

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

**UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31
DECEMBER 2020 AND INTERIM MANAGEMENT STATEMENT**

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

Key Financial Results

- Revenue and Other income decreased by 6% to \$63.3 million;
- Impairment loss on aircraft of \$46.7 million;
- Expected credit loss on receivables and accrued revenue of \$12.9 million;
- Loss before tax of \$60.5 million;
- Loss per share of 97.9 cents; and
- Net asset value per share is \$2.38.

COVID-19 Strategy

- Focus on preservation of liquidity and cashflow;
- Rent deferrals totalling \$25.9 million provided to airline customers;
- Loan repayment deferrals totalling \$31.0 million obtained from secured lenders;
- Agreement with bondholders to extend maturity of Avation Capital S.A. 6.5% senior notes to October 2026; and
- Capital expenditure and dividends have been temporarily suspended.

Executive Chairman, Jeff Chatfield, said:

“The half year ended 31 December 2020 represents a complex period for the airline industry and Avation. Avation has been working diligently and with success on its COVID-19 strategy implemented early in the crisis to preserve liquidity. Recently the Company announced an agreement to extend the maturity of the unsecured bonds by over 5 years until October 2026.

“The pandemic related disruption to the airline industry has impacted aircraft valuations and Avation has impaired the value of its fleet and provided for credit losses on receivables. These impairments are largely related to aircraft leased to Philippines Airlines, Virgin Australia and Braathens who have all been subject to formal or informal restructuring processes. There was also a negative adjustment to the value of purchase rights held for ATR aircraft. The impairment loss dominates the financial result.

“We believe that global immunisation programmes should lead to an end to the pandemic. Assuming that Avation’s customers continue to meet their contractual obligations to pay rent and arrears the Company believes that it is unlikely that there will be further significant impairments to asset values in future. The underlying business remains profitable.

“The past six months has seen most of Avation’s customers returning to operating at above 50% of pre-COVID levels. At the current date, 12 of Avation’s 19 customers are being charged normal monthly rentals. The Company has been fortunate that some of its largest customers are based in countries where there has been a less severe impact from the pandemic including VietJet, airBaltic, EVA Air and Mandarin Airlines. These airlines combined represent over 60% of Avation’s future unearned contracted revenue.

“The Company will position itself for a return to growth through opportunistic aircraft trading and deliveries from its orderbook in the post pandemic environment.”

Financial Highlights and Analysis

	6 mths to 31 Dec 2020 US\$ 000's	6 mths to 31 Dec 2019 US\$ 000's	Change
Revenue	61,340	67,606	(9%)
Depreciation	(23,652)	(24,232)	(2%)
Administrative expense	(5,542)	(6,145)	(10%)
Other income and expenses (net) excluding Expected credit losses on receivables and accrued revenue	896	(1,127)	
Operating Profit excluding Unrealised gain on purchase rights, Gains on disposal and impairment loss on aircraft	33,042	36,102	(8%)
Finance Expenses (net of finance income)	(25,968)	(27,527)	(6%)
Profit before tax excluding Unrealised gain on purchase rights, Gains on disposal of aircraft and Impairment loss on aircraft	7,074	8,575	(17%)
Unrealised gain on aircraft purchase rights	(7,930)	36,980	
Gains on disposal of aircraft	-	2,229	
Impairment loss on aircraft	(46,652)	(2,456)	
Expected credit loss on receivables and accrued revenue	(12,945)	(123)	
(Loss)/Profit before taxation	(60,453)	45,205	(234%)
Taxation	(883)	(7,051)	
Total profit after tax	(61,336)	38,154	(261%)
EPS	(97.9) cents	60.0 cents	
Dividend per share	-	2.1 cents	

	As at 31 Dec 2020 US\$ 000's	As at 30 June 2020 US\$ 000's	
Fleet assets (1)	1,163,263	1,242,176	(6%)
Total assets	1,350,632	1,415,584	(5%)
Cash and bank balances	117,661	114,585	3%
Net asset value per share (US\$) (2)	\$2.38	\$3.53	(33%)
Net asset value per share (GBP) (3)	£1.74	£2.86	(39%)

