation is pleased to present its unaudited financial results for the nine months ended 31 March 2020. Revenue from the aircraft leasing business grew steadily throughout the first nine months of the year and the Company is in a strong financial position.

“The Company is releasing these unaudited interim accounts to provide investors with an up to date report on the business as we progress through the COVID-19 pandemic. This one-off presentation was undertaken to provide updated information about Avation’s position at a time of uncertainty in financial markets.

“Immediately at the outset of the COVID-19 pandemic Avation instituted a programme of support for some of its airline customers to defer for later payment certain portions of their rent in the short term. The cashflow impact of this support programme has been mitigated by adjusting the amortisation profiles of the relevant financings with the agreement of lenders. Since the outbreak of COVID-19 the Company has also reduced administration costs and has instituted a pause on capital expenditure with the goal of maximising cashflow.

“Avation has a strong cash balance of \$131.6 million as at 31 March 2020. The Company is fortunate that some of its largest customers are in countries where there has been comparatively lower impact from the pandemic. We are now observing a gradual return to service of certain customers including VietJet, airBaltic, EVA Air and Mandarin Airlines which presently represent over 60% of Avation’s future unearned contracted leasing revenue.

“Avation is optimistic about the long term opportunity for airline travel particularly the turboprop and narrow-body aircraft sectors.”

Aircraft Fleet

Aircraft Type	31 March 2020
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	2
ATR 72-600	22
ATR 72-500	6
Total	48

Financial Highlights and Analysis (Unaudited)

	9 mths to 31 Mar 2020 US\$ 000's	9 mths to 31 Mar 2019 US\$ 000's	Change
Revenue	99,595	87,191	14%
Depreciation	(35,502)	(29,963)	18%
Administrative expense	(9,551)	(8,226)	16%
Other income and expenses (net)	(395)	(20)	
Operating Profit excluding Unrealised gain on purchase rights, Gains on disposal and impairment loss on aircraft	54,147	48,982	11%
Finance expenses (net of finance income)	41,823	38,437	9%
Profit before tax excluding Unrealised gain on purchase rights, Gains on disposal of aircraft and Impairment loss on aircraft	12,324	10,545	17%
Unrealised gain on aircraft purchase rights	40,990	-	
Gains on disposal of aircraft	3,530	6,543	
Impairment loss on aircraft	(10,223)	-	
Profit before taxation	46,621	17,088	173%
Taxation	(8,294)	(1,814)	
Total profit after tax	38,327	15,274	151%
EPS	60.6 cents	24.0 cents	152%
Dividends per share	2.1 cents	2.0 cents	5%

	As at 31 Mar 2020 US\$ 000's	As at 30 June 2019 US\$ 000's	
Fleet assets (1)	1,279,586	1,269,682	1%
Total assets	1,475,190	1,392,750	6%
Cash and bank balances	131,610	107,448	22%
Net asset value per share (US\$) (2)	\$4.01	\$3.74	7%
Net asset value per share (GBP) (3)	£3.24	£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 March 2020 of 1.24 (30 June 2019 : 1.27)

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.

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Avation welcomes shareholder questions and comments and advises the email address is:
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More information on Avation is available at www.avation.net.

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTHS ENDED 31 MARCH 2020

		31 Mar 2020	31 Mar 2019
	Note	US\$'000s	US\$'000s
Continuing operations			
Revenue	5	99,595	87,191
Other income	6	1,014	212
		<u>100,609</u>	<u>87,403</u>
Depreciation	11	(35,502)	(29,963)
Gain on disposal of aircraft	11	3,530	6,543
Unrealised gain on aircraft purchase rights	16	40,990	-
Impairment loss on aircraft	11,18	(10,223)	-
Administrative expenses		(9,551)	(8,226)
Other expenses	7	(1,409)	(232)
Operating profit		<u>88,444</u>	<u>55,525</u>
Finance income	8	929	3,024
Finance expenses	9	(42,752)	(41,461)
Profit before taxation		<u>46,621</u>	<u>17,088</u>
Taxation		(8,294)	(1,814)
Profit from continuing operations		<u>38,327</u>	<u>15,274</u>
Profit attributable to:			
Equity holders of the Company		38,326	15,273
Non-controlling interests		1	1
		<u>38,327</u>	<u>15,274</u>
Earnings per share for profit attributable to equity holders of the Company			
<i>Basic earnings per share</i>		60.58 cents	24.00 cents
<i>Diluted earnings per share</i>		<u>60.21 cents</u>	<u>23.93 cents</u>

