

AVATION PLC
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2024

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

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AVATION PLC

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AVATION PLC

COMPANY INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

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AVATION PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Financial Highlights

- Revenue for the year was \$92.4 million (2023: \$92.7 million);
- Net asset value per share increased by 5.2% to \$3.62 (2023: \$3.44);
- Fleet assets were \$832.8 million (2023: \$898.6 million) and total assets were \$1,142.3 million (2023: \$1,179.6 million);
- Net indebtedness reduced by 10.9% to \$651.5 million (2023: \$731.2 million);
- Total cash and bank balances were \$117.9 million (2023: \$116.9 million);
- Operating profit of \$83.2 million (2023: \$71.5 million);
- Profit after tax was \$19.7 million (2023: \$12.9 million); and
- Earnings per share were 27.9 cents (2023: 18.5 cents);

Operational Activity

- The Company placed a firm order for ten new ATR 72-600 aircraft for delivery between the fourth quarter of 2025 and the second quarter of 2028;
- An ATR 72-500 and an ATR 72-600 turboprop aircraft were sold during the year;
- The Company successfully transitioned an Airbus A320-200 aircraft to a new lessee in December 2023;
- A previously off-lease ATR 72-600 aircraft started a lease with a new airline customer in Papua New Guinea in April 2024;
- Two Airbus A320-200 aircraft, two ATR 72-600 aircraft and an ATR 72-500 aircraft were re-financed with fixed rate long-term loans;
- The Company entered into an agreement to sell two ATR 72-600 aircraft on delivery from the manufacturer scheduled for October 2024 and March 2025; and
- Subsequent to the year-end a lessee exercised purchase options and acquired two ATR 72-600 aircraft from the Company.

Net indebtedness and fleet assets are non-GAAP financial measures provided to give investors and other stakeholders an enhanced understanding of the Company's financial position, cash flows and financial performance. Non-GAAP financial measures do not have standardised definitions and may not be comparable with similar measures used by other entities.

Comparative amounts for the year ended 30 June 2023 presented in this annual report have been restated as explained in the notes to the financial statements under "Change in accounting policy for maintenance reserves".

Business review

During the year ended 30 June 2024 Avation achieved 100% fleet utilisation for the first time since early 2020. Full utilisation was achieved by arranging a new lease for one aircraft and selling the other remaining off-lease aircraft. Avation's next lease expiry is due in March 2025 and is for an ATR 72-600 aircraft. There are no further scheduled lease expiries in the 2025 financial year.

Avation has continued to reduced debt and de-lever its balance sheet, achieving a reduction to 57.0% in the ratio of net debt to total assets as at 30 June 2024. A significant portion of the cashflow generated by the fleet is directed towards repayments of debt. Scheduled loan repayments for the 2025 financial year, amount to around US\$49.7 million, which exceeds expected depreciation of the fleet over the same period. The Company is hedged against further interest rate changes on 96.4% of its loans and borrowings.

AVATION PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Avation repurchased US\$18.0 million Avation Capital S.A. 8.25% October 2026 unsecured notes during the year. Following these repurchases there are US\$331.6 million notes outstanding. The Company may pursue additional repurchases or liability management exercises from time to time with the aim of further reducing the outstanding amount of unsecured debt in issue.

Avation plans to grow its business in a prudent and strategic manner. To that end the Company has placed an order for ten new ATR 72-600 aircraft to be delivered gradually over the period from Q4 2025 to Q2 2028. Avation's management believe that the contract price for this order is favourable compared to forward valuations for the aircraft type. The order was placed by exercising ten of the Company's purchase rights for new ATR aircraft. On placement of the order Avation was granted an additional six purchase rights and the expiry date for all purchase rights was extended to 2034. Avation now holds 24 purchase rights for new ATR 72 aircraft. All of the ordered aircraft will be equipped with the new PW127XT engine variant, which the manufacturer expects will be approved for use with sustainable aviation fuel in 2025. ATR is the world's number one regional aircraft manufacturer and offers the lowest-emissions regional aircraft.

In order to partially fund the predelivery payments due for the ten aircraft order, the Company has agreed to sell two ATR 72-600 aircraft which were ordered previously and are scheduled to be delivered by the manufacturer in October 2024 and March 2025. The sale of these two aircraft is expected to release around US\$10 million.

We are confident that the Company will be able to place the new aircraft ordered for delivery between 2025 and 2028.

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. In the short term the Company is considering further growth in its narrow body fleet.

Avation supports the transition of the aircraft industry towards aircraft capable of using SAF to produce lower CO2 emissions on a net basis. Reducing CO2 emissions is key to providing a sustainable future for the global aviation industry and in addressing climate-change risks.

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

Avation 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.

Funding for aircraft acquisitions is traditionally sourced from capital markets, asset-backed lending, operational cash flows and disposals of aircraft. The ability to access acceptably priced funding is a key profit driver in aircraft leasing.

Principal risks factors facing the aircraft leasing industry include, but are not limited to, exposure to the airline industry and the risk of deterioration in the financial condition of airline customers, asset value risk driven by changing patterns of supply and demand and technological change, operational risks including risks resulting from war, acts of terrorism and natural disasters, regulatory risks from changes to government regulations and tax laws and climate-change risks.

The Directors may seek to repurchase ordinary shares in the Company from time to time subject to the terms of a share buy-back mandate which expires at the conclusion of the next Annual General Meeting.

AVATION PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Outlook

The market for air travel has continued to perform strongly with IATA reporting record passenger volumes in their latest air passenger market analysis report. Industry RPKs grew 8.0% in the year to July 2024 led by international travel with 10.1% growth followed by domestic travel with 4.8% growth.

Growth in passenger volumes was recorded in all regions in the year to July 2024.

Avation has recently focussed on transitioning or disposing of unutilised aircraft, maintaining liquidity, managing costs and reducing leverage. The Company recently sold one of its last two remaining unutilised aircraft and leased the other to a new customer airline. As a result, the Company's fleet is now fully utilised for the first time since early in 2020.

The Company's focus will now shift towards growing the fleet and identifying opportunities to place the ten new ATR aircraft recently ordered by exercising purchase rights.

Avation aims to gradually transition to a more sustainable, lower CO2 emissions aircraft fleet. Aircraft delivered from Avation's orderbook and exercised purchase rights will be fitted with the new Pratt and Whitney Canada PW127XT engine. The PW127XT engine promises 20% lower maintenance costs, extended time on wing, 3% lower fuel consumption and 5% more power compared with the current engine variant. The manufacturer expects that the PW127XT engine will be certified to operate with sustainable aviation fuel ("SAF"¹) from 2025. Net emissions of CO2 are expected to be reduced when using SAF.

We also anticipate gradually trading out of older aircraft types and focussing on aircraft types such as the Airbus NEO and A220 series in addition to ATR turboprop aircraft. The Company's portfolio already includes a significant proportion of Airbus A220 and ATR 72 aircraft.



Robert Jeffries Chatfield
Executive Chairman
Singapore
25 October 2024

¹ Sustainable aviation fuel or SAF is the main term used by the aviation industry (including IATA and the International Civil Aviation Organization) to describe a non-conventional (non-fossil derived) aviation fuel. SAF is the preferred IATA term for this type of fuel although when other terms such as sustainable alternative fuel, sustainable alternative jet fuel, renewable jet fuel or biojet fuel are used, in general, the same intent is meant.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

The Directors present their strategic report for the year ended 30 June 2024.

BUSINESS OVERVIEW

Avation PLC and its subsidiaries ("Avation", the "Group") is a commercial passenger aircraft leasing group managing a fleet of 34 aircraft, as of 30 June 2024. Avation was founded in 2006 and has now been in operation for 18 years. Avation leases aircraft to 16 airline customers spread across 14 countries in Europe and the Asia-Pacific region. Major customers include Vietjet Air, airBaltic, EVA Air and Philippine Airlines. The Group's fleet includes 13 narrow-body jets, two twin-aisle jets and 19 ATR 72 twin-engine turboprop aircraft. An analysis of the fleet is provided below under "Fleet Overview".

Avation operates from its headquarters in Singapore where it is tax resident and, since 2014, a beneficiary of the Singapore Aircraft Leasing Scheme ("ALS") tax incentive. In August 2024 Avation was granted a further five-year extension to its ALS tax incentive at a reduced 8% tax rate.

Avation's management team has extensive experience in the aviation industry and has the expertise to select, acquire and manage aircraft that have achieved strong operational performance for our customers and generated stable returns for our shareholders. The company maintains in-house commercial, legal, technical and finance teams and operates as a full-service aircraft leasing platform.

Avation aims to grow its fleet and continue to diversify its customer base over the coming years. The Group has twelve ATR 72-600 aircraft on order from the manufacturer, which are currently scheduled to be delivered between the fourth quarter of 2024 and the second quarter of 2028. The Group also holds purchase rights for a further 24 ATR aircraft. The Group may also acquire additional new and second-hand jet aircraft on an ad-hoc basis. Older aircraft are sold when opportunities arise with the aim of maintaining a low average fleet age.

Avation's ordinary shares are traded on the Main Market of the London Stock Exchange under the ticker symbol LSE: AVAP.

BUSINESS MODEL

Avation aims to grow its fleet and build long-term shareholder value by focussing on a) new turboprop regional aircraft, principally the popular and fuel-efficient ATR 72-600 model and b) new and second-hand narrow-body jets, in particular the popular Airbus A320/A321, A220 and Boeing 737 aircraft families. The Group will also consider acquiring additional twin-aisle aircraft as part of its strategy to build a diversified portfolio of aircraft. Owning a diversified portfolio of aircraft types is intended to mitigate overall market and residual value risk. As the fleet grows, the Group seeks to continually diversify its customer base as part of its overall credit risk management strategy.

Avation has developed a sustainable, low emissions aircraft growth strategy. This initiative was supported by the recent release of the new lower emissions PW127XT engine and announcement that future variants of the ATR 72 aircraft will include hybrid technology and use 100% Sustainable Aviation Fuel. In addition, an ATR 72 aircraft has also completed the first 100% Sustainable Aviation Fuel commercial flight.

The Company's future business strategy will be to focus on leasing modern, low CO2 emissions, fuel-efficient aircraft. We anticipate gradually trading out of older aircraft types and focussing on aircraft types such as the Airbus NEO and A220 series in addition to ATR 72 aircraft with the recently announced new generation engines. The Company's portfolio already comprises a significant proportion of Airbus A220 and ATR 72 aircraft showing our commitment to new technology, fuel-efficient aircraft types.

Future ATR 72 deliveries from Avation's orderbook will be powered by the new Pratt and Whitney Canada PW127XT engine which promises 20% lower maintenance costs, extended time on wing, 3% lower fuel consumption and 5% more power compared with the current engine. The manufacturer expects that the PW127XT engine will be certified to operate with 100% SAF from 2025. When using SAF net emissions of CO2 will be reduced by 80%.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Industry data suggests that airlines will require significant numbers of leased aircraft in the future to replace older aircraft that will be retired and to satisfy projected growth in demand for air travel. Airlines' balance sheets were negatively impacted during the COVID-19 pandemic, reducing their ability to purchase aircraft directly. This supports the Company's strategy of focussing on young and popular commercial aircraft.

The Group finances the acquisition of new aircraft using internally generated cash flows, senior and junior secured debt finance, the issuance of unsecured notes under its Global Medium-Term Note programme and the issuance of new ordinary shares. The Group manages debt issuance with the overall aim of achieving the lowest possible overall cost of debt, while maintaining appropriate leverage ratios. Debt on older aircraft may be re-financed when there is an opportunity to reduce the Group's overall cost of debt, and to release equity for investment in new aircraft.

The Board applies prudent financial management principles to manage risk when acquiring aircraft by seeking to match lease and financing in both term and currency. Interest rate risk is managed using mostly fixed or hedged interest rate debt. Secured loans are amortised to conservative balloon payments over the terms of the underlying leases.

FLEET OVERVIEW

Aircraft Type	30 June 2024	30 June 2023
ATR 72-600	15	16
ATR 72-500	4	5
Airbus A220-300	5	5
Airbus A320-200	2	2
Airbus A321-200	6	6
Airbus A330-300	1	1
Boeing 777-300ER	1	1
Total	34	36

At 30 June 2024, Avation's fleet comprised 34 aircraft, including five aircraft on finance lease. Avation serves 16 customers in 14 countries. The weighted average age of the fleet is 7.3 years (30 June 2023: 6.4 years) and the weighted average remaining lease term is 4.1 years (30 June 2023: 5.0 years).

One ATR 72-500 and one ATR 72-600 aircraft were sold during the period. Turboprop and narrowbody aircraft make up 82% of fleet assets as at 30 June 2024. Fleet assets have decreased 7.3% to US\$832.8 million (30 June 2023: US\$898.6 million) as a result of aircraft sales and depreciation. As at the date of this report, Avation's fleet is fully utilised. Subsequent to the year-end two ATR 72-600 aircraft were sold to the lessee pursuant to the exercise of purchase options.

Avation has orders for twelve new ATR 72-600 aircraft and purchase rights for a further 24 aircraft as at 30 June 2024. The first two ordered aircraft which are scheduled for delivery in October 2024 and March 2025 have been sold to a customer in the Caribbean. The order-book and purchase rights provide a pathway to future fleet growth.

MARKET TRENDS AND FUTURE DEVELOPMENTS

Aircraft leasing is a growth industry which, historically, has taken an increasing share of ownership of the commercial passenger aircraft fleet. Avation expects that the percentage of leased aircraft in the global fleet will remain high in future due to the flexibility that the leasing model provides for airlines and also due to the ability of leasing companies to access financial capital.

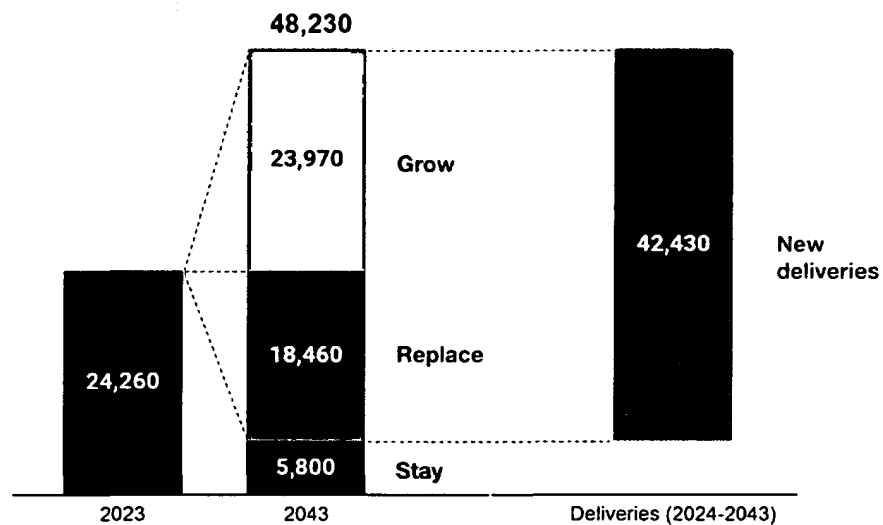
The market for air travel has continued to perform strongly with IATA reporting record passenger volumes in their latest air passenger market analysis report. Industry RPKs grew 8.0% in the year to July 2024 led by international travel with 10.1% growth followed by domestic travel with 4.8% growth. Growth in passenger volumes was recorded in all regions in the year to July 2024.

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STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

The aircraft leasing industry benefits from good long-term fundamentals including growth in global demand for air travel, capital constraints amongst airlines and normal cycles of aircraft replacement. Airbus estimates that the global commercial aircraft fleet will double from around 24,000 aircraft to around 48,000 aircraft between 2024 and 2043.

Number of aircraft



Passenger traffic is expected to increase at a compounded annual growth rate of 3.6% between 2027 and 2043 which implies a doubling of demand over the next 20 years. Airbus forecasts that 42,430 aircraft (replacement and growth) will be required over the next 20 years, of which 46% are expected to be in Asia-Pacific, 19% in Europe, 17% in North America, and of the total, 79% are expected to be single aisle. ²

Around 30% of the current global commercial aircraft fleet are new generation more fuel-efficient types such as the Airbus A220 and A320/A321 neo types. Over the next 20-year period 95% of the global fleet is expected to transition to new generation aircraft types.

Avation expects that this trend will support the company's future strategy of gradually trading out of older aircraft types and focussing on aircraft types such as the Airbus NEO and A220 series in addition to ATR 72 aircraft with new generation PW127-XT engines.

² Airbus Global Market Forecast 2024

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

PRINCIPAL RISKS AND UNCERTAINTIES

The aircraft leasing sector is highly competitive and Avation is exposed to a number of market related, operational and financial risks. The Group is committed to mitigating business risk through the application of prudent risk management policies. The risks and uncertainties described below are those that the Group has identified as most significant to the business. Avation's Board of Directors is responsible for managing risk and reviews risk management policies regularly.

Market related risks:

Exposure to the airline industry

The Group's customers are commercial airlines which are financially exposed to the demand for passenger air travel. The financial condition of commercial airlines may weaken due to several factors including but not limited to local and global economic conditions, increased competition between airlines, speculative ordering of new aircraft, war, terrorism, pandemics and natural disasters. If the financial condition of the Group's airline customers weakens for any reason, the Group may be exposed to increased risks of lessee default and lower lease rates for its aircraft.

Asset value risk

Fluctuations in the supply and demand for aircraft and aircraft travel may impact values of and lease rates for the Group's aircraft. Market forces and prevailing economic conditions may change over the economic lives of the Group's aircraft and could have a positive or negative impact on aircraft valuations.

Advances in aircraft technology may create obsolescence in the fleet before the end of aircrafts' current estimated useful lives. The Group regularly obtains independent third-party valuations for its fleet and may dispose of aircraft in order to reduce its exposure to certain aircraft types. Avation has a policy of investing in popular aircraft types on the basis that asset values and lease rates will be supported by continuing high demand for these aircraft. Avation will consider acquiring additional twin-aisle aircraft, in addition to narrow-body jets and turboprops, as part of its strategy to build a diversified portfolio of aircraft. Twin-aisle aircraft have a risk profile which may be more exposed to technology change factors and the introduction of new more fuel-efficient models.

Operational risks:

Economic, legal and political risks

Avation leases aircraft to lessees in many different jurisdictions. As such the Group is exposed to economic, legal and political risk in those jurisdictions. Avation's aircraft are subject to operational risks specific to the aviation sector resulting from war, acts of terrorism or the threat of terrorism, and natural disasters. The Group mitigates these risks by requiring airline lessees to maintain adequate insurance over the aircraft.

Regulatory risks

Avation's fleet operates in many jurisdictions and complies with tax and other regulatory requirements in those jurisdictions. There is a risk that changing tax and regulatory regimes may have an impact on the business and the Group's financial results.

Lessee risks

Avation's airline lessees are responsible for all maintenance and safety checks. The requirements for each airline lessee to service and maintain the aircraft are set out in the lease agreements. There is a risk that airlines may not properly maintain aircraft which may lead to an impairment of the aircraft's value. In order to mitigate this risk, the Group closely monitors each airline's usage of aircraft and their compliance with agreed maintenance schedules. Avation requires that some lessees make maintenance reserve payments to ensure that there is adequate funding at all times for proper maintenance of the aircraft.

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STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Financial risks:

Avation's financial risk management objectives and policies are set out in note 8 to the financial statements and are as follows:

- Airline industry risks
- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk
- Capital risk

FINANCIAL REVIEW

Comparative amounts as at and for the year ended 30 June 2023 have been restated for a change in accounting policy for maintenance reserves.