1. Fleet assets are defined as property, plant and equipment plus assets held for sale plus finance lease receivables.
2. Net asset value per share is total equity divided by the total number of shares in issue, excluding treasury shares, at period end.
3. Based on GBP:USD exchange rate as at 31 December 2020 of 1.37 (30 June 2020 : 1.23)

Aircraft Fleet

Aircraft Type	31 December 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
ATR 72-600	22
ATR 72-500	6
Total	46

As at 31 December 2020, Avation's fleet comprised 46 aircraft, including three aircraft on finance lease. The weighted average age of the fleet is 4.6 years (30 June 2020: 4.1 years) and the weighted average remaining lease term is 6.5 years (30 June 2020: 6.9 years).

Fleet assets decreased 6.4% to \$1,163.3 million (30 June 2020: \$1,242.2 million). Two Fokker 100 aircraft were transferred to the lessee airline upon completion of their finance leases. Narrowbody aircraft make up 49% of fleet assets as at 31 December 2020.

Avation had orders for eight ATR72-600 aircraft and purchase rights for a further 25 aircraft as at 31 December 2020. The Company is in discussions with ATR regarding its current order book.

Virgin Australia Update

On 20 April 2020, Virgin Australia entered into voluntary administration. Avation had two Fokker 100 aircraft on finance lease and 11 ATR 72 aircraft on operating lease to Virgin Australia, two of which were subleased to another airline. The two Fokker 100 aircraft were sold at the end of their leases in September 2020. Of the 11 ATRs, four have been re-leased at market rates, three are being actively marketed for sale or lease, and the remaining four are being marketed for sale or lease but have not yet been through maintenance. Avation's claim against Virgin Australia has been mitigated by the transactions noted above and is expected to be approximately US\$56 million. The administrators have advised an expected pay-out of 9.5-13 cents on the dollar for unsecured claims.

Debt summary

	31 December 2020	30 June 2020
	US\$000's	US\$000's
Loans and borrowings	1,065,096	1,071,738
Unrestricted cash and bank balances	25,424	35,290
Net indebtedness (1)	1,039,672	1,036,448
Net debt to assets (2)	77.0%	73.2%
Weighted average cost of secured debt (3)	3.7%	3.6%
Weighted average cost of total debt (4)	4.6%	4.5%

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 increased slightly to 4.6% as at 31 December 2020 (30 June 2020: 4.5%).

The weighted average cost of secured debt increased to 3.7% at 31 December 2020 (30 June 2020: 3.6%).

At the end of the financial period, Avation's net debt to total assets ratio has increased to 77.0% (30 June 2020: 73.2%). As at 31 December 2020, 90.7% of total debt was at fixed or hedged interest rates (30 June 2020: 90.7%). The proportion of unsecured debt to total debt was 32.1% (30 June 2020: 32.3%).

During the period Avation initiated a process to extend the date of maturity of the \$342.6 million outstanding Avation Capital S.A 6.5% senior notes due May 2021 to October 2026. The Company recently announced that it reached agreement with sufficient bondholders to vote in favour of the extension and the consent solicitation exercise was launched on 23 February 2021. The Company expects the extension will be completed on 16 March 2021.

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. Aviation 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.

Aviation 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 Company's continuing focus for the remainder of the 2021 financial year is to preserve liquidity.

Aviation 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. Since the start of the pandemic the Company has also reduced administration costs and temporarily suspended capital expenditure.

The Company believes that airlines will require significant number of leased aircraft in the post pandemic phase due to the vast 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 strategy of being focussed on relatively new and popular commercial aircraft types.