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME
FOR THE NINE MONTHS ENDED 31 MARCH 2020

	Note	31 Mar 2020 US\$'000s	31 Mar 2019 US\$'000s
Profit from continuing operations		38,327	15,274
Other comprehensive income:			
<i>Items may be reclassified subsequently to profit or loss:</i>			
Net loss on cash flow hedge		(10,979)	(7,695)
		(10,979)	(7,695)
<i>Items may not be reclassified subsequently to profit or loss:</i>			
Revaluation loss on property, plant and equipment, net of tax		(3,924)	-
Other comprehensive income, net of tax		(14,903)	(7,695)
Total comprehensive income for the period		23,424	7,579
Total comprehensive income attributable to:			
Equity holders of the Company		23,423	7,578
Non-controlling interests		1	1
		23,424	7,579

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	31 Mar 2020	30 June 2019
		US\$'000s	US\$'000s
ASSETS:			
Non-current assets			
Property, plant and equipment	11	1,089,513	1,225,324
Trade and other receivables	12	11,710	8,930
Finance lease receivables	13	85,400	37,137
Goodwill	14	1,902	1,902
Derivative financial assets	15	-	363
Aircraft purchase rights	16	40,990	-
		<u>1,229,515</u>	<u>1,273,656</u>
Current assets			
Trade and other receivables	12	9,392	4,425
Finance lease receivables	13	7,315	7,221
Cash and bank balances	17	131,610	107,448
		<u>148,317</u>	<u>119,094</u>
Assets held for sale	18	97,358	-
		<u>245,675</u>	<u>119,094</u>
Total assets		<u>1,475,190</u>	<u>1,392,750</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,108	1,104
Share premium		57,747	56,912
Treasury shares	19	(7,811)	(1,147)
Merger reserve		6,715	6,715
Asset revaluation reserve		30,468	34,392
Capital reserve		8,876	8,876
Other reserves		(22,560)	(11,809)
Retained earnings		177,000	145,644
Equity attributable to equity holders of the parent		<u>251,543</u>	<u>240,687</u>
Non-controlling interest		71	70
Total equity		<u>251,614</u>	<u>240,757</u>
Non-current liabilities			
Loans and borrowings	20	1,004,184	1,005,693
Trade and other payables		18,870	16,091
Derivative financial liabilities	15	25,939	10,174
Maintenance reserves	21	52,939	31,325
Deferred tax liabilities		7,832	179
		<u>1,109,764</u>	<u>1,063,462</u>
Current liabilities			
Loans and borrowings	20	78,078	72,595
Trade and other payables		17,902	11,964
Maintenance reserves	21	6,234	1,166
Income tax payables		1,315	2,806
		<u>103,529</u>	<u>88,531</u>
Liabilities directly associated with assets held for sale	18	10,283	-
		<u>113,812</u>	<u>88,531</u>
Total equity and liabilities		<u>1,475,190</u>	<u>1,392,750</u>

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 MARCH 2020

Note	Attributable to shareholders of the parent									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury Shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total		
	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	145,445	240,488	70	240,558
Profit for the period		-	-	-	-	-	-	38,326	38,326	1	38,327
Other comprehensive income		-	-	-	(3,924)	-	(10,979)	-	(14,903)	-	(14,903)
<i>Total comprehensive income</i>		-	-	-	(3,924)	-	(10,979)	38,326	23,423	1	23,424
Dividends paid	24	-	-	-	-	-	-	(6,773)	(6,773)	-	(6,773)
Issue of new shares	19	4	835	-	-	-	(69)	-	770	-	770
Purchase of treasury shares	19	-	-	(6,664)	-	-	-	-	(6,664)	-	(6,664)
Share warrant expense		-	-	-	-	-	299	-	299	-	299
<i>Total transactions with owners recognised directly in equity</i>		4	835	(6,664)	-	-	230	(6,773)	(12,368)	-	(12,368)
Expiry of share warrants		-	-	-	-	-	(2)	2	-	-	-
<i>Total others</i>		-	-	-	-	-	(2)	2	-	-	-
Balance at 31 March 2020		1,108	57,747	(7,811)	6,715	30,468	8,876	(22,560)	177,000	71	251,614

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 NINE MONTHS ENDED 31 MARCH 2019