US\$ '000s	Year ended 30 June,	
	2024	2023
Revenue	92,397	92,691
Other income	3,575	7,389
	95,972	100,080
Operating profit	83,218	71,463
Profit before tax	30,046	13,830
Profit after tax	19,735	12,944
EPS (basic)	27.85c	18.50c

US\$ '000s	30 June,	
	2024	2023
Fleet assets ³	832,818	898,616
Total assets	1,142,321	1,179,596
Total cash and bank balances ⁴	117,940	116,905
Cash and cash equivalents	23,561	24,816
Net asset value per share (US\$) ⁵	US\$3.62	US\$3.44
Net asset value per share (GBP) ⁶	£2.85	£2.71

³ Fleet assets are defined as property, plant and equipment plus assets held for sale plus finance lease receivables.

⁴ Total cash and bank balances as at 30 June 2024 comprise cash and cash equivalents of US\$23.6 million (30 June 2023: US\$24.8 million), investment in fixed deposits of US\$nil (2023: US\$1.2 million) and restricted cash balances of US\$94.4 million (30 June 2023: US\$90.9 million).

⁵ Net asset value per share is total equity divided by the total number of shares in issue, excluding treasury shares.

⁶ Based on GBP:USD exchange rate as at 30 June 2024 of 1.27 (30 June 2023:1.27).

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Financial Analysis

Revenue

US\$ '000s	Year ended 30 June,	
	2024	2023
Lease rental revenue	87,749	85,936
Less: amortisation of lease incentive assets	(2,721)	(1,368)
	85,028	84,568
Interest income from finance leases	2,018	2,230
Maintenance reserves income	5,351	5,893
End of lease compensation revenue	-	-
	92,397	92,691

Lease rental revenue increased by 2.1% to US\$87.7 million in the year ended 30 June 2024 from US\$85.9 million in the year ended 30 June 2023. The increase was principally due to increased utilisation of the fleet in the year ended 30 June 2024.

Interest income from finance leases decreased by 9.5% from US\$2.2 million in the year ended 30 June 2023 to US\$2.0 million in the year ended 30 June 2024. The decrease was principally due to the reduction in finance lease receivables resulting from principal repayments received during the year.

Other income

US\$ '000s	Year ended 30 June,	
	2024	2023
Foreign currency exchange gain	807	3,154
Claim recovery	443	3,137
Fees for late payment	1,828	966
Deposit released	350	-
Others	147	132
	3,575	7,389

Foreign currency exchange gains in the year ended 30 June 2023 arose principally from the release of deferred hedged foreign currency exchange gains on two Euro loans that were refinanced during the period.

Claim recoveries recognised in other income are the balance of distributions paid to creditors of Virgin Australia in excess of amounts allocated to trade receivables.

Administrative expenses

US\$ '000s	Year ended 30 June,	
	2024	2023
Staff costs	5,487	5,587
Other administrative expenses	3,305	3,173
	8,792	8,760

Staff costs reduced by 1.8% from US\$5.6 million in the year ended 30 June 2023 to US\$5.5 million in the year ended 30 June 2024 principally due to lower charges for employee share warrants offsetting higher employee performance payments.

Other administrative expenses increased by 4.2% from US\$3.2 million in the year ended 30 June 2023 to US\$3.3 million in the year ended 30 June 2024 principally due to inflationary increases to audit and accounting costs and general office overheads.

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STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Other operating income and expense items

US\$ '000s	Year ended 30 June,	
	2024	2023
Depreciation	(37,251)	(38,566)
Gain on derecognition of a finance lease	-	2,792
Loss on disposal of aircraft	(2,915)	(1,000)
Unrealised gain on aircraft purchase rights	46,886	20,540
Unrealised (loss)/gain on equity investment	(490)	7,520
Impairment (loss)/reversal of impairment loss on aircraft	(5,573)	3,287
Aircraft transition expenses	(2,607)	(11,389)
Reversal of/(provision for) expected credit losses	239	(659)
Legal and professional fees	(2,251)	(2,382)

Depreciation reduced by 3.4% from US\$38.6 million to US\$37.3 million due to a reduction in the fleet.

A gain of US\$2.8 million was recognised in the year ended 30 June 2023 on derecognition of a finance lease for an aircraft repossessed from a defaulting airline in Myanmar. The gain represents the positive difference between the outstanding value of the finance lease receivable and the broker valuation of the aircraft's market value at the date of termination of the lease.

Avation terminated a lease of an ATR 72-500 aircraft to an Indian airline in the year ended 30 June 2024. The aircraft was repossessed from the airline and subsequently sold, generating a loss on sale of US\$2.9 million.

The Company's 24 aircraft purchase rights were revalued at 30 June 2024 using a Black-Scholes option pricing model. The principal factors leading to the recognition of a gain of US\$46.9 million (2023: US\$ 20.5 million) were increases in the appraised value of the ATR 72-600 aircraft and an agreed extension of the expiry dates for the purchase rights to 2034.

The Company recorded an unrealised loss of US\$0.5 million on its holding of shares in Philippine Airlines, Inc. (2023: gain of US\$7.5 million). The Company received these shares as part of the settlement awarded to creditors in the bankruptcy restructuring of the airline in December 2021.

Aircraft transition expenses of US\$2.6 million (2023: US\$11.4 million) represent repairs and maintenance expenditure on aircraft repossessed following airline defaults resulting from the COVID-19 pandemic and expenditure incurred in the transition of an A320-200 aircraft during the year. The Company expects transition expenses to remain low in future periods as all aircraft in the fleet are currently on lease.

The net reversal of expected credit losses of US\$0.2 million (2023: US\$0.7 million expense) primarily relate to reduced rent arrears and amounts due under a payment plan agreement loan granted to an airline in South-East Asia. During the year ended 30 June 2024 the airline has reduced its total arrears and loan balance by US\$19.0 million.

Legal and professional fees reduced by 5.5% from US\$2.4 million in the year ended 30 June 2023 to US\$2.3 million in the year ended 30 June 2024 due to reduced transaction activity.

Finance income

US\$ '000s	Year ended 30 June,	
	2024	2023
Interest income	6,009	3,129
Fair value gain on financial derivatives	-	1
Finance income from discounting non-current deposits	652	611
Gain on repurchase of unsecured notes	675	508
Gain on early full repayment of borrowings	2,507	1,657
	9,843	5,906

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Interest income increased in the year ended 30 June 2024 as excess cash was transferred into term deposit accounts to take advantage of favourable deposit interest rates.

Interest income includes US\$0.7 million (2023: US\$1.2 million) interest on payment plan agreement loans granted to a customer.

Avation generated a gain of US\$0.7 million (2023: US\$0.5 million) on the repurchase of US\$18.0 million of Avation Capital S.A. 8.25%/9.0% unsecured notes at a discount during the year.

Gains on early repayment of borrowings of US\$2.5 million (2023: US\$ 1.7 million) arose on termination of interest rate swaps when five aircraft loans were refinanced and three aircraft loans were repaid in full. As at the date of this announcement the company has five unencumbered aircraft.

Finance expenses

US\$ '000s	Year ended 30 June,	
	2024	2023
Interest expense on secured borrowings	20,047	21,170
Interest expense on unsecured notes	29,321	30,976
Interest expense on borrowings from related parties	-	271
Amortisation of loan transaction costs	1,571	1,057
Amortisation of IFRS 9 gain on debt modification	10,709	8,711
Fair value loss on financial derivatives	405	577
Amortisation of interest expense on non-current borrowings	635	571
Others	327	206
	63,015	63,539

Interest expense on secured borrowings reduced by 5.3% to US\$20.0 million in the year ended 30 June 2024 from US\$21.2 million in the year ended 30 June 2023 as a result of net repayments of secured loans. Secured borrowings have been paid down by US\$79.7 million from US\$452.5 million at 30 June 2023 to US\$372.8 million at 30 June 2024.

Interest expense on unsecured notes includes US\$4.3 million (2023: US\$8.6 million) of non-cash interest paid in kind by increasing the face value of Avation Capital S.A. 8.25%/9.0% unsecured notes.

Amortisation of IFRS 9 gain on debt modification of US\$10.7 million (2023: US\$ 8.7 million) represents the non-cash accretion in the book value of Avation Capital S.A. 8.25%/9.0% unsecured notes resulting from the accounting treatment of the extension and changes to the terms of the notes agreed with noteholders in March 2021. The extension was accounted for as a substantial modification of a debt instrument in accordance with IFRS 9. The face value of Avation Capital S.A. 8.25%/9.0% unsecured notes outstanding as of 30 June 2024 is US\$331.6 million.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

DEBT SUMMARY

US\$ '000s	30 June,	
	2024	2023
Current loans and borrowings	49,668	61,401
Non-current loans and borrowings	625,426	694,575
Total loans and borrowings	675,094	755,976
Cash and cash equivalents	23,561	24,816
Net indebtedness ⁷	651,533	731,160
Net debt to total assets ⁸	57.0%	62.0%
Weighted average cost of secured debt ⁹	4.8%	4.5%
Weighted average cost of total debt ¹⁰	6.4%	6.1%

During the period net indebtedness was reduced by 10.9% to US\$651.5 million (30 June 2023: US\$731.2 million). Five aircraft were re-financed with long-term fixed rate debt in the year.

The weighted average cost of total debt has increased to 6.4% as at 30 June 2024 (30 June 2023: 6.1%) due to repayments of lower cost secured loans in the period. The weighted average cost of secured debt also increased to 4.8% at 30 June 2024 (30 June 2023: 4.5%).

At the end of the financial period, Avation's net debt to total assets ratio improved to 57.0% (30 June 2023: 62.0%). As at 30 June 2024, 96.4% of total debt was at fixed or hedged interest rates (30 June 2023: 95.8%). The ratio of unsecured debt to total debt was 44.8% (30 June 2023: 40.1%).

The Company's current credit rating is as follows:

Rating Agency	Corporate Credit Rating	Unsecured Notes Rating
Standard & Poor's	B- (Stable outlook)	CCC+

Aircraft leasing is a capital-intensive industry. Avation manages interest rate risk as outlined in the risk management section of the note 8 in the notes to the financial statements. Any potential future increases in interest rates could impact the level of profitability of any new business the group undertakes although this could be mitigated by higher lease rates reflecting the current interest rate environment.

⁷ Net indebtedness is defined as loans and borrowings less unrestricted cash and bank balances.

⁸ Net debt to assets is defined as net indebtedness divided by total assets.

⁹ Weighted average cost of secured debt is the weighted average interest rate for secured loans and borrowings at period end.

¹⁰ Weighted average cost of total debt is the weighted average interest rate for total loans and borrowings at period end.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

CHANGE IN ACCOUNTING POLICY FOR MAINTENANCE RESERVES

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

The Group will recognise maintenance reserves as revenue over the term of a lease, to the extent that collected maintenance reserves are not expected to be reimbursed to the lessee, on the occurrence of specified maintenance events.

The Company projects it will collect a surplus of approximately US\$163.4m (unaudited) cash maintenance reserves in excess of maintenance reimbursements during the current lease terms.

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

A summary of the quantitative impact of this change in accounting policy is included in note 3 to the financial statements.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

CORPORATE SOCIAL RESPONSIBILITY

Avation is committed to the principles of being a good corporate citizen. For the 2024 financial year the group did not have any material matters to report on social, community and human rights issues.

Avation operates the following policies governing corporate ethics and behaviour:

- Anti-bribery policy
- Gifts and entertaining policy
- Modern slavery policy
- Whistleblowing policy
- Policy for dealing with Company securities

Environmental, social and governance

Avation is committed to environmental responsibility as part of its business strategy. This is achieved by investing in technologically advanced designs of commercial aircraft that offer improved fuel efficiency and lower emissions. A substantial percentage of our fleet are modern regional turboprop aircraft which provide significant environmental benefits over comparable jet aircraft due to their more economical use of fuel and consequently lower carbon dioxide emissions. The newest aircraft in our fleet include 5 new technology A220-300 aircraft, which provide significantly reduced fuel consumption and emissions in comparison to older aircraft.

As of 30 June 2024, 71% of our overall fleet by number are newer technology or lower carbon emission ATR and Airbus A220 aircraft.

Avation is a member of the Aviation Working Group (AWG) which has developed the aviation industry Aircraft Carbon Calculator, aimed at monitoring the carbon emissions of aircraft fleets. The AWG Aircraft Carbon Calculator provides an industry standard methodology for calculating and comparing aircraft carbon dioxide emissions. Use of the Aircraft Carbon Calculator will provide meaningful information and assist in monitoring and reporting of aircraft emissions.

As of 30 June 2024, Avation PLC has an MSCI ESG rating of BB (2023:BB).

Climate-related financial disclosures

The Risk Committee makes recommendations to the Board on the principal risks of relevance to the business. Climate-related risks are considered in terms of potential for contribution to these principal risks. The issues considered include both the risk of physical disruption to the business from climate change, and the risks and opportunities as the global economy transitions to significantly lower carbon emissions. In the current period, the Risk Committee concluded that climate related risks did not give rise to the level of a principal risk, except as part of Legal and Regulatory compliance.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

The following table presents the Task Force on Climate-Related Financial Disclosures ("TCFD") recommended disclosures on climate-change risks:

TCFD Recommendation	Compliance Status
Governance	
Describe the Board's oversight of climate-related risks and opportunities.	The Board of Directors have accountability for the management of climate related risks and opportunities. The Executive Directors are responsible for the day-to-day implementation, monitoring and management of our climate policies. The Group's Risk Committee supports the Directors in ensuring material climate-related narratives are identified and integrated into the Group's risk management processes, in addition to reviewing and recommending policy proposals to the Board. At present the Risk Committee does not assess climate-change risk to be a principal risk to the group, except as part of Legal and Regulatory Compliance.
Describe management's role in assessing and managing climate-related risks and opportunities.	Identified climate-related risks and opportunities are communicated to the Group's management team in bi-weekly meetings attended by the Group's executive Directors and senior members of the management team. Individuals tasked with particular climate-related tasks to carry out or reports to prepare provide regular updates on performance at these meetings.
Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Physical risks Avation's fleet may be exposed to the risk of physical damage or loss caused by climate-change related extreme weather events such as severe storms, flooding or fire. Demand for and patterns of air travel may be negatively impacted by long-term impacts of climate change such as rising sea levels, should these occur. Transition risks Regulatory actions to impose controls on greenhouse gas emissions are likely to result in additional legal and compliance costs for aviation business models, including aircraft lessors. The gradual transition of airline fleets away from older more-polluting aircraft types to latest-technology more fuel-efficient types is likely to have a negative impact on the secondary market and residual values for older aircraft. This risk is likely to increase further as new aircraft types featuring low carbon emissions propulsion systems such as SAF, hydrogen or electric power are introduced. Regulatory actions, consumer and market sentiment changes such as an increasing preference for lower emissions aircraft are likely to make it more difficult for businesses who continue to own or operate older aircraft types to raise capital or finance aircraft at competitive prices, or at all. Owners and/or operators of older aircraft types may also face reputational risk if not deemed to be transitioning to a low carbon emissions business model quickly enough.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

TCFD Recommendation	Compliance Status
	Short, medium and long-term risks and opportunities Commercial aircraft are long-lived assets with estimated useful lives of up to 25 years. In assessing risks and opportunities arising from climate change, Avation is therefore principally concerned with exposure to long-term risks and attaches less importance to short and medium-term timeframes when assessing climate change risks.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	The Risk Committee makes recommendations to the Directors on the principal risks of relevance to the business. Climate-related risks are considered in terms of potential for contribution to these principal risks. The issues considered include both the risk of physical disruption to the business from climate change, and the risks and opportunities as the global economy transitions to significantly lower carbon emissions. In the current period, the Risk Committee concluded that climate related risks did not give rise to the level of a principal risk, except as part of Legal and Regulatory Compliance. The majority of the group's assets are commercial aircraft. The useful lives and residual values of commercial aircraft may be affected should any of the physical or transition risks of climate change occur. Avation has not seen any impacts on useful lives or residual values resulting from climate change to date but will continue to monitor and consider the impact of climate-change risks on useful lives and residual values in future.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Worst Case scenario (>3°C) Our Worst-Case Scenario is a theoretical construct and narrative describing a world where climate action is delayed by world governments failing to act on climate change. Such delay may result in a world where physical climate change risks are the greatest across our three scenarios. Under the Worst-Case scenario the Group may face greater physical risks from climate-change related weather events and greater transitional risks from accelerated changing demand patterns. Paris Alignment Scenario (2-3°C) This scenario involves a market-led transition to a lower carbon future through global government commitments to the Paris Agreement. This would result in increased regulation of climate action and a reduction of the physical impacts of climate change compared with our Worst-Case scenario, where governments fail to legislate in accordance with the Paris Agreement. Under the Paris Alignment scenario the Group expects that its strategy will mitigate the material impacts of climate risk.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

TCFD Recommendation	Compliance Status
	Transformation Scenario (<2°C) This scenario sees a rapid decarbonisation pathway, where global emissions are close to zero in 2040, driven by society. The speed of change required to limit global warming to 1.5 degrees is likely to create instability in our supply chain as suppliers try to keep pace with decarbonisation demands and shifting preferences towards localisation. Under the Transformation Scenario the Group may face reduced physical risks but additional financial and transitional risks and additional opportunities from a more rapid switch to lower carbon emission propulsion systems for aircraft. Under this scenario there is a risk that ordinary aircraft passengers may be priced out of the air travel market. Hence, passenger numbers could fall.
Risk Management	
Describe the organisation's processes for identifying and assessing climate-related risks.	Avation's Risk Committee is responsible for identifying and assessing climate change related risks and for notifying the Board of any identified principal risks which are deemed to be material to the Company. Please refer to "Principal Risks and Uncertainties" within the Strategic Report for further information on Avation's risk management policies.
Describe the organisation's processes for managing climate-related risks.	The Directors are directly able to determine which risks and opportunities could have a material impact on the Group, as well as how to prioritise them. With a flat management structure and by taking a hands-on approach, the risks are actively managed within all aspects of the business.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change related matters are monitored by the Directors and Risk Committee to ensure that they are embedded in our risk management and planning process, in addition to our long-term strategic decision-making.
Metrics and targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Please refer to the table below.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Please refer to the table below. As the majority of the Company's GHG emissions are derived from our customers' use of our fleet of aircraft, total emissions may increase due to factors outside our control.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The Board of Directors has not set particular goals and targets related to climate-change risks or opportunities. The company is making available to the market upto 36 low carbon emissions ATR72 aircraft by way of its purchase rights and order book.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Greenhouse Gas Emissions

Direct emissions

Direct emissions are produced by sources which are owned or controlled by the reporting organisation and include electricity use, burning oil or gas for heating, and fuel consumption because of business travel or distribution.

The company does not directly generate greenhouse gas emissions from its business activities as it does not control airlines' usage of leased aircraft and Scope 1 CO₂ emissions are immaterial. Emissions from leased aircraft are disclosed as Scope 3 emissions.

Indirect emissions

Indirect emissions result from a company's upstream and downstream activities. These are typically from outsourced activities, and products and the services offered by the organisation.

Scope	Activity	TCO ₂ e 2024	TCO ₂ e 2023
Scope 1	-	-	-
Scope 2	Consumption of purchased electricity	16	16
Scope 3	Customers' use of our aircraft	527,400	525,100
	Employee business travel	280	144
Total		527,696	525,260

Usage of the Company's aircraft is under the control of lessees who are not required to provide emissions data to the Company. The Company estimates carbon emissions from lessees' usage of our aircraft using the "AWG Carbon Calculator" tool provided by the Aircraft Working Group. The AWG Carbon Calculator uses OEM source data to provide consistent and reliable estimates of aircraft carbon emissions.