In addition to operational cash flows, funding is traditionally sourced from capital markets, asset-backed bank lending and disposals of selected aircraft. Access to acceptably priced funding is a risk, which is common to all capital-intensive businesses. Specific risks which are inherent to 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

Aviation's senior management team will host a conference call on 26 February 2021, at 1pm GMT (UK) / 8am EST (US) / 9pm SGT (Singapore), to discuss the Company's financial results. Investors can participate in the conference call by using the following link:

https://avation.emincote.com/avapHY2021/vip_connect

You will need to register your name and email address. You will receive a telephone number, a passcode and an individual PIN number. The conference call will also be webcast live through the following link:

<https://avation.emincote.com/avapHY2021>

To view the webcast, you will need to register your name and email address. A replay of the broadcast will be available on the Investor Relations page of the Aviation Plc website.

Forward Looking Statements

This release contains certain "forward looking statements". Forward looking statements may be identified by words such as "expects," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for Aviation'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 2020.

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 2020. 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 26 February 2021. 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 2020, upon which the auditors have given an unqualified audit report (with reference to a material uncertainty related to going concern), were published on 30 October 2020 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 2020

	Note	31 Dec 2020	31 Dec 2019
		US\$'000s	US\$'000s
Continuing operations			
Revenue	5	61,340	67,606
Other income	6	1,997	113
		<u>63,337</u>	<u>67,719</u>
Depreciation	11	(23,652)	(24,232)
Gain on disposal of aircraft	11	-	2,229
Unrealised (loss)/gain on aircraft purchase rights	16	(7,930)	36,980
Impairment loss on aircraft	11	(46,652)	(2,456)
Administrative expenses		(5,542)	(6,145)
Other expenses	7	(14,046)	(1,363)
Operating (loss)/profit		<u>(34,485)</u>	<u>72,732</u>
Finance income	8	2,175	717
Finance expenses	9	(28,143)	(28,244)
(Loss)/Profit before taxation		<u>(60,453)</u>	<u>45,205</u>
Taxation		(883)	(7,051)
(Loss)/Profit from continuing operations		<u>(61,336)</u>	<u>38,154</u>
(Loss)/Profit attributable to:			
Equity holders of the Company		(61,337)	38,153
Non-controlling interests		1	1
		<u>(61,336)</u>	<u>38,154</u>
Earnings per share for (loss)/profit attributable to equity holders of the Company			
<i>Basic earnings per share</i>		(97.87) cents	60.04 cents
<i>Diluted earnings per share</i>		<u>(97.87) cents</u>	<u>59.67 cents</u>

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 US\$'000s	31 Dec 2019 US\$'000s
(Loss)/Profit from continuing operations		(61,336)	38,154
Other comprehensive income:			
<i>Items may be reclassified subsequently to profit or loss:</i>			
Net (loss)/gain on cash flow hedge		(10,249)	1,730
		(10,249)	1,730
<i>Items may not be reclassified subsequently to profit or loss:</i>			
Revaluation loss on property, plant and equipment, net of tax		(858)	(793)
Other comprehensive income, net of tax		(11,107)	937
Total comprehensive income for the period		(72,443)	39,091
Total comprehensive income attributable to:			
Equity holders of the Company		(72,444)	39,090
Non-controlling interests		1	1
		(72,443)	39,091