Note	Attributable to shareholders of the parent									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury Shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total		
	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 2018	1,080	53,083	-	6,715	27,847	8,876	6,389	124,119	228,109	69	228,178
Profit for the period	-	-	-	-	-	-	-	15,273	15,273	1	15,274
Other comprehensive income	-	-	-	-	-	-	(7,695)	-	(7,695)	-	(7,695)
<i>Total comprehensive income</i>	-	-	-	-	-	-	(7,695)	15,273	7,578	1	7,579
Dividends paid	24	-	-	-	-	-	-	(5,840)	(5,840)	-	(5,840)
Issue of new shares	19	24	3,829	-	-	-	(628)	-	3,225	-	3,225
Purchase of treasury shares	19	-	-	(380)	-	-	-	-	(380)	-	(380)
Share warrant expense		-	-	-	-	-	206	-	206	-	206
<i>Total transactions with owners recognised directly in equity</i>		24	3,829	(380)	-	-	(422)	(5,840)	(2,789)	-	(2,789)
Expiry of share warrants		-	-	-	-	-	(31)	31	-	-	-
<i>Total others</i>		-	-	-	-	-	(31)	31	-	-	-
Balance at 31 March 2019		1,104	56,912	(380)	6,715	27,847	8,876	(1,759)	133,583	70	232,968

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 MARCH 2020

	Note	31 Mar 2020	31 Mar 2019
		US\$'000s	US\$'000s
Cash flows from operating activities:			
Profit before taxation		46,621	17,088
Adjustments for:			
Depreciation expense	11	35,502	29,963
Depreciation of right-of-use assets		163	-
Share warrants expense		299	206
Impairment loss on aircraft	11,18	10,223	-
Expected credit loss on trade receivables		162	-
Fair value gain on investments		-	(104)
Gain on disposal of aircraft		(3,530)	(6,543)
Unrealised gain on aircraft purchase rights		(40,990)	-
Interest income on finance leases	5	(2,290)	(948)
Finance income	8	(929)	(3,024)
Finance expense	9	42,752	41,461
Operating cash flows before working capital changes		87,983	78,099
Movement in working capital:			
Trade and other receivables and finance lease receivables		4,367	(8,922)
Trade and other payables		3,530	1,021
Maintenance reserves		26,817	5,195
Cash from operations		122,697	75,393
Interest income received		2,591	2,182
Interest expense paid		(33,076)	(31,542)
Income tax paid		(1,792)	(2,782)
Net cash from operating activities		90,420	43,251
Cash flows from investing activities:			
Purchase of property, plant and equipment		(58,592)	(169,110)
Proceeds from disposal of aircraft		-	54,274
Purchase of investment		-	(10,000)
Net cash used in investing activities		(58,592)	(124,836)
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		770	3,225
Dividends paid to shareholders	24	(6,773)	(5,840)
Purchase of treasury shares		(6,664)	(380)
Placement of restricted cash balances		(26,118)	(7,240)
Proceeds from loans and borrowings, net of transactions costs		76,530	210,805
Repayment of loans and borrowings		(71,529)	(79,976)
Net cash (used in)/from financing activities		(33,784)	120,594
Net (decrease)/increase in cash and cash equivalents		(1,956)	39,009
Cash and cash equivalents at beginning of financial period		61,689	57,950
Cash and cash equivalents at end of financial period	17	59,733	96,959

AVATION PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 MARCH 2020

This interim condensed consolidated financial statements for Avation PLC for the nine months ended 31 March 2020 were authorised for issue in accordance with a resolution of the Directors on 26 June 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 nine months ended 31 March 2020.

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 nine months ended 31 March 2020 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.

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)
Amendments to IAS 1 : Classification of liabilities as Current or Non-current	1 January 2022
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 nine months ended 31 March 2020.

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.

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

(b) Standard in effect in 2019 (continued)

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.

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

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

(b) Standard in effect in 2019 (continued)

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	<u>1,144</u>

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 is 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 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 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 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 Mar 2020		30 Jun 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Financial assets:				
Finance lease receivables – non-current	85,400	82,602	37,137	35,661
Aircraft purchase rights	40,990	40,990	-	-
Financial liabilities:				
Deposits collected – non-current	16,119	15,176	13,979	13,273
Loans and borrowings other than unsecured note- non-current	657,197	628,549	660,727	644,726
Unsecured notes	346,987	325,840	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 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Fair value measurement using significant unobservable inputs		
Aircraft	1,087,572	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 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Financial assets measured at amortised cost:		
Cash and cash balances	131,610	107,448
Trade and other receivables	19,276	12,616
Finance lease receivables	92,715	44,358
	243,601	164,422
Financial liabilities measured at amortised cost:		
Trade and other payables	28,142	19,324
Loans and borrowings	1,082,262	1,078,288
Maintenance reserves	59,173	32,491
	1,169,567	1,130,103
Derivative used for hedging:		
Derivative financial assets	-	363
Derivative financial liabilities	(25,939)	(10,174)
Financial assets fair value through profit or loss:		
Aircraft purchase rights	40,990	-