Carbon emissions from consumption of purchased electricity are estimated by converting the Company's energy usage in kilowatt hours (KWh) into kilograms (Kg) of carbon dioxide emitted using Singapore's Grid Emission Factor (GEF), a measure of the amount of carbon dioxide emitted per kilowatt hour of electrical energy generated in Singapore. Energy usage is based on electricity consumption at the Company's sole office in Singapore.

Carbon emissions from employee business travel are estimated using UK Government Conversion Factors for greenhouse gas reporting.

Scope 3 Emissions from Customers' Use of Our Aircraft

	2024	2023
Total emissions (TCO ₂ e)	527,400	525,100
Aircraft flight hours	76,205	74,683
Seats	162	162
Average CO ₂ emissions per flight hour	6.9	7.0
Average CO ₂ emissions per seat per flight hour	42.8	43.5

Employees

It is the Group's policy to employ individuals with the necessary qualifications without regard to sex, marital status, race, creed, colour, nationality or religion. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

The Group recognises the great importance of the contribution made by all employees and aims to keep them informed of matters affecting them as employees and developments within the Group. Communication and consultation is achieved by a variety of means both within individual companies or branches and on a group-wide basis.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

A breakdown by gender of the number of persons who were Directors of the Company, senior managers and other employees as of 30 June 2024 is set out below:

	Male	Female
Directors of the Company	5	-
Senior managers	4	2
Other employees	9	5

A breakdown by gender of the number of persons who were Directors of the Company or senior managers as of 30 June 2024 is set out below:

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	100%	2	4	67%
Women	-	-	-	2	33%

A breakdown by ethnic identity of the number of persons who were Directors of the Company or senior managers as of 30 June 2024 is set out below:

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other white (including minority-white groups)	5	100%	2	3	50%
Asian/Asian British	-	-	-	3	50%

The Company collects data on gender and ethnic identity from employees and directors by means of self-identification.

As at 30 June 2024 the Company does not meet targets for:

- at least 40% of the individuals on its board of directors to be women;
- at least one of the positions of the chair, the chief executive, the senior independent director or the chief financial officer on its board of directors to be held by a woman; and
- at least one individual on its board of directors to be from a minority ethnic background.

The Company engages directors on the basis of ability without discrimination and has no internal targets for representation on the board on the basis of gender or ethnic identity.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

Section 172(1) statement

On the following pages we have set out how the Board has acted in a way that promotes the success of the Company for the benefit of its members as a whole, in accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, whilst having regard to the following matters set out in s.172(1) of the Act.

The likely consequences of any decision in the long term

The board is mindful that it should make decisions which are the best for the Company in the long term. The nature of the business of aircraft leasing is long-term, with typical aircraft leases being for ten or twelve years duration for new aircraft. The Company does undertake the trading of aircraft where they have reached a certain age and when market conditions are favourable. However, the transfer of an aircraft with a lease attached to it is transaction which would typically take three to five months to complete and therefore such transactions are undertaken on strategic timeframes. Equity released from the sale of aircraft is typically re-invested in financing or re-financing the purchase of aircraft.

The interests of the Group's employees

The board actively engages with employees to ensure that staff are kept up to date and informed. The Company has regular management meetings at which typically two of the Company's directors are present and which are attended by the majority of the Company's employees.

Staff have receive regular communications and updates from the Board to ensure that they are kept up to date and informed in respect of business performance, with management meetings being held on a bi-weekly basis.

The need to foster the Group's business relationships with suppliers, customers and others

Suppliers

The Company has long-term relationships with its suppliers which are primarily comprised of commercial lending organisations such banks and other financial institutions, as well as the manufacturers of aircraft and aircraft engines.

Customers

The Company has sixteen airline customers and maintains close relationships with them, indeed this is inherent in the nature of aircraft leasing. In particular, the Company needs to ensure that its customers are looking after and maintaining the aircraft and are otherwise complying with the terms of the respective aircraft leases.

The impact of the Group's operations on the community and the environment

The board recognises the importance of managing the community impact of the business and minimising any adverse impact of our operations on the environment. The Company is committed to investing in the latest aircraft with the lowest environmental emissions in each aircraft model category.

The desirability of the Group maintaining a reputation for high standards of business conduct

The board expects the highest standards of conduct throughout the business, both in respect of employees and in respect of its suppliers, advisers and agents. The board receives regular updates in respect of matters of regulatory compliance, and the business has policies, procedures and processes in place in respect of modern slavery, bribery and corruption.

AVATION PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

The need to act fairly as between members of the Company

The Company has a single class of ordinary shares, so all shareholders are treated equally. Details of how we engage with shareholders can be found in our corporate governance statement in the Directors' Report.

On behalf of the board



Robert Jeffries Chatfield
Executive Chairman

25 October 2024

AVATION PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2024

The Directors present their report and financial statements for the year ended 30 June 2024.

Principal activities and business review

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328). The principal activity of the Group is aircraft leasing. Details of activities carried out by subsidiary companies are set out in Note 23 to these financial statements.

The principal risks and uncertainties affecting the Group's turnover are described in the Strategic Report.

The full business review including KPI's can be found in the Strategic Report and in Note 8 to these financial statements. The Group has reviewed environmental matters in the Strategic Report.

Results and dividends

The consolidated statement of profit or loss and the consolidated statement of other comprehensive income for the year are set out on in these financial statements. The Company did not declare and pay any dividend during the year.

Avation's dividend policy is, subject to having the reserves to do so and within any restrictions imposed by debt covenants, to declare a dividend if the Board considers that it is in the best long-term interests of the Company and its shareholders. The dividend policy is progressive, in that if reserves are available the dividend shall increase.

Directors and their interests

The Directors who served the Company during the year together with their interests and deemed interests in the shares of the Company at the beginning and end of the year, were as follows:

	Direct interest		Deemed interest	
	30 June 2024	1 July 2023	30 June 2024	1 July 2023
Ordinary shares of £0.01 each:				
Robert Jeffries Chatfield	1	1	12,230,000	12,530,000
Roderick Douglas Mahoney	730,000	870,000	-	-
Stephen John Fisher	25,000	25,000	-	-
Derek Sharples	50,000	50,000	-	-
Mark Stephen Shelton	23,500	4,500	-	-

AVATION PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2024

Significant shareholdings

Significant shareholdings as of 30 June 2024 were as follows:

	Ordinary shares	Percentage
Ordinary shares of £0.01 each:		
Vidacos Nominees Limited	18,069,977	25.49%
Aurora Nominees Limited	5,733,710	8.09%
HSBC Global Custody Nominee (UK) Limited	5,350,000	7.55%
Luna Nominees Limited	5,030,000	7.10%
HSBC Global Custody Nominee (UK) Limited	5,013,635	7.07%
Interactive Brokers LLC	4,612,467	6.51%
James Capel (Nominees) Limited	2,413,200	3.40%
Interactive Investor Services Nominees Limited	1,573,084	2.22%

Future Developments

In accordance with s414C(11) of the Companies Act 2006, the Directors have chosen to include information about future developments in the Chairman's Statement and Strategic Report.

Financial Instruments

See Note 8 to these financial statements.

AVATION PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2024

Going Concern

The Directors' assessment of the Group's ability to continue as a going concern is detailed in Note 4(e) to the financial statements. The Note in its entirety is deemed to be incorporated into and form part of the Directors' Report.

Greenhouse Gas Emissions Statement

Usage of the Company's aircraft is under the control of lessees who are not required to provide emissions data to the Company. The Company estimates carbon emissions from lessees' usage of our aircraft using the "AWG Carbon Calculator" tool provided by the Aircraft Working Group. The AWG Carbon Calculator uses OEM sources data to provide consistent and reliable estimates of aircraft carbon emissions.

Carbon emissions from consumption of purchased electricity are estimated by converting the Company's energy usage in kilowatt hours (KWh) into kilograms (Kg) of carbon dioxide emitted using Singapore's Grid Emission Factor (GEF), a measure of the amount of carbon dioxide emitted per kilowatt hour of electrical energy generated in Singapore. Energy usage is based on electricity consumption at the Company's sole office in Singapore.

Carbon emissions from employee business travel are estimated using UK Government Conversions Factors for greenhouse gas reporting.

Greenhouse gas emissions are disclosed in the Strategic Report.

Capital Structure

Details of the Company's issued share capital, together with details of the movements therein during the financial year are shown in Note 32. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfers of securities or on voting rights.

Details of employees share option schemes are set out in Note 39.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regards to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

AVATION PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2024

Corporate Governance Statement

The Board is accountable to the shareholders for the good corporate governance of the Group. The principles of corporate governance and a code of best practice are set out in the UK Corporate Governance Code issued in July 2018. Under the Financial Conduct Authority's Listing Rules the Company is not required to comply with the Code in full. The Board has adopted policies that it considers to be appropriate for the Company's size and nature.

The Board acts as the administrative, management and supervisory body overseeing the operation of the Group. The Board consists of two Executive Directors (Robert Jeffries Chatfield and Mark Stephen Shelton) and three Non-Executive Directors (Roderick Douglas Mahoney, Stephen John Fisher (independent) and Derek Sharples (independent)). The Board meets at least six times a year; matters for discussion at formal meetings are clearly laid down and decisions recorded. The Board is responsible for overall corporate strategy; the reviewing and approval of acquisition and divestment opportunities; the approval of significant capital expenditures; the review of budgets; trading performance; and all significant financial and operational issues.

Information on how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is included in the Section 172(1) Statement included in the Strategic Report.

The Company operates the following committees whose members are detailed below:

- Audit Committee - Stephen John Fisher, Derek Sharples, Iain Cawte (non-Board member) and Mark Stephen Shelton; and
- Risk Committee - Derek Sharples, Stephen John Fisher, Iain Cawte (non-Board member) and Duncan Scott (non-Board member); and
- Remuneration Committee - Robert Jeffries Chatfield, Roderick Douglas Mahoney, Stephen John Fisher and Derek Sharples

The Board is responsible for identifying and evaluating the major business risks faced by the Company and for determining and monitoring the appropriate course of action to manage these risks. The key risks the Company faces are described in the risk assessment section of this annual report and accounts.

The Board conducts a review of the effectiveness of the Company's systems of internal control and risk management on an annual basis. Following this review, it has concluded that the Company's financial, operational and compliance controls, and risk management procedures are appropriate and suitable to enable the Board to safeguard shareholders' investments and the Company's assets.

The process and systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives, and can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Avation is an equal opportunities employer and its policy and statistics on employee gender and race are included in the Strategic Report.

AVATION PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2024

Statement as to disclosure of information to auditors

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

Ernst & Young have indicated their willingness to continue in office and in accordance with s489 of the Companies Act 2006. A resolution proposing that they be reappointed as auditors of the Company will be put to the Annual General Meeting.

Purchase of own shares

During the year ended 30 June 2024, the Company bought 65,000 (2023 : 100,000) treasury shares at a market price ranging from 110 pence to 119 pence (2023 : 77.2 pence) per share and subsequently cancelled 65,000 (2023: 2,310,000) treasury shares.

By a resolution passed at the Annual General Meeting held on 23 November 2023, the Company's Directors are authorised to buy back shares not exceeding 30 per cent of the total number of shares in issue on that date. Share buy backs may be at market prices but not under £0.75 and not exceeding a price equal to the higher of (i) 105% of the average of the middle market quotations for the share price for the five business days preceding the buy-back date and (ii) the higher of the price for the last independent share trade and the amount stipulated pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014 (as in force in the United Kingdom pursuant to the European Union (Withdrawal) Act 2018), and in any case, not exceeding £2.00 per share, excluding brokerage, commissions and other related expenses.

Subsequent events

See Note 44 to these financial statements.

On behalf of the board



Robert Jeffries Chatfield
Executive Chairman

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Introduction

This report has been prepared in accordance with Schedule 8 of the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. As required a resolution to approve the Directors' remuneration will be proposed at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to the individual levels of remuneration.

The information in the Directors' Remuneration Report is not audited, unless specifically stated that the section is subject to audit.

Statement by the Chair of the Remuneration Committee

The Company's remuneration policy remains substantially unchanged for the year ended 30 June 2024. Key aspects of the policy are to attract and retain executives; be consistent with best practices and to ensure alignment between performance and compensation.

Remuneration (audited)

The components of remuneration are:

- basic salary and benefits determined by the Remuneration Committee which are included in employment agreements and reviewed annually;
- bonuses based upon performance of the Company and the individual concerned; and
- share warrants.

Component	Purpose	Operation & framework used to assess performance
Salary and benefits	To provide the core reward for the role at a sufficient level to recruit and retain individuals of the necessary competence to execute the company's business strategy.	Operation: Salaries are typically set after considering salary levels in companies of a similar size and complexity, the responsibilities of each individual role, progression within the role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is normally to target salaries at the market median level. Salaries may be adjusted in line with the market and adjustments out of line with the market may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Salary levels for current incumbents are set out elsewhere in this report. Framework used to assess performance: The remuneration committee considers individual salaries at the appropriate committee meeting each year after having due regard to the factors noted in operating the salary policy. No recovery provisions apply to salary.

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Bonuses

To incentivise and recognise execution of the business strategy on a semi-annual basis.

Operation:

Bonuses are paid in cash twice yearly to employees and executive Directors based on a target percentage of the employee's basic salary. All bonus payments are at the discretion of the Committee, as shown following this table. Bonuses are awarded pro-rata to the achievement of up to five individual goals established for each employee. Individual goals are established in alignment with the development of the Company.

Framework used to assess performance:

The remuneration committee will assess company and individual performance compared to prior year and expectations for the current year. Individual performance will also be assessed against individual goals established for each executive. Metrics considered in awarding bonuses include share price appreciation; increase in the Company's earnings per share; growth in asset value and profits; and dividend growth. The company awards bonuses pro-rata to the achievement of up to five individual goals.

Share Warrants

To incentivise and recognise execution of the business strategy over the long-term.

Operation:

Each year share warrants and/or performance shares awards may be granted subject to the achievement of individual goals and in order that long-term incentives are aligned with shareholder returns. Awards normally vest over a three-year period.

Framework used to assess performance:

Same as for bonus.

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Individual Director's remuneration was as follows:

	Salaries and fees US\$'000s	Bonuses US\$'000s	Taxable Benefits US\$'000s	Share warrants US\$'000s	Total 2024 US\$'000s	Total 2023 US\$'000s
Executive Director:						
Robert Jeffries Chatfield	713	-	52	283	1,048	1,151
Mark Stephen Shelton	165	-	49	10	224	67
Non-Executive Directors:						
Roderick Douglas Mahoney*	82	-	-	68	150	440
Stephen John Fisher	51	-	-	-	51	48
Derek Sharples	51	-	-	-	51	48
	1,062	-	101	361	1,524	1,754

	Fixed US\$'000s	Variable US\$'000s	Total 2024 US\$'000s	Fixed US\$'000s	Variable US\$'000s	Total 2023 US\$'000s
Executive Director:						
Robert Jeffries Chatfield	765	283	1,048	767	384	1,151
Mark Stephen Shelton	214	10	224	58	9	67
Non-Executive Directors:						
Roderick Douglas Mahoney*	51	99	150	271	169	440
Stephen John Fisher	51	-	51	48	-	48
Derek Sharples	51	-	51	48	-	48
	1,132	392	1,524	1,192	562	1,754

*Roderick Douglas Mahoney retired as an executive of the Company during the previous year and he will continue to serve the shareholders as a non-executive director of the Company.

Taxable benefits mainly relate to housing expenses, medical expenses and private car expenses.

The information in this part of the Directors' Remuneration Report is subject to audit.

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Service contracts

The employment contracts of the Executive Directors with the Company are terminable by either party with the notice in writing to the other detailed in the table below.

The Directors' service contracts are as follows:

	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
Robert Jeffries Chatfield	29 April 2013	Indefinite	4 months	-
Roderick Douglas Mahoney	21 February 2022	Indefinite	2 months	-
Stephen John Fisher	29 April 2014	Indefinite	1 month	-
Derek Sharples	15 November 2016	Indefinite	1 month	-
Mark Stephen Shelton	7 June 2024	Indefinite	1 month	-

Share warrants (audited)

The Group has an ownership-based compensation scheme for employees of the Group.

Warrants are granted to employees of the Group to promote:

- Improvement in the Company's earnings per share;
- Reliable and high quality financial reporting;
- Growth in asset value and profits; and
- Growth in dividends.

Each share warrant converts into one ordinary share of Avation PLC on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights. There are no performance conditions that need to be met before warrants can be exercised.

Warrants granted have a 3-year vesting schedule with details as follows:

Vesting period	Proportion of total share options that are exercisable
Before year 1	0 per cent
On year 1 and before year 2	Up to 33 per cent of the grant
On year 2 and before year 3	Up to 33 per cent of the grant or up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On year 3 to 2 months after year 3	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

The following share warrants issued to Directors were outstanding at the year-end:

Director	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of year
Robert Jeffries Chatfield *	23 Dec 2020#	130.0p	1,200,000	-	-	-	1,200,000
Robert Jeffries Chatfield *	29 Sept 2022	102.0p	1,000,000	-	-	-	1,000,000
Robert Jeffries Chatfield *	2 Mar 2023	126.0p	230,000	-	-	-	230,000
Robert Jeffries Chatfield *	1 Nov 2023	125.5p	-	300,000	-	-	300,000
Robert Jeffries Chatfield *	13 Mar 2024	118.0p	-	495,000	-	-	495,000
Roderick Douglas Mahoney	23 Dec 2020#	130.0p	750,000	-	-	-	750,000
Roderick Douglas Mahoney	29 Sept 2022	102.0p	275,000	-	-	-	275,000
Roderick Douglas Mahoney	2 Mar 2023	126.0p	25,000	-	-	-	25,000
Mark Stephen Shelton	29 Sept 2022	102.0p	50,000	-	-	-	50,000
Mark Stephen Shelton	2 Mar 2023	126.0p	18,000	-	-	-	18,000
Mark Stephen Shelton**	1 Nov 2023	125.5p	-	25,000	-	-	25,000
Mark Stephen Shelton**	13 Mar 2024	118.0p	-	25,000	-	-	25,000

* Robert Jeffries Chatfield was granted the share warrants and assigned these to Epsom Assets Limited.

** Mark Shephen Shelton was granted the share warrants and assigned these to PPT Consulting Pte. Ltd.

#The expiry date for the warrants granted on 23 December 2020 is extended to one month after the Company exits a restricted period related to a material refinancing transaction under consideration at the date of signing this report.