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

	Note	31 Dec 2020 US\$'000s	30 June 2020 US\$'000s
ASSETS:			
Non-current assets			
Property, plant and equipment	11	1,110,980	1,057,901
Trade and other receivables	12	12,052	11,601
Finance lease receivables	13	48,455	85,019
Goodwill	14	1,902	1,902
Aircraft purchase rights	16	19,180	27,110
Lease incentive assets		6,753	-
		<u>1,199,322</u>	<u>1,183,533</u>
Current assets			
Trade and other receivables	12	28,731	18,210
Finance lease receivables	13	3,828	7,988
Cash and bank balances	17	117,661	114,585
Lease incentive assets		1,090	-
		<u>151,310</u>	<u>140,783</u>
Assets held for sale	18	-	91,268
		<u>151,310</u>	<u>232,051</u>
Total assets		<u>1,350,632</u>	<u>1,415,584</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,108	1,108
Share premium		57,747	57,747
Treasury shares	19	(7,811)	(7,811)
Merger reserve		6,715	6,715
Asset revaluation reserve		29,304	30,162
Capital reserve		8,876	8,876
Other reserves		(34,282)	(24,302)
Retained earnings		87,397	148,455
Equity attributable to equity holders of the parent		<u>149,054</u>	<u>220,950</u>
Non-controlling interest		68	72
Total equity		<u>149,122</u>	<u>221,022</u>
Non-current liabilities			
Loans and borrowings	20	627,305	534,755
Trade and other payables		15,602	11,725
Derivative financial liabilities	15	24,035	27,928
Maintenance reserves	21	57,529	57,141
Lease maintenance contribution		8,908	-
Deferred tax liabilities		1,469	698
		<u>734,848</u>	<u>632,247</u>
Current liabilities			
Loans and borrowings	20	437,791	536,983
Trade and other payables		12,246	10,155
Derivative financial liabilities	15	105	-
Maintenance reserves	21	15,238	3,836
Income tax payables		1,282	1,058
		<u>466,662</u>	<u>552,032</u>
Liabilities directly associated with assets held for sale	18	-	10,283
		<u>466,662</u>	<u>562,315</u>
Total equity and liabilities		<u>1,350,632</u>	<u>1,415,584</u>

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 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	US\$'000s
Balance at 1 July 2020	1,108	57,747	(7,811)	6,715	30,162	8,876	(24,302)	148,455	220,950	72	221,022	
Loss for the period	-	-	-	-	-	-	-	(61,337)	(61,337)	1	(61,336)	
Other comprehensive income	-	-	-	-	(858)	-	(10,249)	-	(11,107)	-	(11,107)	
<i>Total comprehensive income</i>	-	-	-	-	(858)	-	(10,249)	(61,337)	(72,444)	1	(72,443)	
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	(5)	(5)	
Share warrant expense	-	-	-	-	-	-	548	-	548	-	548	
<i>Total transactions with owners recognised directly in equity</i>	-	-	-	-	-	-	548	-	548	(5)	543	
Expiry of share warrants	-	-	-	-	-	-	(279)	279	-	-	-	
<i>Total others</i>	-	-	-	-	-	-	(279)	279	-	-	-	
Balance at 31 December 2020	1,108	57,747	(7,811)	6,715	29,304	8,876	(34,282)	87,397	149,054	68	149,122	

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

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 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	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	-	-	-	-	-	-	-	(199)	(199)	-	(199)	

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

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Note	31 Dec 2020	31 Dec 2019
		US\$'000s	US\$'000s
Cash flows from operating activities:			
(Loss)/Profit before taxation		(60,453)	45,205
Adjustments for:			
Amortisation of lease incentive asset	5	541	-
Depreciation expense	11	23,652	24,232
Depreciation of right-of-use assets		108	109
Expected credit loss on receivables and accrued revenue	7	12,945	123
Finance income	8	(2,175)	(717)
Finance expense	9	28,143	28,244
Gain on disposal of aircraft		-	(2,229)
Interest income from finance lease	5	(765)	(1,318)
Impairment loss on aircraft	11	46,652	2,456
Share warrants expense		548	299
Unrealised loss/(gain) on aircraft purchase rights		7,930	(36,980)
Operating cash flows before working capital changes		57,126	59,424
Movement in working capital:			
Trade and other receivables and finance lease receivables		(24,969)	8,009
Trade and other payables		4,914	3,573
Maintenance reserves		11,655	16,947
Cash from operations		48,726	87,953
Finance income received		1,066	1,631
Finance expense paid		(24,836)	(25,540)
Income tax paid		(46)	(1,930)
Net cash from operating activities		24,910	62,114
Cash flows from investing activity:			
Purchase of property, plant and equipment		-	(56,676)
Net cash used in investing activity		-	(56,676)
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		-	770
Dividends paid to shareholders	24	-	(5,454)
Dividends paid to non-controlling interest of a subsidiary		(5)	-
Purchase of treasury shares		-	(6,548)
Placement of restricted cash balances		(12,942)	(20,679)
Proceeds from loans and borrowings, net of transactions costs		11,815	76,875
Repayment of loans and borrowings		(33,644)	(38,480)
Net cash (used in)/from financing activities		(34,776)	6,484
Net (decrease)/increase in cash and cash equivalents		(9,866)	11,922
Cash and cash equivalents at beginning of financial period		35,290	61,689
Cash and cash equivalents at end of financial period	17	25,424	73,611

AVATION PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

This interim condensed consolidated financial statements for Avation PLC for the six months ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 26 February 2021.