5 REVENUE

	31 Mar 2020	31 Mar 2019
	US\$'000s	US\$'000s
Lease rental revenue	97,107	86,243
Interest income on finance leases	2,290	948
Maintenance reserves released	198	-
	99,595	87,191

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	Asia Pacific	Total
	US\$'000s	US\$'000s	US\$'000s
31 Mar 2020	28,166	71,429	99,595
31 Mar 2019	21,527	65,664	87,191

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 Mar 2020	31 Mar 2019
	US\$'000s	US\$'000s
Within one year	128,860	122,870
In the second to fifth years inclusive	398,832	421,810
More than five years	263,588	337,700

6 OTHER INCOME

	31 Mar 2020 US\$'000s	31 Mar 2019 US\$'000s
Foreign currency exchange gain	55	-
Fair value gain on investment	-	104
Deposit released	718	-
Others	241	108
	1,014	212

7 OTHER EXPENSES

	31 Mar 2020 US\$'000s	31 Mar 2019 US\$'000s
Aircraft repossession expenses	1,244	-
Expected credit loss on trade receivables	162	-
Foreign currency exchange loss	-	232
Others	3	-
	1,409	232

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

8 FINANCE INCOME

	31 Mar 2020 US\$'000s	31 Mar 2019 US\$'000s
Interest income from financial institutions	664	781
Interest income from non-financial institutions	-	228
Fair value gain on derivatives	12	811
Finance income from discounting non-current deposits to fair value	253	470
Interest rate swap break gain	-	174
Loan modification gain	-	370
Others	-	190
	929	3,024

9 FINANCE EXPENSES

	31 Mar 2020	31 Mar 2019
	US\$'000s	US\$'000s
Interest expense on borrowings	20,909	19,546
Interest expense on unsecured notes	17,063	16,151
Amortisation of loan transaction costs	3,915	4,418
Interest expense on non-current deposits	263	488
Finance charges on early full repayment on borrowings	357	166
Others	245	692
	42,752	41,461

10 RELATED PARTY TRANSACTIONS

Significant related party transactions:

	31 Mar 2020	31 Mar 2019
	US\$'000s	US\$'000s
Entities controlled by key management personnel (including directors):		
Rental expenses	(217)	(222)
Consulting fee expenses	(376)	(417)
Service fee income	80	-

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 March 2020:					
<i>Cost or valuation:</i>					
At 1 July 2019	80	-	916,534	450,439	1,367,053
Additions	12	1,925	-	57,605	59,542
Reclassified as held under finance leases	-	-	-	(56,913)	(56,913)
Reclassified as asset held for sale	-	-	(106,124)	-	(106,124)
Revaluation recognised in equity	-	-	(4,265)	-	(4,265)
At 31 March 2020	92	1,925	806,145	451,131	1,259,293
Representing:					
At cost	92	1,925	-	-	2,017
At valuation	-	-	806,145	451,131	1,259,076
	92	1,925	806,145	451,131	1,259,293
<i>Accumulated depreciation and impairment loss:</i>					
At 1 July 2019	41	-	73,065	68,623	141,729
Depreciation expense	15	20	24,488	10,979	35,502
Reclassified as asset held for sale	-	-	(16,189)	-	(16,189)
Impairment loss	-	-	8,738	-	8,738
At 31 March 2020	56	20	90,102	79,602	169,780
<i>Net book value:</i>					
At 1 July 2019	39	-	843,469	381,816	1,225,324
At 31 March 2020	36	1,905	716,043	371,529	1,089,513

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:				
<i>Cost or valuation:</i>				
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
<i>Accumulated depreciation and impairment:</i>				
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
<i>Net book value:</i>				
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\$1,120.4 million (30 June 2019 : US\$1,122.0 million) are mortgaged to secure the Group's borrowings (Note 20).

Additions and Disposals

During the nine months ended 31 March 2020, the Group acquired 3 turboprop aircraft and 1 aircraft engine. 3 turboprop aircraft were reclassified as held under finance leases. A gain on transfer of the aircraft to finance lease of US\$3.5 million was recorded and included within the gain on disposal of aircraft.