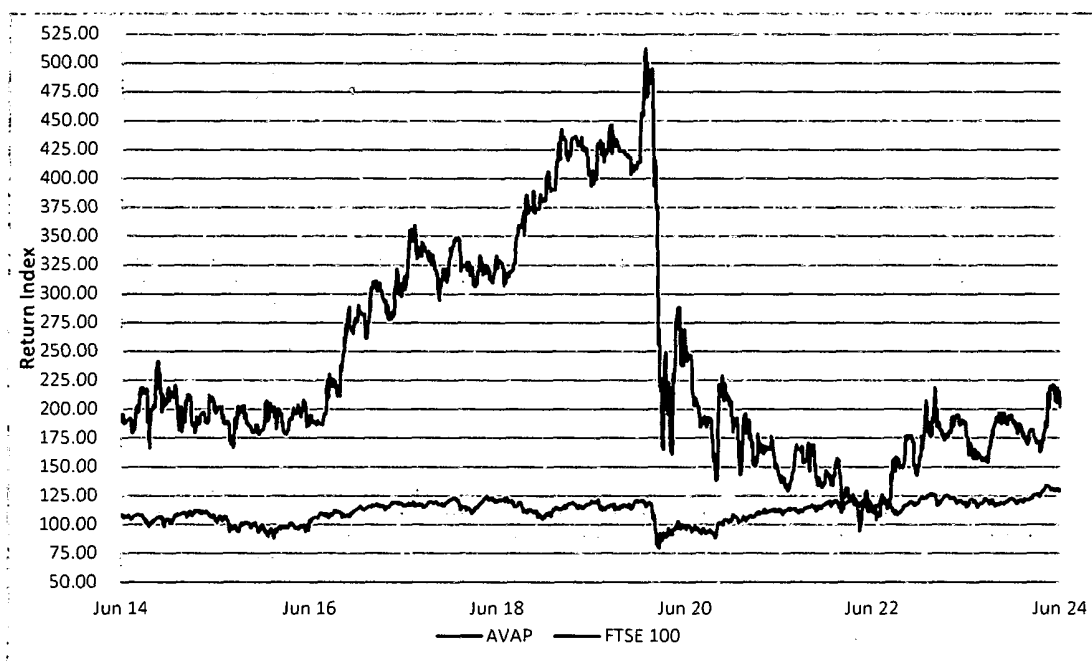
The closing market price of the shares subject to warrants at the year-end was 140.0 pence. The highest and lowest closing market prices during the year were 144.0 pence and 100.0 pence.

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Company's performance

The graph below shows the total shareholder return on a holding of shares in the Company as against the average total shareholder return of the companies comprising the FTSE100 index. The FTSE 100 Index was selected because in the opinion of the Board it is the most appropriate for the Company for the purposes of a benchmark.



Remuneration of Executive Chairman

	2024	2023	2022	2021	2020
Executive Chairman single figure remuneration (US\$'000)	1,048	1,151	1,224	1,394	908
Annual bonus pay-out (as % of maximum)	-	-	-	-	-

The table above shows the prescribed remuneration data for the Director, Robert Jeffries Chatfield, Executive Chairman undertaking the role of Group Chief Executive Officer during each of the last five financial years.

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Percentage change in remuneration of Chief Executive Officer and annual percentage change in remuneration for directors and employees

The table below sets out the percentage change in the remuneration of the Executive Chairman who is undertaking the role of Group Chief Executive Officer and directors compared to that of all employees of the Group.

Change in remuneration from 2023 to 2024	Base salary and fees	Bonus	Taxable benefits	Warrants expense
Executive Chairman: Robert Jeffries Chatfield	3%	0%	-29%	-26%
Executive Director: Mark Stephen Shelton	185%	0%	0%	12%
Non-executive Director: Douglas Roderick Mahoney	-70%	0%	0%	-60%
Non-executive Director: Stephen John Fisher	7%	0%	0%	0%
Non-executive Director: Derek Sharples	7%	0%	0%	0%
All employees	-2%	1,006%	38%	-36%

Change in remuneration from 2022 to 2023	Base salary and fees	Bonus	Taxable benefits	Warrants expense
Executive Chairman: Robert Jeffries Chatfield	-2%	0%	4%	-13%
Executive Director: Mark Stephen Shelton	NA	NA	NA	NA
Non-executive Director: Douglas Roderick Mahoney	-30%	-100%	0%	-37%
Non-executive Director: Stephen John Fisher	6%	0%	0%	0%
Non-executive Director: Derek Sharples	6%	0%	0%	0%
All employees	-3%	-96%	4%	-20%

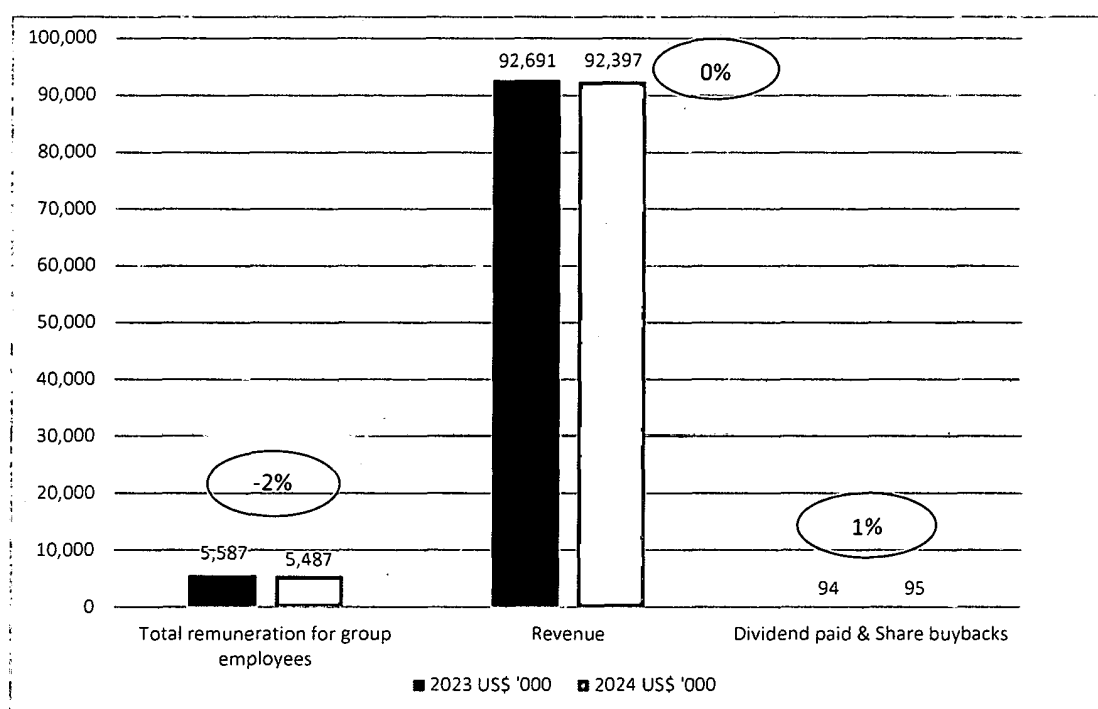
Change in remuneration from 2021 to 2022	Base salary and fees	Bonus	Taxable benefits	Warrants expense
Executive Chairman: Robert Jeffries Chatfield	-1%	0%	-18%	-25%
Executive Director: Douglas Roderick Mahoney	-15%	105%	0%	-22%
Non-executive Director: Stephen John Fisher	0%	0%	0%	0%
Non-executive Director: Derek Sharples	0%	0%	0%	0%
All employees	2%	254%	-18%	-17%

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Relative importance of spend on pay

The Chart below displays the relative expenditure of the Company on various matters, as required (in the case of remuneration for group employees and shareholder distributions) by the relevant remuneration regulations. Revenue is included as this is a key element of company performance. In previous years the company included debt repayments for comparison with employee remuneration. Debt repayments has been replaced with revenue this year as revenue is more relevant to the consideration of the relative importance of employee remuneration.



AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Directors' remuneration policy

The Company applies a policy for Directors' remuneration which is designed to meet the following objectives:

- provide a fair and transparent remuneration policy that is in alignment with shareholders' interests;
- provide both immediate and incentive remuneration that is sufficient to attract and retain executives;
- be consistent with best practice for governance of stock exchange listed companies;
- allow claw-back of incentives from executives should previous performance be found to have led to future adverse circumstances for the Company; and
- ensure alignment between performance and compensation.

The Company targets the following outcomes in applying its policy to ensure alignment of Directors' remuneration and shareholders' interests:

- share price appreciation;
- increase in the Company's earnings per share;
- reliable and high quality financial reporting;
- growth in asset value and profits; and
- dividend growth.

Remuneration of the Company's Executive Directors is comprised of the following components:

- base salary;
- short-term incentives in the form of a cash bonus linked to performance against individual key performance indicators; and
- long-term incentives in the form of share warrants and/or performance shares.

Remuneration of the Company's Non-Executive Directors is comprised of fixed Directors' Fees.

Payments for loss of office

No provisions are made under the Directors' service contracts for any payments beyond the applicable notice period, except that Non-Executive Directors are entitled to receive payment of two years fees on loss of office pursuant to a change of control.

AVATION PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2024

Statement of consideration of employment conditions elsewhere in the company

Pay and employment conditions of other employees in the company were taken into account when setting the policy for Directors' remuneration. Similar remuneration policies are in place for Directors and employees of an equivalent level.

Shareholders' vote on remuneration

	Share Count	% of vote cast
Votes cast in favour	23,314,113	99.7%
Votes cast against	68,995	0.3%
Total votes cast in favour or against	23,383,108	100.00%
Votes withheld	14,670	-

Note:

The Board as a whole considers the remuneration of the Directors and has not engaged external advisers. The remuneration report for the year ended 30 June 2023 was approved at the Annual General Meeting held on 23 November 2023.

On behalf of the Board



Robert Jeffries Chatfield
Executive Chairman

AVATION PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Company and Group financial statements in accordance with UK-adopted International Accounting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the Group and the financial performance and cash flows of the Group for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information.
- provide additional disclosures when compliance with the specific requirements in IFRSs adopted are insufficient to enable the users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- properly select and apply accounting policies.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

AVATION PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006, give a true and fair view of the assets, liabilities and financial position of the Company and of the Group and of the Group's profit for the year;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and of the Group, together with a description of the principal risks and uncertainties that they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 25 October 2024 and is signed on its behalf by Robert Jeffries Chatfield.



Robert Jeffries Chatfield
Executive Chairman



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC

Opinion

In our opinion:

- Avation plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Avation plc which comprise:

Group	Parent company
Consolidated statement of profit or loss for the year then ended	
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of financial position as at 30 June 2024	Company statement of financial position as at 30 June 2024
Consolidated statement of changes in equity for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Company statement of cash flow for the year then ended
Related notes 1 to 45 to the financial statements, including material accounting policy information	Related notes 1 to 45 to the financial statements including material accounting policy information

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial statements close process, we confirmed our understanding of the going concern assessment process and engaged with management to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including their covenant assessment and cashflow analysis and forecast for a period of 12 months from the expected date of signing of the financial statements.
- We reviewed the sources of cash inflows available to the Group and the various scenario analyses performed by management. We noted that in management's most stressed scenario, management's forecast minimum cash requirement would still be generated by the Group.
- We have considered the assumptions included in the cashflow analysis prepared and considered the appropriateness of the methods used within the cashflow analysis and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriate.
- We have further stressed managements' sensitivities to test the resilience of the Group's business under more pessimistic scenarios.
- We have reviewed the appropriateness of the disclosures made by management as detailed under Note 4(d) of the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of Avation plc in accordance with materiality thresholds as set out below.
Key audit matters	• Valuation of aircraft • Valuation of aircraft purchase rights
Materiality	• Overall group materiality of US\$2.5m which represents 1% of total equity as of 30 June 2024.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Avation plc. The Group has determined that the most significant future impacts from climate change on its operations will be from the physical risks and the transition risks as the global economy transitions to lower carbon emissions. These are explained on pages 15-19 in the Climate-related financial disclosures. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in Note 4(a) Basis of preparation and Note 5 Critical accounting estimates and judgements, the governmental and societal responses to climate change risks are still developing and are interdependent upon each other. Consequently, financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be fully taken into account when determining asset and liability valuations and timing of future cash flows under the requirements of UK adopted international accounting standards. As explained in Note 4(a), management believe that reasonably possible changes arising from climate risk would not have a material impact on the financial statements.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Climate change (continued)

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 15-19 and the significant judgements and estimates disclosed in Note 4(a) and whether these have been appropriately reflected following the requirements of IFRS. As part of this evaluation, we performed our own risk assessment supported by our climate change internal specialists to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Aircraft (2024: \$791.4 million, 2023: \$845.5 million) <i>Refer to Note 4(f) of the 'Material Accounting Policy Information' (page 69); Note 7 (page 88) and Note 19 of the Consolidated Financial Statements (page 108).</i> The carrying value of jet and turboprop aircraft represent the most significant asset in the financial statements of Avation plc. As at 30 June 2024, the carrying value of aircraft is US\$791.4 million (2023: US\$845.5 million) as detailed in Note 19 of the financial statements. As set out on page 69 within Notes 4(f) 'Material Accounting Policy Information', aircraft are measured at fair value on a Lease Encumbered Value basis ("LEV"). As detailed in Note 5(b) 'Critical Accounting	We have assessed each aircraft as they are deemed to be individually material to the financial statements. In obtaining sufficient audit evidence we: • Obtained an understanding of the process for the valuation of aircraft on an LEV basis and performed a walkthrough of the process, including controls over the inputs and assumptions of calculation, and evaluated the design of controls in relation to the identified risk. • Assessed and evaluated the appropriateness and accuracy of the key assumptions used in the LEV calculation, through recalculation and scenario analysis. • Involved an EY Financial Accounting and Advisory Services	Our planned audit procedures were completed without material exception.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Estimates and Judgments', management applies estimation and judgment as part of their fair value assessment of aircraft. LEV is determined by discounting the lease income streams associated with the lease and the expected future residual value of the aircraft at the end of the lease adjusted for return conditions at lease termination using an appropriate discount rate. The nature and size of these balances and their importance to the Group are such that we have identified this as a key audit matter.	team to assess the reasonableness of the discount rates used in discounting the future cash flows of aircraft in the model. As part of our audit procedures, we also evaluated the appropriateness of credit premia and discounts applied by management for each lessee by analysing their respective credit risks. • Evaluated the independence and competence of experts engaged by management in calculating the LEV in accordance with the requirements of auditing standards. • Assessed the accuracy of data inputs, such as lease income streams, by reviewing lease agreements and amendments, as necessary. • Assessed the calculations underpinning the LEV model by checking that the data, the assumptions and inputs into the model were in agreement with those that we had evaluated in other areas of the audit. • Assessed the appropriateness and presentation of disclosures in the financial statements for compliance with the relevant accounting standards.	



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Aircraft Purchase Rights (2024: \$112.8 million, 2023: \$85.8 million) <i>Refer to the Note 4(h) 'Material Accounting Policy Information' (page 70); Note 7 (page 88) and Note 26 of the Consolidated Financial Statements (page 122).</i> We have determined that the valuation of aircraft purchase rights represent a significant risk. The fair value of aircraft purchase rights may not be correctly valued and recorded in accordance with IFRS 13, Fair Value Measurement. As set out on page 85 within Note 5(e) 'Critical Accounting Estimates and Judgements', aircraft purchase rights are measured at fair value through profit or loss. The Group values aircraft purchase rights using the Black-Scholes price model. Critical assumptions made in determining the fair value of the aircraft purchase rights include the market value volatility rates used. The nature and size of these balances and their importance to the Group are such that we have identified this as a key audit matter.	In obtaining sufficient audit evidence we: • Obtained an understanding of the aircraft purchase rights valuation process, performed a walkthrough of the process and evaluated the design effectiveness of controls related to the risk identified. • Assessed the assumptions used by management and evaluated the appropriateness and accuracy of inputs such as assumed delivery dates, purchase right exercise dates, the asset price and risk-free, volatility and inflation rates. • Involved an EY Financial Accounting and Advisory Services team to assist in assessing the reasonableness of the valuation model. • Evaluated the competence and independence of the external appraisers as management experts for the external market appraisals provided. We obtained these external valuation reports to validate the market inputs to the valuation calculation. • Assessed the appropriateness and presentation of disclosures in the financial statements for compliance with the relevant accounting standards.	Our planned audit procedures were completed without material exception.

In the prior year, our auditor's report included a key audit matter in relation to Expected Credit Loss (ECL) on Trade and Other Receivables due to a substantial amount of receivables and a history of lease restructuring. However, this year, the Group has seen a significant reduction in trade and other receivables, along with marked improvements in lessees' compliance with their lease payment obligations. Consequently, we have concluded that ECL no longer constitutes a key audit matter.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$2.5 million (2023: \$2.3 million), which is 1% (2023: 1%) of Total Equity. We believe that Total Equity provides us with the most reliable measure used by investors and other stakeholders when assessing the performance of the Group.

We determined materiality for the Parent Company to be \$1.8 million (2023: \$1.5 million), which is 1% of Total Equity (2023: 0.5% of Total Assets).

During the course of our audit, we reassessed initial materiality and there was no change in the materiality basis from the original assessment at planning.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely \$1.2m (2023: \$1.2m). We have set performance materiality at this percentage due to our prior audit experience.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$128,000 (2023: \$121,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, including the Chairman's Statement (set out on pages 2-4), Strategic Report (set out on pages 5-22), Directors' Report (set out on pages 23-27), Directors' Remuneration Report (set out on pages 28-37), and Directors' Responsibility Statement (set out on pages 38-39), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on pages 38-39), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
 - Companies Act 2006
 - Tax Legislation (governed by HM Revenue and Customs and Inland Revenue Authority of Singapore)
 - Financial Conduct Authority (FCA) Listing Rules
 - Disclosure Guidance and Transparency Rules (DTR) of the FCA



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC (CONTINUED)

- We understood how Avation plc is complying with those frameworks by holding discussions with general counsel and service providers. We enquired as to any known instances of non-compliance with laws and regulations
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by holding discussions with senior management
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management and reviewing key policies.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 20 December 2017 to audit the financial statements for the year ending 30 June 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ending 30 June 2018 to 30 June 2024.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vincent Bergin (Senior statutory auditor)
for and on behalf of Ernst & Young, Chartered Accountants and Statutory Auditor
Dublin

25 October 2024

AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 US\$'000s	2023 (Restated) US\$'000s
Continuing operations			
Revenue	10	92,397	92,691
Other income	11	3,575	7,389
		<u>95,972</u>	<u>100,080</u>
Depreciation	19	(37,251)	(38,566)
Gain on derecognition of finance lease		-	2,792
Loss on disposal of aircraft	19	(2,915)	(1,000)
Unrealised gain on aircraft purchase rights and deposits paid for aircraft	25,26	46,886	20,540
Unrealised (loss)/gain on equity investments	27	(490)	7,520
(Impairment loss)/reversal of impairment loss on aircraft	19	(5,573)	3,287
Aircraft transition expenses		(2,607)	(11,389)
(Provision for)/reversal of expected credit losses	20,21	239	(659)
Administrative expenses	12	(8,792)	(8,760)
Legal and professional fees		(2,251)	(2,382)
		<u>83,218</u>	<u>71,463</u>
Operating profit			
Finance income	13	9,843	5,906
Finance expenses	14	(63,015)	(63,539)
Profit before taxation	16	30,046	13,830
Taxation	17	(10,311)	(886)
Profit from continuing operations		<u>19,735</u>	<u>12,944</u>
Profit attributable to:			
Shareholders of Avation PLC		19,735	12,943
Non-controlling interests		-	1
		<u>19,735</u>	<u>12,944</u>
Earnings per share for profit attributable to shareholders of Avation PLC			
Basic earnings per share (US cents)	18	27.85	18.50
Diluted earnings per share (US cents)	18	27.71	18.46

AVATION PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 US\$'000s	2023 (Restated) US\$'000s
Profit from continuing operations		19,735	12,944
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net (loss)/gain on cash flow hedge, net of tax	24	(4,568)	410
		(4,568)	410
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Revaluation loss on property, plant and equipment, net of tax	33	(3,421)	(966)
Other comprehensive income, net of tax		(7,989)	(556)
Total comprehensive income for the year		11,746	12,388
Total comprehensive income attributable to:			
Shareholders of Avation PLC		11,746	12,387
Non-controlling interests		-	1
		11,746	12,388

AVATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2024

	Note	30 June 2024 US\$'000s	30 June 2023 (Restated) US\$'000s	1 July 2022 (Restated) US\$'000s
ASSETS				
Non-current assets				
Property, plant and equipment	19	791,420	845,471	813,908
Finance lease receivables	21	12,754	41,213	55,208
Trade and other receivables	20	939	6,119	11,639
Deposits paid for aircraft	25	21,813	8,139	7,749
Derivative financial assets	24	8,096	13,442	5,920
Aircraft purchase rights	26	112,780	85,820	65,280
Lease incentive assets	29	7,756	4,686	310
Goodwill	22	1,902	1,902	1,902
		957,460	1,006,792	961,916
Current assets				
Finance lease receivables	21	28,644	3,932	5,624
Trade and other receivables	20	15,876	31,035	13,202
Deposits paid for aircraft	25	8,520	-	-
Derivative financial assets	24	-	54	-
Investment in equity, fair value through profit or loss	27	10,745	11,235	3,715
Lease incentive assets	29	3,136	1,643	137
Restricted cash	30	94,379	90,864	83,904
Fixed deposits	30	-	1,225	-
Cash and cash equivalents	30	23,561	24,816	35,267
		184,861	164,804	141,849
Assets held for sale	31	-	8,000	113,255
		184,861	172,804	255,104
Total assets		1,142,321	1,179,596	1,217,020

AVATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2024

	Note	30 June 2024 US\$'000s	30 June 2023 (Restated) US\$'000s	1 July 2022 (Restated) US\$'000s
EQUITY AND LIABILITIES				
Equity				
Share capital	32	1,182	1,182	1,203
Share premium		70,120	70,024	67,681
Treasury shares	32	-	-	(7,811)
Merger reserve		6,715	6,715	6,715
Asset revaluation reserve	33	47,343	50,764	51,730
Capital reserve		8,876	8,876	8,876
Other reserves	34	11,210	15,069	14,174
Retained earnings		110,944	91,295	86,067
Equity attributable to shareholders of Avation PLC		256,390	243,925	228,635
Non-controlling interests		7	7	6
Total equity		256,397	243,932	228,641
Non-current liabilities				
Loans and borrowings	35	625,426	694,575	764,230
Trade and other payables	36	18,487	20,185	18,274
Derivative financial liabilities	24	2,037	1,632	1,055
Maintenance reserves	37	73,270	52,033	73,754
Deferred tax liabilities	38	34,047	26,694	25,613
		753,267	795,119	882,926
Current liabilities				
Loans and borrowings	35	49,668	61,401	63,900
Trade and other payables	36	18,920	17,167	15,940
Maintenance reserves	37	62,153	61,456	10,156
Income tax payable		1,916	521	658
		132,657	140,545	90,654
Liabilities directly associated with assets held for sale		-	-	14,799
		132,657	140,545	105,453
Total equity and liabilities		1,142,321	1,179,596	1,217,020

Approved by the board and authorised for issue on 25 October 2024



Robert Jeffries Chatfield
Executive Chairman

AVATION PLC

COMPANY STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2024

	Note	2024 US\$'000s	2023 US\$'000s
ASSETS			
Non-current assets			
Trade and other receivables	20	45,344	46,740
Deposits paid for aircraft	25	21,813	8,139
Derivative financial assets	24	2,176	3,399
Investment in debt instrument, fair value through profit or loss	28	16,335	-
Investment in subsidiaries	23	2,050	3,328
Aircraft purchase rights	26	112,780	85,820
		<u>200,498</u>	<u>147,426</u>
Current assets			
Trade and other receivables	20	132,362	161,463
Deposits paid for aircraft	25	8,520	-
Restricted cash	30	800	-
Cash and cash equivalents	30	7,381	671
		<u>149,063</u>	<u>162,134</u>
Total assets		<u>349,561</u>	<u>309,560</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	32	1,182	1,182
Share premium		70,120	70,024
Treasury shares	32	-	-
Merger reserve		6,715	6,715
Other reserves	34	3,026	3,333
Retained earnings		90,609	74,678
Total equity		<u>171,652</u>	<u>155,932</u>
Non-current liabilities			
Loans and borrowings	35	45,734	59,535
Trade and other payables	36	57,123	55,749
Derivative financial liabilities	24	2,037	1,632
Deferred tax liabilities	38	20,411	13,102
		<u>125,305</u>	<u>130,018</u>
Current liabilities			
Loans and borrowings	35	8,652	13,207
Trade and other payables	36	43,952	10,403
		<u>52,604</u>	<u>23,610</u>
Total equity and liabilities		<u>349,561</u>	<u>309,560</u>

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present the Company statement of profit or loss and other comprehensive income. The Company's profit for the year was US\$16.0 million (2023: US\$11.5 million).

Approved by the board and authorised for issue on 25 October 2024



Robert Jeffries Chatfield
Executive Chairman

AVATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

Note	Attributable to shareholders of Avation PLC									Non-controlling interest US\$'000s	Total equity US\$'000s
	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		
Balance at 1 July 2023 as previously reported	1,182	70,024	-	6,715	50,764	8,876	15,069	88,995	241,625	7	241,632
Effects of changes in accounting policies	-	-	-	-	-	-	-	2,300	2,300	-	2,300
Balance at 1 July 2023 as restated	1,182	70,024	-	6,715	50,764	8,876	15,069	91,295	243,925	7	243,932
Profit for the year	-	-	-	-	-	-	-	19,735	19,735	-	19,735
Other comprehensive income	-	-	-	-	(3,421)	-	(4,568)	-	(7,989)	-	(7,989)
Total comprehensive income	-	-	-	-	(3,421)	-	(4,568)	19,735	11,746	-	11,746
Issue of shares	32	1	96	-	-	-	(18)	-	79	-	79
Purchase of treasury shares	32	-	-	(95)	-	-	-	-	(95)	-	(95)
Cancellation of treasury shares	32	(1)	-	95	-	-	1	(95)	-	-	-
Share warrant expense	34	-	-	-	-	-	735	-	735	-	735
Total transactions with owners recognised directly in equity	-	96	-	-	-	-	718	(95)	719	-	719
Expiry of share warrants	34	-	-	-	-	-	(9)	9	-	-	-
Total others	-	-	-	-	-	-	(9)	9	-	-	-
Balance at 30 June 2024	1,182	70,120	-	6,715	47,343	8,876	11,210	110,944	256,390	7	256,397

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

Other reserves consists of capital redemption reserve, share warrant reserve, fair value reserve and foreign currency hedge reserve. See Note 34.

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

AVATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Note	Attributable to shareholders of Avation PLC									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 2022 as previously reported	1,203	67,681	(7,811)	6,715	51,730	8,876	14,174	84,519	227,087	6	227,093
Effects of changes in accounting policies	-	-	-	-	-	-	-	1,548	1,548	-	1,548
Balance at 1 July 2022 as restated	1,203	67,681	(7,811)	6,715	51,730	8,876	14,174	86,067	228,635	6	228,641
Profit for the year	-	-	-	-	-	-	-	12,943	12,943	1	12,944
Other comprehensive income	-	-	-	-	(966)	-	410	-	(556)	-	(556)
Total comprehensive income	-	-	-	-	(966)	-	410	12,943	12,387	1	12,388
Issue of shares	32	18	2,343	-	-	-	(506)	-	1,855	-	1,855
Purchase of treasury shares	32	-	-	(94)	-	-	-	-	(94)	-	(94)
Cancellation of treasury shares	32	(39)	-	7,905	-	-	39	(7,905)	-	-	-
Share warrant expense	34	-	-	-	-	-	1,142	-	1,142	-	1,142
Total transactions with owners recognised directly in equity	(21)	2,343	7,811	-	-	-	675	(7,905)	2,903	-	2,903
Expiry of share warrants	34	-	-	-	-	-	(190)	190	-	-	-
Total others	-	-	-	-	-	-	(190)	190	-	-	-
Balance at 30 June 2023	1,182	70,024	-	6,715	50,764	8,876	15,069	91,295	243,925	7	243,932

AVATION PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Note	Share capital US\$'000s	Share Premium US\$'000s	Treasury shares US\$'000s	Merger reserve US\$'000s	Other reserves US\$'000s	Retained earnings US\$'000s	Total US\$'000s
Balance at 1 July 2023		1,182	70,024	-	6,715	3,333	74,678	155,932
Profit for the year		-	-	-	-	-	16,017	16,017
Other comprehensive income		-	-	-	-	(1,016)	-	(1,016)
<i>Total comprehensive income</i>		-	-	-	-	(1,016)	16,017	15,001
Issue of shares	32	1	96	-	-	(18)	-	79
Purchase of treasury shares	32	-	-	(95)	-	-	-	(95)
Cancellation of treasury shares	32	(1)	-	95	-	1	(95)	-
Share warrants expense	34	-	-	-	-	735	-	735
<i>Total transactions with owners, recognised directly in equity</i>		-	96	-	-	718	(95)	719
Expiry of share warrants	34	-	-	-	-	(9)	9	-
<i>Total others</i>		-	-	-	-	(9)	9	-
Balance at 30 June 2024		1,182	70,120	-	6,715	3,026	90,609	171,652

Other reserves consists of capital redemption reserve, share warrant reserve and fair value reserve. See note 34.

AVATION PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Share capital US\$'000s	Share Premium US\$'000s	Treasury shares US\$'000s	Merger reserve US\$'000s	Other reserves US\$'000s	Retained earnings US\$'000s	Total US\$'000s
Balance at 1 July 2022		1,203	67,681	(7,811)	6,715	1,089	70,849	139,726
Profit for the year		-	-	-	-	-	11,544	11,544
Other comprehensive income		-	-	-	-	1,759	-	1,759
<i>Total comprehensive income</i>		-	-	-	-	1,759	11,544	13,303
Issue of shares	32	18	2,343	-	-	(506)	-	1,855
Purchase of treasury shares	32	-	-	(94)	-	-	-	(94)
Cancellation of treasury shares	32	(39)	-	7,905	-	39	(7,905)	-
Share warrants expense	34	-	-	-	-	1,142	-	1,142
<i>Total transactions with owners, recognised directly in equity</i>		<i>(21)</i>	<i>2,343</i>	<i>7,811</i>	<i>-</i>	<i>675</i>	<i>(7,905)</i>	<i>2,903</i>
Expiry of share warrants	34	-	-	-	-	(190)	190	-
<i>Total others</i>		<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(190)</i>	<i>190</i>	<i>-</i>
Balance at 30 June 2023		1,182	70,024	-	6,715	3,333	74,678	155,932

AVATION PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 US\$'000s	2023 (Restated) US\$'000s
Cash flows from operating activities:			
Profit before income tax		30,046	13,830
Adjustments for:			
Amortisation of lease incentive asset	10	2,721	1,368
Depreciation expense	19	37,251	38,566
Depreciation of right-of-use assets		278	233
(Reversal of)/ provision for expected credit losses	20,21	(239)	659
Finance income	13	(9,843)	(5,906)
Finance expense	14	63,015	63,539
Gain on derecognition of finance lease		-	(2,792)
Loss on disposal of aircraft		2,915	1,000
Interest income from finance leases	10	(2,018)	(2,230)
Impairment loss/(reversal of) on aircraft	19,31	5,573	(3,287)
Maintenance reserves income	37	(5,351)	(830)
Share warrants expense	15	735	1,142
Foreign currency exchange gain		(946)	(3,107)
Unrealised gain on aircraft purchase rights and deposits paid for aircraft	25,26	(46,886)	(20,540)
Unrealised loss/(gain) on equity investments	27	490	(7,520)
Operating cash flows before working capital changes		77,741	74,125
Movement in working capital:			
Trade and other receivables and finance lease receivables		23,919	(2,906)
Deposits paid for aircraft		(2,268)	(390)
Trade and other payables		325	2,042
Maintenance reserves		20,583	15,503
Cash from operations		120,300	88,374
Finance income received		7,909	4,713
Finance expense paid		(45,724)	(44,091)
Income tax paid		(916)	(610)
Net cash from operating activities		81,569	48,386
Cash flows from investing activities:			
Investment in fixed term deposits		1,225	(1,225)
Purchase of property, plant and equipment	19	(5)	(6)
Proceeds from disposal of aircraft		11,989	39,750
Net cash from investing activities		13,209	38,519
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		79	1,855
Purchase of treasury shares		(95)	(94)
Increase of restricted cash balances		(3,515)	(6,960)
Proceeds from loans and borrowings, net of transactions costs	35	29,098	42,958
Repayment of loans and borrowings	35	(121,600)	(135,115)
Net cash used in financing activities		(96,033)	(97,356)
Net decrease in cash and cash equivalents		(1,255)	(10,451)
Cash and cash equivalents at beginning of year	30	24,816	35,267
Cash and cash equivalents at end of year	30	23,561	24,816

AVATION PLC

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 US\$'000s	2023 US\$'000s
Cash flows from operating activities:			
Profit before taxation		23,534	14,691
Adjustments for:			
Depreciation of right-of-use assets		91	79
Expected credit losses	20	15,533	-
Fair value gain on investment in debt instrument	28	(920)	(858)
Finance income		(3,077)	(2,868)
Finance expense		8,360	7,150
Impairment loss on investment in subsidiary		1,278	-
Share warrant expense		735	1,142
Unrealised gain on aircraft purchase rights and deposits paid for aircraft	25,26	(46,886)	(20,540)
Operating cash flows before working capital changes		(1,352)	(1,204)
Movement in working capital:			
Trade and other receivables		14,280	33,589
Deposits paid for aircraft		(2,268)	(390)
Trade and other payables		33,229	(6,906)
Cash generated from operations		43,889	25,089
Finance income received		3,669	6,920
Finance expense paid		(6,755)	(9,147)
Income tax paid		-	(84)
Net cash generated from operating activities		40,803	22,778
Cash flows from investing activities:			
Investment in debt instrument, fair value through profit or loss	28	(15,415)	(3,305)
Net cash used in investing activities		(15,415)	(3,305)
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		79	1,855
Purchase of treasury shares		(95)	(94)
Increase of restricted cash balances		(800)	-
Proceeds from loans and borrowings		-	22,590
Repayment of loans and borrowings		(17,862)	(52,862)
Net cash used in financing activities		(18,678)	(28,511)
Net increase/(decrease) in cash and cash equivalents		6,710	(9,038)
Cash and cash equivalents at beginning of year	30	671	9,709
Cash and cash equivalents at end of year	30	7,381	671

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

1 GENERAL

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and its shares are traded on the Standard Segment of the Main Market of the London Stock Exchange. The address of the registered office is given on page 1.

As disclosed in the Directors' Report, the Group's principal activity is aircraft leasing. Details of the activities of subsidiary companies are set out in Note 23 to these financial statements.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006.

3 CHANGE IN ACCOUNTING POLICY

Maintenance reserves

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

The Group will recognise maintenance reserves as revenue over the term of a lease, to the extent that collected maintenance reserves are not expected to be reimbursed to the lessee, on the occurrence of specified maintenance events.

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

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

3 CHANGE IN ACCOUNTING POLICY (continued)

Summary of quantitative impact

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

30 June 2023	Impact of change in accounting policy		
	As previously reported US\$'000s	Adjustments US\$'000s	As restated US\$'000s
Revenue	91,861	830	92,691
Operating profit	70,633	830	71,463
Profit before taxation	13,000	830	13,830
Taxation	(808)	(78)	(886)
Profit from continuing operations	12,192	752	12,944

30 June 2023	Impact of change in accounting policy		
	As previously reported US\$'000s	Adjustments US\$'000s	As restated US\$'000s
Profit attributable to:			
Shareholders of Avation PLC	12,191	752	12,943
Non-controlling interest	1	-	1
	<u>12,192</u>	<u>752</u>	<u>12,944</u>
Earnings per share for profit attributable to shareholders of Avation PLC			
Basic earnings per share (US cents)	17.43 cents		18.50 cents
Diluted earnings per share (US cents)	<u>17.38 cents</u>		<u>18.46 cents</u>
Total comprehensive income for the year	11,636	752	12,388
Total comprehensive income attributable to:			
Shareholders of Avation PLC	11,635	752	12,387
Non-controlling interest	1	-	1
	<u>11,636</u>	<u>752</u>	<u>12,388</u>

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

3 CHANGE IN ACCOUNTING POLICY (continued)

Consolidated statement of financial position

As at 1 July 2022	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	US\$'000s	US\$'000s	US\$'000s
Maintenance reserves – non-current	75,131	(1,377)	73,754
Deferred tax liabilities	25,437	176	25,613
Non-current liabilities	884,127	(1,201)	882,926
Liabilities associated with assets held for sale	15,146	(347)	14,799
Current liabilities	105,800	(347)	105,453
Retained earnings	84,519	1,548	86,067
Total equity	227,093	1,548	228,641

As at 30 June 2023	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	US\$'000s	US\$'000s	US\$'000s
Maintenance reserves – non-current	54,587	(2,554)	52,033
Deferred tax liabilities	26,440	254	26,694
Non-current liabilities	797,419	(2,300)	795,119
Retained earnings	88,995	2,300	91,295
Total equity	241,632	2,300	243,932

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION

- (a) **BASIS OF PREPARATION** – The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis and have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain assets and liabilities.

The financial statements are presented in United States Dollars and all values are rounded to the nearest thousand (US\$'000s) unless otherwise indicated. The year-end exchange rate for Pounds Sterling to United States Dollars is 1.27 (2023: 1.27).

The preparation of financial statements in conformity with UK-adopted International Accounting Standards ("IFRSs") requires the use of significant accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The accounting policies set out below have been applied consistently throughout the financial period presented in these financial statements by the Company and its subsidiaries, unless otherwise disclosed.

As the governmental and societal responses to climate change are still developing, it is not possible to consider all future outcomes when determining the carrying amount of assets and liabilities in the preparation of the financial statements. The Group's view is that the possible changes arising from climate related risks would not have a material impact on the financial statements.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (b) **BASIS OF CONSOLIDATION** - The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, together the Group as at 30 June 2024. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Whether or not the Group controls an investee is re-assessed if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of Avation PLC and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries are stated at cost less impairment in the Company's separate financial statements.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (c) **GOODWILL**- Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

- (d) **GOING CONCERN**

These consolidated financial statements have been prepared on a going concern basis. As part of the going concern assessment, management has considered all projected cash inflows and outflows of the Company and its subsidiaries, over the coming year including:

- Current unrestricted cash on hand balance available,
- Projected collections of receivable balances and contracted assets sales,
- Forecasted cash outflows for all contractual debt and lease obligations and selling, general and administrative expenses for the next 12 months,
- Forecasted cash outflows for capital expenditure for the next 12 months

Management has also conducted sensitivity analysis on projected cash flows for changes in base assumptions around rent collection rates and other significant factors.

In addition, the Directors have considered the maturity profiles of all loans and borrowings and have evaluated the Group's compliance with financial and non-financial covenants. Based on this analysis and all information available at present, the Directors believe that the actions that they have taken and intend to take will ensure that the Group has sufficient liquidity to meet its obligations as they fall due and that it continues to be appropriate to prepare the financial statements on a going concern basis of preparation.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (e) **FAIR VALUE MEASUREMENT** – The Group measures financial instruments, such as derivatives, investment in equity and non-financial assets, such as aircraft and aircraft purchase rights in excess of the Group's usage requirements at fair values at each reporting date.

Fair value 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. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In the case of aircraft, unless otherwise disclosed, the assets are valued using lease encumbered value ("LEV"). Under such a valuation, which reflects highest and best use given the fact that the aircraft are held for use in a leasing business, the income streams associated with the lease and the expected future market value of the aircraft at the end of the lease are discounted to current values. The valuers prepare their valuation report based on the market for second hand aircraft, which is active, known and measurable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) FAIR VALUE MEASUREMENT (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as aircraft, aircraft purchase rights and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as aircraft and aircraft purchase rights.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents so far as possible.

Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (f) **PROPERTY, PLANT AND EQUIPMENT** – All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, aircraft are stated in the statement of financial position at their revalued amount. All items of property plant and equipment other than aircraft are measured at cost less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. These aircraft have been reviewed for impairment.

Any revaluation increase arising on the revaluation of such aircraft is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such aircraft is charged to profit or loss to the extent that it exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued aircraft is charged to profit or loss. On the subsequent sale or retirement of a revalued aircraft, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Depreciation is charged so as to write off the cost or valuation of assets less residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Narrow-body jets and turboprops	25 years from date of manufacture
Twin-aisle jets	23 years from date of manufacture
Aircraft engines	15 years from date of acquisition
Furniture and equipment	3 years

Residual values, useful lives and depreciation methods are revised and adjusted if appropriate, at each reporting date. Residual values are based on 15% of cost for new aircraft, estimated scrap values for second hand aircraft and 33% of cost for new aircraft engines.

Fully depreciated assets still in use are retained in the financial statements until they are disposed of or retired.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (g) **DEPOSITS PAID FOR AIRCRAFT** – Deposits paid to acquire aircraft which are over and above the Group's requirements for use in the leasing business will be disposed of. The Group values these deposits using the discounted cashflow model. These deposits paid are measured at fair value through profit or loss.
- (h) **AIRCRAFT PURCHASE RIGHTS** – Purchase rights to acquire aircraft which are over and above the Group's requirement for use in the leasing business will be disposed of. The Group values these excess aircraft purchase rights using the Black Scholes model. Aircraft purchase rights are measured at fair value through profit or loss.
- (i) **NON-CURRENT ASSETS HELD FOR SALE** – Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal) group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

- (j) **IMPAIRMENT OF NON-FINANCIAL ASSETS** - At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such costs can be identified, an appropriate valuation model is used.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(j) IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

Impairment losses are recognised in profit or loss to the extent that they do not reverse a previous upwards revaluation. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase. A reversal of an impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

Impairment losses are recognised as an immediate expense. However, the impairment loss shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

- (k) **MAINTENANCE RESERVES** - Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make maintenance reserve contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserve balances are accounted for as liabilities.

The Group will recognise maintenance reserves as revenue over the term of a lease, to the extent that collected maintenance reserves are not expected to be reimbursed to the lessee, on the occurrence of specified maintenance events.

- (l) **SHARE-BASED PAYMENTS** - The Group operates an equity-settled share-based compensation plan. The value of the employee services received in exchange for the grant of warrants is recognised as an expense in profit or loss with a corresponding increase in the warrant reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the warrants granted on the date of the grant using the binomial option pricing model method. Non-market vesting conditions are included in the estimation of the number of shares under warrants that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under warrants that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the warrant reserve over the remaining vesting period.

When the warrants are exercised, the proceeds received and the related balance previously recognised in the warrant reserve are credited to share capital and share premium accounts when new shares are issued to the employees.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) LEASES

Group as a lessor

The Group leases aircraft to airlines under operating leases. At lease inception or modification date, the Group reviews all necessary criteria to determine proper lease classification. Leases of aircraft where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. The Group recognises contingent rents when they can be reliably measured.

Where the Group transfers substantially all the risks and rewards of ownership of an asset, the lease is classified as a finance lease. Lease receipts are apportioned between finance income and reduction of the finance lease receivable so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income is credited to revenue.

For sales-type leases, the Group recognise the difference between the net book value of the aircraft and the net finance lease receivables as a gain or loss on sale of aircraft, less any initial direct costs. The unearned income is recognised as finance lease interest income within revenue over the lease term in a manner that produces a constant rate of return on the finance lease receivables.

Under the terms of certain lease agreements, lessees are required to make maintenance contributions to the Group. The Group will recognise maintenance reserves as revenue over the term of a lease, to the extent that collected maintenance reserves are not expected to be reimbursed to the lessee, on the occurrence of specified maintenance events.

End of lease compensation payments made to the Group are recognised as revenue when a reliable estimate of the expected compensation amount can be determined. The Group does not recognise end of lease compensation as revenue if there is a reasonable expectation that the lessee will extend the existing lease agreement rather than returning the aircraft at the end of the current lease period.

Lease maintenance contribution

Some of the Group's leases contain provisions which may require the Company to pay a portion of the lessee's costs for heavy maintenance, overhaul, or replacement of certain high-value components. The Group records liabilities for contractual obligations to contribute to the lessee's cost of major maintenance events expected to occur during the lease. The Group regularly reviews the level of these contractual obligations under current lease contracts and makes adjustments as necessary. Lessor maintenance contributions represents a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease on a straight-line basis. When aircraft are sold the portion of the accrued liability not specifically assigned to the buyer is derecognised from the Consolidated Statement of Financial Position as part of the gain or loss on disposal of the aircraft.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) LEASES (continued)

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.

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.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) LEASES (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.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (n) **REVENUE RECOGNITION** – The Group as lessor, leases aircraft principally under both operating leases and finance leases. Revenue which is not derived from leases is measured as follows:
- (i) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
 - (ii) Dividend income from investments is recognised when the company's right to receive payment has been established.
- (o) **CONTINGENCIES** – A contingent liability is:
- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
 - (ii) a present obligation that arises from past events but is not recognised because:
 - i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. The amount of the obligation cannot be measured with sufficient reliability.
- (p) **TAXATION** – Taxation expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the financial period. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(p) TAXATION (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Company is tax resident in Singapore.

- (q) **FOREIGN CURRENCIES** - The Group's consolidated financial statements and Company financial statements are presented in United States Dollars. The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) and United States Dollars is the functional currency of most Group entities, including Avation PLC.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(r) FINANCIAL INSTRUMENTS

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group and Company's financial assets at amortised cost are cash and bank balances, trade and other receivables and finance lease receivables.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(r) FINANCIAL INSTRUMENTS (continued)

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group and Company's financial assets at fair value through profit or loss are options held for trading, investment in equity, investment in debt instrument and derivative financial assets.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for financial assets is recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, minus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(r) FINANCIAL INSTRUMENTS (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group and Company's financial liabilities at fair value through profit or loss are derivative financial liabilities, including share warrants.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

The Group and Company's financial liabilities at amortised cost are trade and other payables, loans and borrowings and maintenance reserves.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (s) **IMPAIRMENT OF FINANCIAL ASSETS** - The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
 - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.
- (i) Simplified approach
- The Group applies the simplified approach to provide for ECLs for all trade and other receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group established a credit risk matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

- (ii) General approach
- The Group applies the general approach to provide for ECLs on finance lease receivables and all other financial assets not held at fair value through profit or loss. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(s) IMPAIRMENT OF FINANCIAL ASSETS (continued)

For the purpose of recognition of an allowance for ECL, the Group considers a financial asset to be in default:

- When the lessee does not pay the amounts due under its lease agreements to the Group in excess of the security deposit or the value of the collateral. The Group will recognise an allowance for ECL based on the historical observed default rates, current credit rating of the customers, forecasted economic conditions to assess the amount of ECL allowance required
- Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due or where the trade receivables were in excess of the security packages held by the Group.
- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

(t) RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

- Restricted cash balances comprise bank balances which are pledged as security for certain loan obligations.
- Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

(u) TRADE AND OTHER PAYABLES - Liabilities for trade and other payables which are normally settled within 30 to 60 days credit terms, are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- (v) **LOANS AND BORROWINGS** - Interest-bearing loans from banks and financial institutions are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

- **Modification of loans** - The Group assesses whether the new terms of modified third party loans results in a modification of contractual cash flows substantially different to the original terms. In making this assessment, the Group considers, among others, significant changes in the interest rate. If the terms are substantially different, the Group derecognises the original financial liability and recognises a new financial liability at fair value and recalculates a new effective interest rate for the liability. If the terms are not substantially different, the modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the liability recalculated by discounting the modified cash flows at the original effective interest rate and recognises a modification gain or loss in profit or loss. The present value of the modified cash flow of the financial liability is subsequently measured at and amortised using the effective interest rate method over the remaining life of the loan and recorded as part of finance expense in the consolidated statement of profit or loss.

- (w) **SHARE CAPITAL, SHARE ISSUANCE EXPENSES AND TREASURY SHARES** - Proceeds from issuance of ordinary shares in excess of the par value are recognised in share premium in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted from share premium.

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

- (x) **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING** - The Group uses derivative financial instruments such as interest rate swap contracts and cross currency swap contracts to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly into profit or loss. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(x) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (continued)

The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve, while the ineffective portion is recognised in profit or loss.

Amounts taken to the fair value reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. If the hedged item is a non-financial asset or liability, the amounts taken to the fair value reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedged future cashflows are no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the future cash flows occur, if the hedged future cash flows are still expected to occur.

- (y) **SEGMENTAL REPORTING** - Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing performance of the operating segment. The Group's principal activity is aircraft leasing and therefore there is only one reportable segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future are made in the preparation of financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has considered the impact of climate change on the accounting estimates and judgements. Many effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have been assessed as having limited effect on accounting judgements and estimates for the current period. Refer to page 15 on the climate related financial disclosures in the strategic report.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) **Impairment and review of residual value of property, plant and equipment – aircraft**

The Group periodically evaluates its aircraft for impairment and also reviews the residual value of the aircraft. Management exercises significant judgement in determining whether there is any indication that any aircraft may have been impaired or if there are any indications of changes in residual value. This exercise involves management considering both internal and external sources of information which include but are not limited to: observable indications that the value of the aircraft has declined during the period significantly more than would be expected as a result of the passage of time or normal use; significant adverse changes in the expected usage of the aircraft, technological or aviation environment that have taken place or will take place in the near future; significant increase in market interest rates; evidence of obsolescence or physical damage of the aircraft and worse than expected economic performance of the aircraft.

The carrying amount of property, plant and equipment at the end of the reporting period is disclosed in Note 19.

(b) **Revaluation of property, plant and equipment – aircraft**

The Group periodically revalues its aircraft using lease encumbered value ("LEV"). Under such a valuation, which reflects the highest and best use given the fact that the aircraft are held for use in a leasing business, the income streams associated with the lease and the expected future market value of the aircraft at the end of the lease are discounted to current values. Critical assumptions made in determining LEV are the discount rate applied to cashflows associated with the lease and the expected future value of aircraft at the end of the lease. The factors considered in estimating the undiscounted cash flows are impacted by changes in future periods due to changes in projected lease rental and maintenance payments, residual values, economic conditions, technology, airline demand for a particular aircraft type and other factors.

The carrying amount of property, plant and equipment - aircraft at the end of the reporting period is disclosed in Note 19.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) **Impairment of financial assets**

The Group follows the guidance of IFRS 9 Financial Instruments in determining when a financial asset is impaired, and this requires judgement on the correlation between historical observed default rates and ECLs. The Group's methodology for calculating ECLs is set out in Note 8.

The carrying amount of financial assets at the end of the reporting period is disclosed in Note 7.

(d) **Fair value estimation for deposits paid for aircraft**

The Group values the deposits paid for aircraft using the discounted cashflow model.

The carrying amount of deposits paid for aircraft at the end of the reporting period is disclosed in Note 25.

(e) **Fair value estimation for aircraft purchase rights**

The Group values aircraft purchase rights using the Black Scholes pricing model. Critical assumptions made in determining the fair value of the aircraft purchase rights include the assumed volatility of market prices.

The carrying amount of aircraft purchase rights at the end of the reporting period is disclosed in Note 26.

(f) **Recognition of maintenance reserves income**

The Group applies estimation in the determination of total maintenance reserves collected expected to be reimbursed to the lessee over the lease term. The Group will recognise maintenance reserves as revenue over the term of a lease, to the extent that collected maintenance reserves are not expected to be reimbursed to the lessee, on the occurrence of specified maintenance events

The carrying amount of maintenance reserves at the end of the reporting period is disclosed in Note 37.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) **Income taxes and deferred income taxes**

- a. Avation Group (S) Pte Ltd and its subsidiaries were awarded another 5-year Aircraft Leasing Scheme Incentive by the Singapore Economic Development Board, where income from operating leases for aircraft and aircraft engines and qualifying activities will be taxed at a concessionary rate of 8%. Accordingly, qualifying income derived from the period 17 April 2024 to 16 April 2029 will be taxed at the 8% concessionary rate subject to meeting the terms and conditions of the incentives. Management's judgement is required in the application of the concessionary tax rate of 8% in determining the carrying amount of deferred tax assets and liabilities for temporary differences that are expected to be realised or settled beyond 16 April 2029.
- b. Deferred tax assets are recognised for all unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

6 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) Standards and interpretations adopted during the year

The Group has adopted all new standards that have come into effect during the year ended 30 June 2024. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

(b) New standards and interpretations not yet adopted

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

Description	Effective date (period beginning)
Amendments to IFRS 16 - Lease liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants	1 January 2024
Amendments to IAS 21 - Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7 : Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IAS 21 - Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or joint venture	Postponed indefinitely

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

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

7 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, loans and borrowings – current and maintenance reserves 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.

Group	2024		2023	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
Financial assets:				
Finance lease receivables – non-current	12,754	11,461	41,213	38,555
Deposits paid for aircraft	30,333	30,333	8,139	8,139
Derivative financial assets	8,096	8,096	13,496	13,496
Aircraft purchase rights	112,780	112,780	85,820	85,820
Investment in equity, fair value through profit or loss	10,745	10,745	11,235	11,235
Financial liabilities:				
Deposits collected – non-current	14,967	11,936	15,907	13,502
Loans and borrowings other than unsecured notes – non-current	323,117	299,009	391,110	360,055
Unsecured notes	302,309	300,887	303,465	300,539
Share warrants	2,037	2,037	1,632	1,632

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

7 FAIR VALUE MEASUREMENT (continued)

Company	2024		2023	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
Financial assets:				
Deposits paid for aircraft	30,333	30,333	8,139	8,139
Derivative financial assets	2,176	2,176	3,399	3,399
Aircraft purchase rights	112,780	112,780	85,820	85,820
Investment in debt instrument	16,335	16,335	-	-
Financial liabilities:				
Loans and borrowings - non-current	45,734	49,782	59,535	56,738
Share warrants	2,037	2,037	1,632	1,632

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

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

The fair value of deposits paid for aircraft are classified under level 2 of the fair value hierarchy for which the inputs are observable for the determination of fair value using the discounted cashflow model.

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

The fair value of aircraft purchase rights classified under level 3 of the fair value hierarchy in prior years has been reclassified to level 2 during the year for which the aircraft price volatility rates are observable and included in the determination of fair value using the Black Scholes model.

Assets measured at fair value classified under level 3:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Fair value measurement using significant unobservable inputs:				
Aircraft	791,408	845,455	-	-
Aircraft purchase rights	-	85,820	-	85,820
Investment in equity, fair value through profit or loss	10,745	11,235	-	-

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

7 FAIR VALUE MEASUREMENT (continued)

Aircraft were revalued at 30 June 2024 and 30 June 2023. Refer to Note 19 for the details on the valuation technique and significant inputs used in the valuation.

Information about significant unobservable inputs used in level 3 fair value measurements.

The following table provides the information about the fair value measurements using unobservable inputs (level 3):

Description	Valuation techniques	Unobservable inputs	Range (weighted average) 2024	Range (weighted average) 2023	Sensitivity of the input to fair value
Aircraft	Lease-encumbered basis	Discount rates	5.50% to 7.00% for Jets (6.08%)	5.50% to 7.00% for Jets (6.08%)	Jet 5% (2023 : 5%) increase in the discount rates will result in a decrease in fair value by US\$6.1 million (2023 : decrease of US\$7.4 million)
			5.50% to 8.00% for Turboprops (6.21%)	5.50% to 9.00% for Turboprops (6.32%)	5% (2023 : 5%) increase in the inflation rate will result in an increase in fair value by US\$1.6 million (2023 : increase of US\$2.0 million)
		Inflation rates	2.17% to 2.32% for Jets (2.23%)	2.33% to 4.52% for Jets (2.62%)	Turboprops 5% (2023 : 5%) increase in the discount rates will result in a decrease in fair value by US\$1.9 million (2023 : decrease of US\$2.5 million)
			2.15% to 2.45% for Turboprops (2.26%)	2.30% to 2.97% for Turboprops (2.59%)	5% (2023 : 5%) increase in the inflation rate will result in an increase in fair value by US\$0.5 million (2023 : increase of US\$0.7 million)

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

7 FAIR VALUE MEASUREMENT (continued)

Information about significant unobservable inputs used in level 3 fair value measurements (continued)

Description	Valuation techniques	Unobservable inputs	Range (weighted average) 2024	Range (weighted average) 2023	Sensitivity of the input to fair value
Investment in equity, fair value through profit or loss	Market approach	Discount for lack of marketability	6.00%	6.00%	5% (2023 : 5%) increase in the discount for lack of marketability will result in a decrease in fair value by US\$0.03 million (2023:US\$0.04 million)

A reconciliation of liabilities arising from financing activities is as follows:

Group	1 July 2023 US\$'000s	Cash flows US\$'000s	Non-cash/ other US\$'000s	30 June 2024 US\$'000s
Loans and borrowings:				
Current	61,401	(60,341)	48,608	49,668
Non-current	391,110	(16,746)	(51,247)	323,117
Unsecured notes:				
Non-current	303,465	(15,415)	14,259	302,309
	<u>755,976</u>	<u>(92,502)</u>	<u>11,620</u>	<u>675,094</u>
Group	1 July 2022 US\$'000s	Cash flows US\$'000s	Non-cash/ other US\$'000s	30 June 2023 US\$'000s
Loans and borrowings:				
Current	63,900	(64,863)	62,364	61,401
Non-current	468,030	(17,863)	(59,057)	391,110
Unsecured notes:				
Non-current	296,200	(9,431)	16,696	303,465
	<u>828,130</u>	<u>(92,157)</u>	<u>20,003</u>	<u>755,976</u>

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

7 FAIR VALUE MEASUREMENT (continued)

Company	1 July 2023 US\$'000s	Cash flows US\$'000s	Non-cash/ other US\$'000s	30 June 2024 US\$'000s
Loans and borrowings:				
Current	13,207	(12,229)	7,674	8,652
Non-current	59,535	(5,633)	(8,168)	45,734
Trade and other payables:				
Interest bearing payable due to subsidiaries	56,669	1,903	-	58,572
	129,411	(15,959)	(494)	112,958
Company	1 July 2022 US\$'000s	Cash flows US\$'000s	Non-cash/ other US\$'000s	30 June 2023 US\$'000s
Loans and borrowings:				
Current	16,353	(16,287)	13,141	13,207
Non-current	113,086	(36,404)	(17,147)	59,535
Trade and other payables:				
Interest bearing payable due to subsidiaries	34,250	22,419	-	56,669
	163,689	(30,272)	(4,006)	129,411

The 'other' column includes the amortisation of transaction costs and reclassification of non-current portion of loans and borrowings due to passage of time.

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of market related, operational and financial risks. Risk is mitigated through the application of prudent risk management policies. The risks described below are those that the Group has identified as the most significant risks to the business. The Directors are responsible for managing risk and review risk management policies regularly.

The Group utilises derivative financial instruments as part of its overall risk management strategy.

(a) Airline Industry Risks

The Group faces risks specific to the aviation sector including war, terrorism, equipment failure and pandemics. These exposures are managed through the requirement for the airlines that lease the Group's assets to maintain insurance, adequate maintenance policies and/or contribute to a maintenance reserve for the major maintenance events for each aircraft.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay amounts owing to the Group.