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 2020 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2020.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2020 except for the adoption of new accounting standards effective as of 1 July 2020.

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 2020, 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 2020

(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)
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Not yet endorsed for use in the EU.)	1 January 2021
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022
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 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 2020

The Group has adopted all new standards that have come into effect during the six months ended 31 December 2020. The adoptions do not have an 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 maintenance reserves cannot be determined with certainty in advance and hence the fair value of the maintenance reserve cannot be measured.

	31 Dec 2020		30 Jun 2020	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
Financial assets:				
Finance lease receivables – non-current	48,455	47,331	85,019	82,631
Financial liabilities:				
Deposits collected – non-current	12,956	11,507	9,185	8,639
Loans and borrowings other than unsecured notes – non-current	627,305	593,400	534,755	502,534
Unsecured notes	341,371	254,525	346,656	261,143
Derivative financial liabilities	24,140	24,140	27,928	27,928

The fair values (other than the unsecured notes and derivative financial assets and 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.

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 under 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 (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 2020	30 Jun 2020
	US\$'000s	US\$'000s
Fair value measurement using significant unobservable inputs		
Aircraft	1,109,342	1,055,970
Aircraft purchase rights	19,180	27,110

Aircraft were valued at 30 June 2020. Refer to Note 11 for the details on the valuation technique and significant inputs used in the valuation.

Classification of financial instruments:

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
Financial assets measured at amortised cost:		
Cash and cash balances	117,661	114,585
Trade and other receivables	33,148	19,800
Finance lease receivables	52,283	93,007
	203,092	227,392
Financial liabilities measured at amortised cost:		
Trade and other payables	20,285	15,282
Loans and borrowings	1,065,096	1,071,738
Maintenance reserves	72,767	60,977
	1,158,148	1,147,997
Derivative used for hedging:		
Derivative financial liabilities	(24,140)	(27,928)
Financial assets fair value through profit or loss:		
Aircraft purchase rights	19,180	27,110

5 REVENUE

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
Lease rental revenue	60,174	65,046
Less: amortisation of lease incentive asset	(541)	-
	<u>59,633</u>	<u>65,046</u>
Interest income on finance leases	765	1,318
Deposits released revenue	726	-
Maintenance reserves revenue	216	1,242
	<u>61,340</u>	<u>67,606</u>

Geographical analysis

	Europe	Asia Pacific	Total
	US\$'000s	US\$'000s	US\$'000s
31 Dec 2020	15,919	45,421	61,340
31 Dec 2019	21,115	46,491	67,606

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 2020	31 Dec 2019
	US\$'000s	US\$'000s
Within one year	100,572	129,744
One to two years	108,300	125,529
Two to three years	111,335	104,790
Three to four years	97,924	91,386
Four to five years	88,339	89,224
Later than five years	249,806	287,665

6 OTHER INCOME

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
Aircraft purchase option activation fee	1,182	-
Foreign currency exchange gain	384	42
Others	431	71
	<u>1,997</u>	<u>113</u>

7 OTHER EXPENSES

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
Aircraft repossession expenses	205	1,237
Aircraft maintenance expenses	896	-
Expected credit loss on receivables and accrued revenue	12,945	123
Others	-	3
	14,046	1,363

8 FINANCE INCOME

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
Interest income from financial institution	4	503
Interest income from non-financial institutions	68	-
Finance income from discounting non-current deposits to fair value	230	214
Gain on early cancellation of unsecured note	1,873	-
	2,175	717