During the nine months ended 31 March 2020, 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 nine months ended 31 March 2020, 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.

During the nine months ended 31 March 2020, a downward revaluation of US\$3.4 million to equity and an impairment loss of US\$6.2 million was recognised to write down the book value of 2 old technology widebody aircraft.

Changes in accounting estimates of residual values of aircraft

During the nine months ended 31 March 2020, 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\$1.3 million for the nine months ended 31 March 2020.

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 Mar 2020		30 Jun 2019	
	Jets US\$'000s	Turbo props US\$'000s	Jets US\$'000s	Turbo props US\$'000s
Cost	792,891	430,551	776,330	552,544
Accumulated depreciation and impairment	(90,064)	(75,967)	(58,706)	(81,504)
Net book value	702,827	354,584	717,624	471,040

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Geographical analysis

31 Mar 2020	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
Capital expenditure	21,922	37,620	59,542
Net book value – aircraft and engine	331,999	757,478	1,089,477

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 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Current		
Trade receivables	8,585	3,954
Less:		
Allowance for estimated credit loss	(369)	(207)
	8,216	3,747
Other receivables:		
-Third parties	275	106
Interest receivables	21	12
Deposits	165	47
Prepaid expenses	715	513
	9,392	4,425
Non-current		
Deposits for aircraft	10,599	8,704
Prepaid expenses	334	226
Right-of-use assets	777	-
	11,710	8,930

13 FINANCE LEASE RECEIVABLES

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

	31 Mar 2020		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	10,243	7,315	8,440	7,221
Later than one year but not more than five years	89,556	76,857	13,848	10,566
More than five years	8,740	8,543	28,534	26,571
Total minimum lease payments	108,539	92,715	50,822	44,358
Less: amounts representing interest income	(15,824)	-	(6,464)	-
Present value of minimum lease payments	92,715	92,715	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

	Contract/ notional amount		Fair value	
	31 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s	31 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Non-current asset				
Interest rate swap	-	63,185	-	363
Non-current liability				
Interest rate swap	310,359	267,118	(25,541)	(10,117)
Cross-currency interest rate swap	4,000	4,000	(398)	(57)
	314,359	271,118	(25,939)	(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.

15 DERIVATIVE FINANCIAL ASSETS/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 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\$16.1 million (31 March 2019: loss of US\$10.5 million) on these derivative financial instruments was recognised in the fair value reserve for the nine month period ended 31 March 2020.

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 Mar 2020	30 Jun 2019
	US\$'000s	US\$'000s
Aircraft purchase rights, at fair value	40,990	-

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.

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 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Fixed deposits	30,405	6,700
Other cash and bank balances	101,205	100,748
Total cash and bank balances	131,610	107,448
Less: restricted	(71,877)	(45,759)
Cash and cash equivalents	59,733	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 March 2020, the Group's aircraft which met the criteria to be classified as assets held for sale are as follows:

	31 Mar 2020 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	-
Impairment loss	(1,485)	-
Disposals	-	(48,745)
At 31 March 2020/30 June 2019	88,450	-
Lease incentive asset	8,908	-
	97,358	-
Liabilities directly associated with assets held for sale:		
Deposit collected	1,240	-
Lessor maintenance contribution	8,908	-
Maintenance reserves	135	-
	10,283	-

An impairment loss of US\$1.5 million was recognised to write down the book value of 2 jet aircraft to current market value during the nine months ended 31 March 2020.

19 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	31 Mar 2020		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 March 2020 /30 June 2019	64,879,942	1,108	64,609,939	1,104

During the nine months period ended 31 March 2020, 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 Mar 2020		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	1,910,000	6,664	300,000	1,147
At 31 Mar 2020 /30 Jun 2019	2,210,000	7,811	300,000	1,147

(c) Net asset value per share

	31 Mar 2020	30 Jun 2019
Net asset value per share (US\$) ⁽¹⁾	\$4.01	\$3.74
Net asset value per share (GBP) ⁽²⁾	£3.24	£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 Mar 2020 of 1.24 (30 June 2019 : 1.27).