The Group has adopted a prudent credit policy towards extending credit terms to customers and in monitoring those credit terms. This includes assessing customers' credit standing and periodic reviews of their financial status to determine appropriate credit limits. The Group generally requires its customers to pay rentals in advance and provide collateral in the form of cash or letters of credit as security deposits for leases. See Note 36.

The maximum exposure to credit risk in the event that counterparties fail to perform their obligations in relation to each class of financial assets is the carrying amount of those assets as stated in the statement of financial position.

The maximum exposure to credit risk for trade receivables at the reporting date by geographical area is:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Asia-Pacific	7,850	15,977	-	151
Europe	-	26	-	18
	7,850	16,003	-	169

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected losses. The Group has established a credit risk matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The ECL calculations are based on probability of defaults and loss given default rates of each customer. The Group uses judgements in making these assumptions based on past events, current conditions and forecasts of economic conditions.

There are no trade receivables that are neither past due nor impaired (2023: US\$Nil million).

Financial assets that are past due and/or impaired

There is no class of financial assets that are past due and/or impaired except for trade receivables and interest bearing receivables. An allowance for expected credit losses of US\$0.3 million (2023: US\$10.5 million) has been provided in relation to trade receivables past due and impaired of US\$3.9 million (2023: US\$24.7 million). An allowance for expected credit losses of US\$0.3 million (2023: US\$1.4 million) has been provided in relation to interest bearing receivables.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2024 US\$'000s	2023 US\$'000s
Past due less than 3 months	1,776	1,163
Past due 3 to 6 months	632	29
Past due over 6 months	1,862	670
	4,270	1,862

Bank deposits that are neither past due or impaired are mainly deposits with banks with strong credit-ratings from international credit-rating agencies. While cash and bank balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Other receivables from third parties which comprise interest bearing customer loans are subject to credit risks similar to trade receivables. Expected credit losses on other receivables are calculated using the same methodology as for trade receivables.

Other receivables from subsidiaries are low in default credit risk as these subsidiaries are financially sound and with good payment track records.

For finance lease receivables, the Group applied the general approach under the standard. The Group's finance lease receivables are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses on non-secured amounts. The loss allowance for finance lease receivables are recognised in profit or loss and reduce carrying amounts of the finance lease receivables. As the value of aircraft that secures the Group's finance lease receivables exceeds the value of the finance lease receivables, the Group has reversed a loss allowance of US\$5,000 (2023: US\$13,000) in respect of its finance lease receivables during the year ended 30 June 2024.

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on floating rate interest bearing liabilities and assets.

The Group seeks to reduce its exposure to interest rate risk by fixing interest rates on the majority of its loans and borrowings. As at 30 June 2024, 96.4% (2023: 95.8%) of the Group's loans and borrowings are at fixed or hedged interest rates. Interest rate risk is not material and therefore no sensitivity analysis presented.

Interest rates and repayment terms for financial assets and financial liabilities are disclosed in the respective notes to the financial statements as of 30 June 2024.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

Foreign currency risk arises from transactions and cash balances that are not denominated in the Group's functional currency. The Group aims to mitigate foreign currency risk by holding the majority of its cash balances in United States Dollars. From time to time the Group utilises forward foreign currency contracts to hedge its exposure to specific currency risks. The Group's foreign currency exposure is as follows:

Group	Restricted cash, cash and cash equivalents US\$'000s	Other financial assets US\$'000s	Other financial liabilities US\$'000s	Net currency exposure US\$'000s
2024:				
Pound sterling	49	100	(108)	41
Australian dollar	6	-	-	6
Euro	6,811	16,971	(54,890)	(31,108)
Singapore dollar	93	91	(621)	(437)
	6,959	17,162	(55,619)	(31,498)
2023:				
Pound sterling	141	20	(66)	95
Australian dollar	102	11	(1,194)	(1,081)
Euro	7,446	19,699	(62,138)	(34,993)
Singapore dollar	364	79	(604)	(161)
	8,053	19,809	(64,002)	(36,140)
Company	Restricted cash, cash and cash equivalents US\$'000s	Other financial assets US\$'000s	Other financial liabilities US\$'000s	Net currency exposure US\$'000s
2024:				
Pound sterling	34	64	(91)	7
Australian dollar	6	-	-	6
Euro	-	-	(279)	(279)
Singapore dollar	1	43	(36)	8
	41	107	(406)	(258)
2023:				
Pound sterling	81	20	(48)	53
Australian dollar	-	2	(16)	(14)
Euro	-	-	(288)	(288)
Singapore dollar	171	39	(24)	186
	252	61	(376)	(63)

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

The table below illustrates the effect on total profit and total equity that would result from a strengthening of foreign currencies against the United States Dollar by 10% (2023: 10%) with all other variables including tax rate being held constant:

	Group		Company	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Foreign currency:				
Pound sterling	4	10	1	5
Australian dollar	1	(108)	1	(1)
Euro	(3,111)	(3,499)	(28)	(29)
Singapore dollar	(44)	(16)	1	19

A weakening of the respective currencies by 10% against the United States Dollar would have an equal and opposite effect.

The Group entered into Euro denominated lease agreements for aircraft and subsequently arranged Euro denominated financing and cross-currency swap contracts in order to hedge exposure to foreign exchange risk associated with Euro denominated lease revenue by offsetting Euro cash inflows and outflows over the lease term. See note 24.

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors and maintains a level of cash and cash equivalents that management deems adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from loan facilities.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Group	One year or less US\$'000s	One to five years US\$'000s	Over five years US\$'000s	Total US\$'000s
2024:				
Financial liabilities:				
Trade and other payables	4,412	7,384	11,119	22,915
Loans and borrowings*	86,447	681,400	56,058	823,905
Maintenance reserves	62,153	73,270	-	135,423
	<u>153,012</u>	<u>762,054</u>	<u>67,177</u>	<u>982,243</u>
2023 (Restated):				
Financial liabilities:				
Trade and other payables	4,115	6,639	13,555	24,309
Loans and borrowings*	104,338	787,791	92,216	984,345
Maintenance reserves	61,456	52,033	-	113,489
	<u>169,909</u>	<u>846,463</u>	<u>105,771</u>	<u>1,122,143</u>

* The maturity profile on loans and borrowings includes maturity analysis of derivative financial liabilities.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Company	One year or less US\$'000s	One to five years US\$'000s	Over five years US\$'000s	Total US\$'000s
2024:				
Financial liabilities:				
Trade and other payables	48,581	62,937	-	111,518
Loans and borrowings*	11,401	48,437	-	59,838
	<u>59,982</u>	<u>111,374</u>	<u>-</u>	<u>171,356</u>
2023:				
Financial liabilities:				
Trade and other payables	14,804	65,887	-	80,691
Loans and borrowings*	17,168	65,592	-	82,760
	<u>31,972</u>	<u>131,479</u>	<u>-</u>	<u>163,451</u>

* The maturity profile on loans and borrowings include maturity analysis of derivative financial liabilities.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

8 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Capital risk

For the purpose of the Group's capital management, capital includes debt and equity items such as issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a suitable capital structure so as to fund growth and maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payments, return capital to shareholders, issue new shares, buy back issued shares, incur new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net indebtedness divided by total assets. Net indebtedness is calculated as loans and borrowings less cash and cash equivalents.

The Group calculates its gearing ratio on the basis of net indebtedness divided by total assets.

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Net indebtedness	651,533	731,160	47,005	72,071
Total assets	1,142,321	1,179,596	349,561	309,560
Gearing ratio:	57.0%	61.2%	13.4%	23.3%

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

9 RELATED PARTY TRANSACTIONS

In addition to related party information disclosed elsewhere in these financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties.

(a) Remuneration of key management personnel

The remuneration of Directors and key management includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) based on the cost incurred by the Company and the Group, and where the Company or Group did not incur any costs, the value of the benefits. Group and Company key management personnel short-term employee benefits includes \$0.6 million (2023: \$0.9 million) and \$0.6 million (2023: \$0.9 million) respectively for share warrants expense. Key management remuneration is as follows:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Key management:				
Short-term employee benefits	3,315	3,494	1,392	1,735

The amount above includes remuneration in respect of the highest paid Director as follows:

	Group	
	2024 US\$'000s	2023 US\$'000s
Aggregate emoluments	1,048	1,151

The Directors do not receive any pension contribution from the Company.

Refer to Directors' remuneration report for details.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

9 RELATED PARTY TRANSACTIONS (continued)

(b) Significant related party transactions:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Entities controlled by key management personnel (including Directors):				
Lease liability paid	(311)	(335)	(103)	(99)
Consulting fee expense	(370)	(362)	(370)	(361)
Maintenance services	(9)	(7)	-	-
Interest expense	-	(374)	-	-
Service fee income	75	76	-	-

During the previous year, a director of the company sold his US\$0.2 million in aggregate nominal value of Avation Capital S.A. 8.25% senior notes due 2026 issued under the global medium term note programme.

Refer to note 20 and note 36 for balances with related parties and subsidiaries.

(c) Significant transactions between the Company and its subsidiaries:

	Company	
	2024 US\$'000s	2023 US\$'000s
Interest income	3,029	2,832
Management fee income	1,344	1,789
Sale of notes	-	10,088
Interest expense	(4,749)	(3,193)

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

10 REVENUE

	2024	Group 2023 (Restated)
	US\$'000s	US\$'000s
Lease rental revenue	87,749	85,936
Less: amortisation of lease incentive asset	(2,721)	(1,368)
	85,028	84,568
Interest income on finance leases	2,018	2,230
Maintenance reserves income	5,351	5,893
	92,397	92,691

Maintenance reserves income relates to the recovery of maintenance reserve from airline customers and upon sale of aircraft. See Notes 31 and 37.

Geographical analysis

	2024	Group 2023 (Restated)
	US\$'000s	US\$'000s
Europe	20,726	24,122
Asia Pacific	71,671	68,569
	92,397	92,691

During the year ended 30 June 2024, five customers individually represented more than 5% of the Group's total revenue (2023: five) of which four are based in Asia-Pacific (2023: four) and one is based in Europe (2023: one). The largest customer, who is based in Asia-Pacific, accounts for US\$29.2 million or 31.7% of the Group's total revenue (2023: US\$25.5 million or 27.7%).

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

11 OTHER INCOME

	Group	
	2024	2023
	US\$'000s	US\$'000s
Deposit released	350	-
Fees for late payment	1,828	966
Foreign currency exchange gain	807	3,154
Recovery of claims from customers	443	3,137
Others	147	132
	3,575	7,389

During the previous year, the claims recovery recognised in other income is the balance of a distribution paid to creditors of Virgin Australia in excess of amounts allocated to trade receivables.

12 ADMINISTRATIVE EXPENSES

	Group	
	2024	2023
	US\$'000s	US\$'000s
Staff costs (note 15)	5,487	5,587
Other administrative expenses	3,305	3,173
	8,792	8,760

13 FINANCE INCOME

	Group	
	2024	2023
	US\$'000s	US\$'000s
Interest income from financial institutions	5,316	1,951
Interest income from non-financial institutions	693	1,178
Fair value gain on financial derivatives	-	1
Finance income from discounting non-current deposits	652	611
Gain on repurchases of unsecured notes	675	508
Gain on early full repayment of borrowings	2,507	1,657
	9,843	5,906

A gain on early full repayment of borrowings arose when loans were refinanced.

During the year, the gain on repurchases of unsecured note arose when the Group repurchased its unsecured notes through the market ranging from 85.50 cents per note to 85.75 cents per note.

During the previous year, the gain on repurchases of unsecured notes arose when the Group repurchased its unsecured notes through the market at 75.25 cents per note and through tender offer at 86.0 cents.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

14 FINANCE EXPENSES

	Group	
	2024	2023
	US\$'000s	US\$'000s
Interest expense on borrowings	20,047	21,170
Interest expense on borrowings from related parties	-	271
Interest expense on unsecured notes	29,321	30,976
Amortisation of loan transaction cost	1,571	1,057
Amortisation of IFRS 9 gain on debt modification of the unsecured notes	10,709	8,711
Amortisation of interest expense on non-current deposits	635	571
Fair value loss on financial derivatives	405	577
Others	327	206
	63,015	63,539

Amortisation of IFRS 9 gain on debt modification of unsecured notes of US\$10.7 million (2023: US\$8.7 million) relates to the gain on debt modification of the unsecured notes in 2021 which was amortised as part of the effective interest rate method.

15 STAFF COSTS

	Group	
	2024	2023
	US\$'000s	US\$'000s
Salaries and fees	4,090	4,220
Bonuses	384	35
Defined contribution plans	177	117
Benefits	101	73
Warrants expense	735	1,142
	5,487	5,587

The average number of Directors of the Company for the year is 5 (2023: 5). The average number of other employees for the year is 20 (2023: 18) and in the following departments:

	Group	
	2024	2023
Administrative	4	3
Commercial	4	4
Finance	5	5
Legal	4	3
Technical	3	3
	20	18

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

16 PROFIT BEFORE TAXATION

Profit before taxation for the year is stated after charging/(crediting) the following:

	Group	
	2024	2023
	US\$'000s	US\$'000s
Depreciation of property, plant and equipment	37,251	38,566
Foreign currency exchange (gain)	(807)	(3,154)
Audit fees:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	330	303
Fees payable to the Company's auditor and their associates for audits of the Company's subsidiaries' annual accounts	308	312
Total audit fees	638	615
Auditors' remuneration for non-audit services:		
- Tax compliance services	-	-
- All other assurance services	-	-
Total fees for non-audit services	-	-

17 TAXATION

	Group	
	2024	2023
	US\$'000s	(Restated) US\$'000s
<i>From continuing operations</i>		
Current tax expense:		
- Singapore	607	158
- Overseas	1,345	243
Under/(over) provision in prior years current tax expense:		
- Singapore	325	79
- Overseas	(1)	(7)
Deferred tax expense/(benefit):		
- Singapore	7,255	2,959
- Overseas	642	(2,624)
(Over)/under provision in prior years deferred tax expense:		
- Singapore	138	(19)
- Overseas	-	97
Income tax expense	10,311	886

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

17 TAXATION (Continued)

Income tax differs from the amount of income tax expense determined by applying the Singapore tax rate of 17% to profit before income tax as a result of the following differences:

	2024	Group 2023 (Restated)
	US\$'000s	US\$'000s
Profit before income tax	30,046	13,830
Tax calculated at 17% (2023: 17%)	5,108	2,351
Effects of:		
Under/(over) provision in prior years current tax expense		
- Singapore	325	79
- Overseas	(1)	(7)
Under/(over) provision in prior years deferred tax expense:		
- Singapore	138	(19)
- Overseas		97
Non-deductible items	2,588	2,137
Income not subject to tax	(1,138)	(2,400)
Different tax rates of other countries	1,557	586
Deferred tax asset not recognised	1,782	1,433
Utilisation of deferred tax asset not recognised	(818)	(2,714)
Effect of concessionary tax rate at 8%	770	(178)
Others	-	(479)
Income tax expense	10,311	886

The Group has unutilised tax losses of approximately US\$39.2 million (2023: US\$43.9 million) and unabsorbed capital allowances of approximately US\$86.5 million (2023: US\$89.3 million) that are available for offset against future taxable profits indefinitely, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these unutilised losses and capital allowances is subject to the agreement of tax authorities and compliance with certain provisions of tax legislation of the countries in which the Group operates.

On 23 May 2023, the International Accounting Standards Board (the Board) issued International Tax Reform – Pillar Two Models Rules – Amendments to IAS 12 which clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements Qualified Domestic Minimum Top-up Taxes. The Group has adopted these amendments. As the Group's consolidated revenues are less than EUR 750 million, it is not in the scope of the Pillar Two model rules. Therefore, neither the mandatory recognition and disclosure exception in IAS 12.4A nor the disclosure requirements in IAS 12.88A – 88D apply to the Group.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

18 EARNINGS PER SHARE

(a) Basic earnings per share ("EPS")

EPS is calculated by dividing total profit attributable to shareholders of Avation PLC by the weighted average number of ordinary shares in issue during the year.

	2024	Group 2023 (Restated)
	US\$'000s	US\$'000s
Net profit attributable to shareholders of Avation PLC	19,735	12,943
Weighted average number of ordinary shares ('000s)	70,865	69,952
Basic earnings per share (US cents)	27.85	18.50

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, total profit attributable to shareholders of Avation PLC and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, being warrants.

For warrants, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share option less the number of shares that could have been issued at fair value (determined as the Company's average share price for the year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration.

Diluted earnings per share attributable to shareholders of Avation PLC is calculated as follows:

	2024	Group 2023 (Restated)
	US\$'000s	US\$'000s
Net profit attributable to shareholders of Avation PLC	19,735	12,943
Weighted average number of ordinary shares ('000s)	70,865	69,952
Adjustment for warrants ('000s)	367	178
Weighted average number of ordinary shares ('000s)	71,232	70,130
Diluted earnings per share (US cents)	27.71	18.46

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

19 PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and equipment US\$'000s	Jet aircraft US\$'000s	Turboprop aircraft US\$'000s	Total US\$'000s
2024:				
<i>Cost or valuation:</i>				
At beginning of year	97	851,435	310,169	1,161,701
Additions	5	-	-	5
Disposals	-	-	(17,692)	(17,692)
Revaluation recognised in equity	-	(680)	(3,066)	(3,746)
At end of year	102	850,755	289,411	1,140,268
Representing:				
At cost	102	-	-	102
At valuation	-	850,755	289,411	1,140,166
	102	850,755	289,411	1,140,268
<i>Accumulated depreciation and impairment:</i>				
At beginning of year	81	230,783	85,366	316,230
Depreciation expense	10	27,794	9,447	37,251
Disposals	-	-	(10,206)	(10,206)
(Reversal of)/impairment loss	-	5,825	(252)	5,573
At end of year	91	264,402	84,355	348,848
<i>Net book value:</i>				
At beginning of year	16	620,652	224,803	845,471
At end of year	11	586,353	205,056	791,420

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

19 PROPERTY, PLANT AND EQUIPMENT (continued)

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

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets pledged as security

The Group's aircraft and aircraft held under asset for sale with carrying values of US\$638.0 million (2023: US\$838.5 million) are mortgaged to secure the Group's borrowings (Note 35).

Additions and Disposals

During the year, the Group sold two turboprop aircraft. One turboprop aircraft sold was classified as held for sale as of 30 June 2023.

During the previous year, the Group sold two turboprop aircraft and one jet aircraft. Two turboprop aircraft sold were classified as held for sale as of 30 June 2022.

A loss of US\$2.9 million (2023: US\$1.0 million) on the sale of aircraft was included within the loss on disposal of aircraft for the year ended 30 June 2024.

During the previous year, the Group transferred in two jet aircraft from assets held for sale and one turboprop aircraft from finance leases to property, plant and equipment. A gain on derecognition of finance lease of US\$2.8 million was recorded and included within the gain on derecognition of finance lease.

During the previous year, one turboprop aircraft and one jet aircraft were reclassified as held for sale.

Valuation

The Group's aircraft were valued in June 2024 by independent valuers on a lease-encumbered value basis ("LEV"). LEV takes into account the current lease arrangements for the aircraft and estimated residual values at the end of the lease. These amounts have been discounted to present value using discount rates ranging from 5.50% to 7.00% (2023: 5.50% to 7.00%) per annum for jet aircraft and 5.50% to 8.00% (2023: 5.50% to 9.00%) per annum for turboprop aircraft. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles. Significant airline customer failures and uncertainty created by the pandemic followed by rapid recovery in global air travel and improvements in airline credit worthiness have led to impairment losses and its reversals during the years ended 30 June 2023 and 30 June 2024 respectively.