9 FINANCE EXPENSES

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
Interest expense on borrowings	13,123	13,935
Interest expense on unsecured notes	11,199	11,375
Amortisation of loan transaction costs	3,134	2,554
Amortisation of interest expense on non-current deposits	217	220
Others	470	160
	28,143	28,244

10 RELATED PARTY TRANSACTIONS

Significant related party transactions:

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
Entities controlled by key management personnel (including directors):		
Rental expenses paid	(125)	(145)
Consulting fee paid	(42)	(174)
Service fee received	51	52

11 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Aircraft engine	Jet aircraft	Turboprop aircraft	Total
	US\$'000s	US\$'000	US\$'000s	US\$'000s	US\$'000s
31 December 2020:					
<i>Cost or valuation:</i>					
At 1 July 2020	92	1,940	814,749	441,799	1,258,580
Additions	-	-	-	-	-
Reclassified from held under finance leases	-	-	-	41,434	41,434
Reclassified from asset held for sale	-	-	106,124	-	106,124
Impairment recognised in equity	-	-	(934)	-	(934)
At 31 December 2020	92	1,940	919,939	483,233	1,405,204
Representing:					
At cost	92	1,940	-	-	2,032
At valuation	-	-	919,939	483,233	1,403,172
	92	1,940	919,939	483,233	1,405,204
<i>Accumulated depreciation and impairment:</i>					
At 1 July 2020	60	41	97,542	103,036	200,679
Depreciation expense	8	43	16,609	6,992	23,652
Reclassified from asset held for sale	-	-	23,241	-	23,241
Impairment loss	-	-	32,318	14,334	46,652
At 31 December 2020	68	84	169,710	124,362	294,224
<i>Net book value:</i>					
At 1 July 2020	32	1,899	717,207	338,763	1,057,901
At 31 December 2020	24	1,856	750,229	358,871	1,110,980

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 2020:					
<i>Cost or valuation:</i>					
At 1 July 2019	80	-	916,534	450,439	1,367,053
Additions	12	1,940	-	57,737	59,689
Reclassified as held under finance leases	-	-	-	(57,047)	(57,047)
Reclassified as asset held for sale	-	-	(106,124)	-	(106,124)
Impairment recognised in equity	-	-	4,339	(9,330)	(4,991)
At 30 June 2020	92	1,940	814,749	441,799	1,258,580
Representing:					
At cost	92	1,940	-	-	2,032
At valuation	-	-	814,749	441,799	1,256,548
	92	1,940	814,749	441,799	1,258,580
<i>Accumulated depreciation and impairment:</i>					
At 1 July 2019	41	-	73,065	68,623	141,729
Depreciation expense	19	41	31,928	14,678	46,666
Reclassified as asset held for sale	-	-	(16,189)	-	(16,189)
Impairment loss	-	-	8,738	19,735	28,473
At 30 June 2020	60	41	97,542	103,036	200,679
<i>Net book value:</i>					
At 1 July 2019	39	-	843,469	381,816	1,225,324
At 30 June 2020	32	1,899	717,207	338,763	1,057,901

Assets pledged as security

The Group's aircraft with carrying values of US\$1,080.2 million (30 June 2020 : US\$1,083.6 million) are mortgaged to secure the Group's borrowings (Note 20).

Additions and disposals

During the six months ended 31 December 2020, two turboprop aircraft held under finance leases were reclassified to property, plant and equipment.

During the six months ended 31 December 2020, two jet aircraft were reclassified to property, plant and equipment from assets held for sale.

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

The Group's aircraft were valued in June 2020 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% (2019: 5.75% to 7.75%) per annum for jet aircraft and 5.50% to 9.00% (2019: 6.00% to 9.25%) per annum for turboprop aircraft. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles.

During the six months ended 31 December 2020, a downward revaluation of US\$0.9 million to equity and an impairment loss of US\$46.6 million was recognised during the year.