20 LOANS AND BORROWINGS

	31 Mar 2020		30 Jun 2019	
	US\$'000s		US\$'000s	
Secured borrowings	735,275		733,322	
Unsecured notes	346,987		344,966	
Total loans and borrowings	1,082,262		1,078,288	
Less: current portion	(78,078)		(72,595)	
Non-current loans and borrowings	1,004,184		1,005,693	

	Maturity		Weighted average interest rate per annum	
	31 Mar 2020	30 Jun 2019	31 Mar 2020	30 Jun 2019
			%	%
Secured borrowings	2020-2031	2019-2031	3.6%	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 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Current	6,234	1,166
Non-current	52,939	31,325
Total maintenance reserves	59,173	32,491

	31 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
At 1 July 2019/ 1 July 2018	32,491	23,544
Contributions	31,102	15,413
Utilisations	(4,222)	(1,558)
Released to profit or loss	(198)	-
Transferred to buyer upon sale of aircraft	-	(4,908)
At 31 March 2020 / 30 June 2019	59,173	32,491

During the nine months ended 31 March 2020, maintenance reserve of US\$0.2 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 Mar 2020 US\$'000s	30 Jun 2019 US\$'000s
Property, plant and equipment	147,685	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 March 2020, the Group has commitments to purchase eight 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 Mar 2020 US\$'000s	31 Mar 2019 US\$'000s
Dividends declared and/or paid during the nine months ended 31 March 2020		
<i>Dividends on ordinary shares</i>		
- First interim exempt (one-tier) dividend for 8.50 US cents (31 Mar 2019 : 7.25 US cents) per share	5,454	4,550
- Second interim exempt (one-tier) dividend for 2.10 US cents (31 Mar 2019 : 2.00 US cents) per share	1,319	1,290
	6,773	5,840

Dividends are recorded directly in equity when they are paid.

No dividends have been declared subsequent to 31 March 2020.

25 SUBSEQUENT EVENTS

On 6 April 2020, Braathens Regional Airways AB ("Braathens") entered into voluntary administration. The Group has two ATR72-600 aircraft on finance lease to Braathens. At the time of its entry into administration Braathens represented around 3% of the group's total monthly run-rate lease revenue. We are currently in discussion with the administrator of Braathens and expect to enter into revised operating leases for the two aircraft shortly.

On 20 April 2020, Virgin Australia Holdings Limited ("Virgin Australia") entered into voluntary administration. Avation has two Fokker 100 aircraft on finance lease and 11 ATR 72 aircraft on operating lease to Virgin Australia two of which are subleased to, and operated by, another airline. At the date of entry into administration, Virgin Australia represented around 19% of the group's total monthly run-rate lease revenue. We have subsequently signed new short-term finance leases for the two Fokker 100 aircraft and have signed new short-term operating leases for two ATR 72 aircraft with another operator which are expected to commence shortly.

On 15 May 2020, Avation entered into an agreement to extend the lease of a Boeing 737-800 aircraft by six years from its original lease termination date until June 2028. The lease extension rent is at a market rate.

On 2 and 3 June 2020, the Company repurchased US\$1,000,000 Avation Capital S.A. 6.5% senior notes due 2021 issued under the Avation global medium term note programme. The notes were acquired through the market at a price of 76.25 per cent and will be cancelled.

On 13 June 2020, the Company entered into finance leases over the period to September 2020 for the sale two Fokker 100 aircraft.

On 17 June 2020 Avation entered into agreements to lease two ATR 72- 500 aircraft formerly leased to Virgin Australia to another commercial airline in Australia, until the end of 2021, at current market lease rates.

25 SUBSEQUENT EVENTS (continued)

Between 24 March and 18 June 2020 Avation entered into a series of short-term rent deferral agreements with its airline customers in response to requests made following the onset of the COVID-19 pandemic. The agreements allow airlines to defer a portion of rent payments for a short-term period, with the deferred amounts to be repaid to the company in the form of additional rent following the end of the deferral period. The company has entered into 13 rent deferral agreements with a total value of deferred rent of \$16.3 million. The average deferral amount is 57% of monthly rent, the average deferral period is 3.4 months and the deferred rents are repayable in equal instalments over three to nine month periods following the end of the relevant deferral period.

Between 21 May and 18 June 2020 Avation entered into a series of short-term loan principal deferral agreements with its lenders in order to mitigate the impact on cashflow of granting rent deferrals to its customers following the onset of the COVID-19 pandemic. The agreements allow the company to defer up to 100% of loan principal payments on certain loans for periods of three to six months. The deferred loan principal payments have a total value of \$9.2 million. The deferred loan principal payments are repayable to lenders in equal instalments over four to 12 month periods following the end of the relevant deferral period.

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 remaining three months 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 nine months and their impact on the Interim Report, and a description required by the principal risks and uncertainties for the remaining three months of the financial year; and
- material related party transactions in the first nine 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, 26 June 2020