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

	31 Dec 2020		30 Jun 2020	
	Jets US\$'000s	Turbo props US\$'000s	Jets US\$'000s	Turbo props US\$'000s
Cost	899,015	471,701	792,891	430,267
Accumulated depreciation and impairment	(167,924)	(120,388)	(97,291)	(99,149)
Net book value	731,091	351,313	695,600	331,118

Geographical analysis

31 Dec 2020	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
Capital expenditure	-	-	-
Net book value – aircraft and aircraft engines	356,459	754,497	1,110,956
30 Jun 2020	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
Capital expenditure	59,583	106	59,689
Net book value – aircraft and aircraft engines	331,651	726,218	1,057,869

12 TRADE AND OTHER RECEIVABLES

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
Current		
Trade receivables	34,294	7,900
Less:		
Allowance for expected credit loss for trade receivables	(12,874)	(205)
	21,420	7,695
Accrued revenue	4,506	8,522
Less:		
Allowance for expected credit loss for accrued revenue	(393)	(137)
	4,113	8,385
Other receivables	2,519	1,922
Less:		
Allowance for expected credit loss for other receivables	(670)	(670)
	1,849	1,252
Interest receivables	82	217
Less:		
Allowance for expected credit loss for interest receivables	(29)	(9)
	53	208
Deposits	50	46
Prepaid expenses	1,246	624
	28,731	18,210
Non-current:		
Other receivables	652	-
Deposits for aircraft	10,599	10,599
Prepaid expenses	191	279
Right-of-use assets	610	723
	12,052	11,601

13 FINANCE LEASE RECEIVABLES

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

	31 Dec 2020		31 Jun 2020	
	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	5,793	3,828	11,126	7,988
One to two years	5,793	4,014	8,785	6,167
Two to three years	5,793	4,210	8,785	6,443
Three to four years	33,825	31,287	8,785	6,728
Four to five years	9,295	8,944	62,546	57,545
Later than five years	-	-	8,185	8,136
Total minimum lease payments	60,499	52,283	108,212	93,007
Less: amounts representing interest income	(8,216)	-	(15,205)	-
Present value of minimum lease payments	52,283	52,283	93,007	93,007

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 2020.

15 DERIVATIVE FINANCIAL LIABILITIES

	Contract/ notional amount		Fair value	
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Current liability				
Interest rate swap	11,113	-	(105)	-
Non-current liability				
Interest rate swap	282,619	304,507	(23,554)	(27,458)
Cross-currency interest rate swap	4,000	4,000	(481)	(470)
	286,619	308,507	(24,035)	(27,928)

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

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

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

The swap contracts mature between 23 September 2021 and 21 November 2030.

Changes in the fair value of these interest rate swap and cross-currency interest rate swap contracts are recognised in the fair value reserve. The net fair value gain net of tax of US\$3.6 million (31 December 2019: loss of US\$0.5 million) on these derivative financial instruments was recognised in the fair value reserve for the six month period ended 31 December 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 under 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 (that is, as prices) or indirectly (that is, derived from prices) are included as inputs for the determination of fair value.

The Group has also designated certain Euro denominated loans as cash flow hedges of foreign currency exchange risk derived from Euro denominated leases. 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 recycled through profit or loss over the remaining term of the related loan on a straight-line basis.

16 AIRCRAFT PURCHASE RIGHTS

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
Aircraft purchase rights, at fair value	19,180	27,110

17 CASH AND BANK BALANCES

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
Fixed deposits	-	10,067
Other cash and bank balances	117,661	104,518
Total cash and bank balances	117,661	114,585
Less: restricted	(92,237)	(79,295)
Cash and cash equivalents	25,424	35,290

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

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 2020	30 Jun 2020
	US\$'000	US\$'000s
Assets held for sale:		
Property, plant and equipment - aircraft		
At 1 July 2020/ 1 July 2019	82,884	-
Additions	-	89,935
Impairment loss	-	(7,051)
Transfer to property, plant and equipment	(82,884)	-
At 31 Dec/30 June	-	82,884
Lease incentive asset	-	8,384
	-	91,268
Liabilities directly associated with assets held for sale:		
Deposit collected	-	1,240
Lessor maintenance contribution	-	8,908
Maintenance reserves	-	135
	-	10,283

19 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	31 Dec 2020		30 Jun 2020	
	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 2020/ 1 July 2019	64,879,942	1,108	64,609,939	1,104
Issue of shares	-	-	270,003	4
At 31 Dec/30 June	64,879,942	1,108	64,879,942	1,108

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 2020		30 Jun 2020	
	No of treasury shares	US\$'000s	No of treasury shares	US\$'000s
At 1 July 2020/ 1 July 2019	2,210,000	7,811	300,000	1,147
Acquired during the period	-	-	1,910,000	6,664
At 31 Dec/30 June	2,210,000	7,811	2,210,000	7,811

(c) Net asset value per share

	31 Dec 2020	30 Jun 2020
Net asset value per share (US\$) ⁽¹⁾	\$2.38	\$3.53
Net asset value per share (GBP) ⁽²⁾	£1.74	£2.86

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

⁽²⁾ Based on GBP:US\$ exchange rate as at 31 Dec 2020 of 1.37 (30 June 2020 : 1.23).

20 LOANS AND BORROWINGS

			31 Dec 2020	30 Jun 2020
			US\$'000s	US\$'000s
Secured borrowings			723,725	725,082
Unsecured notes			341,371	346,656
Total loans and borrowings			1,065,096	1,071,738
Less: current portion			(437,791)	(536,983)
Non-current loans and borrowings			627,305	534,755

	Maturity		Weighted average interest rate per annum	
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s	%	%
Secured borrowings	2021-2031	2021-2031	3.7%	3.6%
Unsecured notes	2021	2021	6.5%	6.5%

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

21 MAINTENANCE RESERVES

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
Current	15,238	3,836
Non-current	57,529	57,141
Total maintenance reserves	72,767	60,977

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
At 1 July 2020/ 1 July 2019	60,977	32,491
Contributions	14,168	34,503
Utilisations	(2,297)	(4,399)
Released to profit or loss	(216)	(1,618)
Transferred from liabilities associated with asset held for sale	135	-
At 31 Dec/30 June	72,767	60,977

22 CAPITAL COMMITMENTS

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

	31 Dec 2020	30 Jun 2020
	US\$'000s	US\$'000s
Property, plant and equipment	155,140	155,140

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 2020, the Group has commitments to purchase eight ATR 72-600 aircraft from the manufacturer with expected delivery dates over a three-year period.

The Company is currently in discussion with the manufacturer regarding a reduction in the number of ATR 72-600 aircraft on order and re-scheduling of delivery dates.

23 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2020.

24 DIVIDENDS

	31 Dec 2020	31 Dec 2019
	US\$'000s	US\$'000s
<i>Dividends declared and/or paid during the six months ended 31 December 2020</i>		
<i>Dividends on ordinary shares</i>		
- First interim exempt (one-tier) dividend for Nil US cents (31 Dec 2019 : 8.50 US cents) per share	-	5,454
- Second interim exempt (one-tier) dividend for Nil US cents (31 Dec 2019 : 2.10 US cents) per share	-	1,319
	-	<u>6,773</u>

Dividends are recorded directly in equity when they are paid.

25 SUBSEQUENT EVENTS

On 8 February 2021, the Group has entered into a new lease for an ATR 72-600 with an existing Asian client airline for eight years lease at current market rates.

On 9 February 2021, the Group advises that it has reach an agreement with a group of bond holders on the terms of a maturity extension in relation to the Avation Capital S.A. 6.5% senior notes due May 2021 issued under Avation's global medium term note programme.

PRINCIPAL RISKS

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

The principal risks and uncertainties which may affect the Group in the second half of the financial year will include the typical risks associated with the aviation business, including but not limited to any downturn in the global aviation industry, fuel costs, finance costs, pandemics, war and radicalism 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 2020.

DIRECTORS

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2020. 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, 26 February 2021