During the previous year, a reversal of impairment losses of US\$0.8 million was recognised to adjust the book values of one turboprop aircraft and one jet aircraft to their fair value prior to reclassification as held for sale.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

19 PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, a downward revaluation of US\$3.7 million to equity and impairment losses of US\$5.6 million were recognised in the statement of profit or loss in relation to aircraft which remain part of the fleet.

During the previous year, a downward revaluation of US\$1.1 million to equity and a reversal of impairment loss of US\$2.0 million were recognised in the statement of profit or loss in relation to aircraft which remain part of the fleet.

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

Group	2024		2023	
	Jets US\$'000s	Turbo props US\$'000s	Jets US\$'000s	Turbo props US\$'000s
Cost	801,559	276,103	801,559	293,795
Accumulated depreciation and impairment	(242,369)	(82,756)	(216,316)	(83,657)
Net book value	559,190	193,347	585,243	210,138

Geographical analysis

2024	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
Capital expenditure	-	5	5
Net book value – aircraft	217,480	573,929	791,409
2023	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
Capital expenditure	-	6	6
Net book value – aircraft and aircraft engines	241,508	603,947	845,455

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Current:				
Trade receivables	8,162	26,545	19	829
Less:				
Allowance for expected credit losses	(312)	(10,542)	(19)	(660)
	7,850	16,003	-	169
Accrued revenue	1,939	3,375	-	-
Less:				
Allowance for expected credit losses	(6)	(8)	-	-
	1,933	3,367	-	-
Other receivables:				
- subsidiaries	-	-	147,539	160,749
- third parties	5,533	12,012	81	1,009
Less:				
Allowance for expected credit losses	(251)	(1,358)	(15,514)	(758)
	5,282	10,654	132,106	161,000
Interest receivables:				
- subsidiaries	-	-	87	118
- third parties	518	752	3	28
Less:				
Allowance for expected credit losses	(19)	(44)	-	(28)
	499	708	90	118
Deposits	49	48	25	25
Prepaid expenses	263	255	141	151
	15,876	31,035	132,362	161,463
Non-current:				
Other receivables:				
- subsidiaries	-	-	45,222	46,530
- third parties	570	5,487	-	-
	570	5,487	45,222	46,530
Right of use assets	369	632	122	210
	939	6,119	45,344	46,740

Non-current deposits paid for aircraft of US\$8.1 million was included within trade and other receivables in the consolidated statement of financial position and company statement of financial position as at 30 June 2023.

Current deposits paid for aircraft of US\$8.5 million and non-current deposits paid for aircraft of US\$21.8 million are disclosed as a separate line item in the consolidated statement of financial position and company statement of financial position s at 30 June 2024 and the comparative figures have been changed to conform presentation.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

20 TRADE AND OTHER RECEIVABLES (continued)

Accrued revenue represents deferred lease receivables from customers with whom the Group has agreed to defer lease payments for a short-term period.

Other receivables from subsidiaries includes interest bearing receivables of US\$51.9 million (2023: US\$71.3 million). Current receivables from subsidiaries are unsecured and repayable upon demand. Interest is charged at 5.8% (2023: 4.0% to 6.0%) per annum. An allowance for expected credit loss of US\$15.5 million (2023: US\$Nil) has been provided for other receivables from subsidiaries during the year.

Other receivables from third parties at Group level include interest bearing receivables of US\$5.8 million (2023: US\$16.3 million). Interest is charged at 5.0% to 11.0% (2023: 5.0% to 6.0%) per annum.

The average credit period generally granted to customers is 30 to 60 days. Rent for leased aircraft is due in advance in accordance with the leases.

The movements in allowance for expected credit losses are set out below:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
At beginning of year	11,952	11,335	1,446	1,446
(Reversal of)/provision of expected credit losses	(234)	672	15,533	-
Written off	(11,130)	(1,920)	(1,446)	-
Reclassified from financial lease receivables	-	1,819	-	-
Reclassified from/(to) assets held for sale	-	46	-	-
At end of year	588	11,952	15,533	1,446

During the year, the Group and Company have written off US\$11.1 million (2023: US\$1.9 million) and US\$1.4 million (2023: US\$Nil) of receivables mainly due to the finalisation of the liquidation process of insolvent customers.

Trade and other receivables denominated in foreign currencies are as follows:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Pound sterling	100	20	64	20
Australian dollar	-	11	-	2
Euro	-	43	-	-
Singapore dollar	91	79	43	39

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

21 FINANCE LEASE RECEIVABLES

Finance lease receivables do not include any contingent rents or residual value guarantees.

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

Group	2024		2023	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Within one year	29,907	28,659	5,675	3,952
Less:				
Allowance for expected credit losses	(15)	(15)	(20)	(20)
	29,892	28,644	5,655	3,932
One to two years	2,430	1,625	30,041	28,491
Two to three years	11,405	11,129	2,430	1,627
Three to four years	-	-	11,358	11,095
Four to five years	-	-	-	-
Later than five years	-	-	-	-
Total minimum lease payments	43,727	41,398	49,484	45,145
Less: amounts representing interest income	(2,329)	-	(4,339)	-
Present value of minimum lease payments	41,398	41,398	45,145	45,145

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

21 FINANCE LEASE RECEIVABLES (continued)

The movements in finance lease receivables are set out below:

	Group	
	2024	2023
	US\$'000s	US\$'000s
At beginning of year	45,145	60,832
Principal receipts	(3,822)	(4,310)
Reclassified to property, plant and equipment	-	(12,522)
Reclassified to trade receivables	-	(1,819)
Interest receivable	352	339
Foreign currency translation	(282)	793
Reversal of expected credit losses	5	13
Reclassified provision to trade and other receivables	-	1,819
At end of year	41,398	45,145

The movement in allowance for expected losses are set out below:

	Group	
	2024	2023
	US\$'000s	US\$'000s
At beginning of year	20	1,852
Reversal of provision for expected credit losses	(5)	(13)
Reclassified to trade and other receivables	-	(1,819)
At end of year	15	20

Finance lease receivables denominated in foreign currencies are as follows:

	Group	
	2024	2023
	US\$'000s	US\$'000s
Euro	16,971	19,656

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

22 GOODWILL

	Group	
	2024	2023
	US\$'000s	US\$'000s
Cost:		
At beginning and end of year	2,384	2,384
Allowance for impairment:		
At beginning and end of year	482	482
Net carrying amount:		
At beginning and end of year	1,902	1,902

Impairment test of goodwill

Goodwill is allocated to the cash generating unit ("CGU") of the Group which is the aircraft leasing business.

The recoverable amount of the CGU has been determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

	2024	2023
	%	%
Average cash flow growth rate	2.0	2.0
Terminal growth rate	2.0	2.0
Discount rate	6.0	6.0

Management determined cash flow growth based on past performance and its expectations of market development. The terminal growth rate of 2% that was used to extrapolate cash flows beyond the budget period did not exceed the long-term average growth rate for the business in which the CGU operates. Management has estimated that the recoverable amount of the CGU is US\$465.8 million (2023: US\$211.4 million).

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

23 INVESTMENT IN SUBSIDIARIES

	Company	
	2024 US\$'000s	2023 US\$'000s
Unquoted equity shares, at cost		
At beginning of year	3,328	3,328
Less allowance for impairment loss	(1,278)	-
At end of year	2,050	3,328

The movement in allowance for impairment loss are set out below:

	Company	
	2024 US\$'000s	2023 US\$'000s
At beginning of year	-	-
Impairment loss	1,278	-
At end of year	1,278	-

At each reporting period, the Company reviews investment in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amounts exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and value in use. During the current year, an impairment loss was recognised which is determined based on the fair value of the subsidiaries' aircraft using the lease encumbered basis under level 3 of the fair value hierarchy (see note 7 for information about the significant unobservable inputs used) adjusted by payments for liabilities of the subsidiaries.

Details of subsidiaries are as follows:

Name of entity		Country of incorporation	Principal activities	Ownership interest	
				2024 %	2023 %
<i>Held directly by the Company:</i>					
Avation Capital S.A.	(b)	Luxembourg	Financing	100.00	100.00
Capital Lease Aviation Limited		United Kingdom	Aircraft leasing	99.68	99.68
Avation Group (S) Pte. Ltd.		Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Asia) Limited		Ireland	Aircraft leasing	100.00	100.00
AVAP Leasing (Asia) II Limited		Ireland	Aircraft leasing	100.00	100.00
AVAP Leasing (Asia) III Limited		Ireland	Aircraft leasing	100.00	100.00
AVAP Leasing (Asia) IV Limited		Ireland	Aircraft leasing	100.00	100.00
Capital MSN 4033 II Limited		Ireland	Aircraft leasing	100.00	100.00

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

23 INVESTMENT IN SUBSIDIARIES (continued)

Name of entity	Country of incorporation	Principal activities	Ownership interest	
			2024	2023
			%	%
<i>Held by Capital Lease Aviation Limited:</i>				
Capital Lease Malta Ltd. (a)	Malta	Aircraft leasing	-	99.68
Capital MSN 4033 Limited	Ireland	Aircraft leasing	99.68	99.68
<i>Held by Avation Eastern Fleet Pte. Ltd.:</i>				
Airframe Leasing (S) Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Airframe Leasing (S) II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
<i>Held by Avation Eastern Fleet II Pte. Ltd.:</i>				
Airframe Leasing (S) II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
<i>Held by Avation Eastern Fleet III Pte. Ltd.:</i>				
Airframe Leasing (S) III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
<i>Held by Avation Group (S) Pte. Ltd.:</i>				
Avation Eastern Fleet Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Eastern Fleet II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Eastern Fleet III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Pacific Leasing Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Pacific Leasing II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Taiwan Leasing II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Taiwan Leasing III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) VI Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) VII Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) VIII Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) IX Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
F100 Fleet Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
MSN 1607 Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Trading Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Trading II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Trading III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Asia Fleet Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Asia Fleet II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Asia Fleet III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Denmark Leasing Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Capital II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Asia) VI Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Leasing Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Leasing II Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Leasing III Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
AVAP Aircraft Leasing IV Pte. Ltd.	Singapore	Aircraft leasing	100.00	100.00
Avation Airframe Holding Pte. Ltd.	Singapore	Aircraft leasing	100.00	-

(a) Company struck off during the year.

All companies as at 30 June 2024 are audited by member firms of Ernst & Young except for:

(b) Audited by Moore Audit S.A. for statutory financial statements purposes.

The registered office address of the companies incorporated in the following countries are as follows:

Ireland - 32 Molesworth Street, Dublin 2 D02 Y512, Ireland.

Luxembourg - 46A, Avenue J. F. Kennedy, L-1855 Luxembourg.

Singapore - 65 Kampong Bahru Road, Singapore 169370.

United Kingdom - 5 Fleet Place, London EC4M 7RD, United Kingdom.

For all non-controlling interests, voting rights not controlled by the group are equivalent to ownership interests.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

24 DERIVATIVE FINANCIAL ASSETS/LIABILITIES AND HEDGING

Group	Contract/ notional amount		Fair value	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Derivative financial assets -current				
Interest rate swap – current	-	3,531	-	54
Derivative financial assets -non-current				
Interest rate swap	162,741	220,110	7,505	12,847
Cross-currency interest rate swap	4,000	4,000	591	595
	166,741	224,110	8,096	13,442
Derivative financial liabilities				
Warrants	-	-	2,037	1,632
Company	Contract/ notional amount		Fair value	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Derivative financial assets – non-current				
Interest rate swap	57,750	64,250	2,176	3,399
Derivative financial liabilities				
Share warrants	-	-	2,037	1,632

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

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

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

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

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

24 DERIVATIVE FINANCIAL ASSETS/LIABILITIES AND HEDGING (continued)

The swap contracts mature between 15 September 2026 and 21 November 2030.

Changes in the fair value of these interest rate swap and cross-currency interest rate swap contracts are recognised in the fair value reserve. The net fair value loss net of tax of US\$5.0 million (2023: gain of US\$6.8 million) on these derivative financial instruments was recognised in the fair value reserve for the year.

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

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

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

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

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

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

24 DERIVATIVE FINANCIAL ASSETS/LIABILITIES AND HEDGING (continued)

During the year 30 June 2024, the effect of the cash flow hedge in the consolidated statement of profit or loss and consolidated statement of comprehensive income was as follows:

Group	Total hedging gain/(loss) recognised in OCI, net of tax US\$'000s	Amount reclassified from OCI to profit or (loss) US\$'000s	Line item in the statement of profit or loss
Interest rate swap	(4,883)	6,680	Finance expense
Cross currency swap	(106)	(423)	Finance expense
Foreign currency hedge	421	(382)	Other income
	(4,568)	5,875	

During the year 30 June 2023, the effect of the cash flow hedge in the consolidated statement of profit or loss and consolidated statement of comprehensive income was as follows:

Group	Total hedging gain/(loss) recognised in OCI, net of tax US\$'000s	Amount reclassified from OCI to profit or (loss) US\$'000s	Line item in the statement of profit or loss
Interest rate swap	6,649	2,995	Finance expense
Cross currency swap	144	(147)	Finance expense
Foreign currency hedge	(6,383)	6,281	Other income
	410	9,129	

The share warrants consist of 5,857,408 (2023: 5,857,408) share warrants granted to the holder of the unsecured notes to subscribe for ordinary shares of the Company exercisable to 31 October 2026 at a price of 114.5 pence per share (including cashless exercise option).

The share warrants were valued based on level 1 quoted prices (unadjusted) in an active market for the year ended 30 June 2024.

The share warrants were listed on the London Stock Exchange on 24 June 2022 and are valued based on the quoted prices as of 30 June 2024.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

25 DEPOSITS PAID FOR AIRCRAFT

	Group and Company	
	2024	2023
	US\$'000s	US\$'000s
Current	8,520	-
Non-current	21,813	8,139
	30,333	8,139
Deposits paid for aircraft, at fair value:		
At beginning of year	8,139	7,749
Additions	2,268	390
Transfer from aircraft purchase rights (note 26)	28,500	-
Unrealised loss	(8,574)	-
At end of year	30,333	8,139

During the year, the Group exercised purchase rights for 10 aircraft and paid US\$2.3 million deposits to the manufacturer. These deposits are fair valued using the discounted cashflow model.

26 AIRCRAFT PURCHASE RIGHTS

	Group and Company	
	2024	2023
	US\$'000s	US\$'000s
Aircraft purchase rights, at fair value:		
At beginning of year	85,820	65,280
Unrealised gain	55,460	20,540
Transfer to deposits paid for aircraft (note 25)	(28,500)	-
At end of year	112,780	85,820

During the year, the Group exercised purchase rights for ten additional ATR 72-600 aircraft for delivery between the last quarter of 2025 and the first quarter of 2028. The exercised purchase rights are recorded as deposits paid for aircraft in Note 25. The Group has been granted additional purchase rights during the year and holds purchase rights for a further 24 ATR 72-600 aircraft from the manufacturer with an extended expiry date of June 2034.

The Group has determined that it would seek to dispose of excess aircraft purchase rights over and above its requirement to acquire additional aircraft for its fleet. The Group accounts for aircraft purchase rights at fair value through profit or loss. Disclosures about the fair value measurement of aircraft purchase rights at fair value are included in Note 7.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

27 INVESTMENT IN EQUITY, FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2024 US\$'000s	2023 US\$'000s
Non-listed equity, at fair value		
At beginning of year	11,235	3,715
Unrealised (loss)/gain	(490)	7,520
At end of year	10,745	11,235

The Group received 8,014,602 ordinary shares from an airline customer as part of the airline's restructuring plan during the year ended 30 June 2022.

The Group entered into an agreement to exchange 8,014,602 ordinary shares in Philippine Airlines, Inc. with 124,787,353 ordinary shares in PAL Holdings, Inc. during the previous year. The exchange of shares is subject to approval by the Philippines SEC.

28 INVESTMENT IN DEBT INSTRUMENT, FAIR VALUE THROUGH PROFIT OR LOSS

	Company	
	2024 US\$'000s	2023 US\$'000s
Listed debt instrument, at fair value		
At beginning of year	-	5,925
Additions	15,415	3,305
Disposal	-	(10,088)
Fair value gain	920	858
At end of year	16,335	-

As of 30 June 2024, the Company holds US\$18.0 million par value of its subsidiary, Avation Capital SA's 8.25% unsecured notes (2023: nil).

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

29 LEASE INCENTIVE ASSETS

	Group	
	2024 US\$'000s	2023 US\$'000s
Current	3,136	1,643
Non-current	7,756	4,686
	10,892	6,329
At beginning of year	6,329	447
Additions	7,284	1,042
Transfer from asset held for sale	-	6,208
Amortisation to profit or loss	(2,721)	(1,368)
At end of year	10,892	6,329

30 RESTRICTED CASH, CASH AND CASH EQUIVALENTS

Restricted cash of US\$90.9 million, fixed deposits of US\$1.2 million and cash and cash equivalents of US\$24.8 million were included within cash and bank balances in the consolidated statement of financial position as at 30 June 2023.

Restricted cash of US\$94.4 million and cash and cash equivalent of US\$23.6 million are disclosed as a separate line item in the consolidated statement of financial position as at 30 June 2024 and the comparative figures have been changed to conform presentation.

The Group's restricted cash has been pledged as security for certain loan obligations.

The rate of interest for cash on interest earning accounts is approximately 0.20% to 5.60% (2023: 0.20% to 5.46%) per annum.

Restricted cash, cash and cash equivalents denominated in foreign currencies are as follows:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Pound sterling	49	141	34	81
Australian dollar	6	102	6	-
Euro	6,811	7,446	-	-
Singapore dollar	93	364	1	171

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

31 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

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

	Group	
	2024 US\$'000s	2023 US\$'000s
Assets held for sale:		
Property, plant and equipment - aircraft		
At beginning of year	8,000	100,500
Additions	-	26,250
Disposal	(8,000)	(40,750)
Transfer to property, plant and equipment		(78,000)
At end of year	-	8,000

During the year, the Group sold two turboprop aircraft. One turboprop aircraft sold was classified as held for sale as of 30 June 2023.

During the previous year, two jet aircraft were transferred to property plant and equipment when the proposed sale of the aircraft was cancelled.

During the previous year, the board of directors decided to sell one turboprop aircraft. The sale of aircraft is expected to be completed within a year from reporting date. The aircraft was measured at fair value less cost to sell at the date of transfer to assets held for sale.

During the previous year, the Group sold two turboprop aircraft and one jet aircraft.

During the previous year, maintenance reserves of US\$3.1 million were released to profit or loss as revenue following the sale of the aircraft.

32 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	2024		2023	
	No of shares	US\$'000s	No of shares	US\$'000s
Allotted, called up and fully paid				
Ordinary shares of 1 penny each:				
At beginning of the year	70,883,124	1,182	71,698,124	1,203
Issue of shares	60,000	1	1,495,000	18
Cancellation	(65,000)	(1)	(2,310,000)	(39)
At end of the year	70,878,124	1,182	70,883,124	1,182

During the year, the Company issued 60,000 ordinary shares of 1 penny each at 102.0 pence following the exercise of warrants by warrant holders raising total gross proceeds of US\$0.1 million.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

32 SHARE CAPITAL AND TREASURY SHARES (continued)

During the previous year, the Company issued 1,495,000 ordinary shares of 1 penny each at 101.25 pence following the exercise of warrants by warrant holders raising total gross proceeds of US\$1.9 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

	2024		2023	
	No of shares	US\$'000s	No of shares	US\$'000s
At beginning of the year	-	-	2,210,000	7,811
Acquired during the year	65,000	95	100,000	94
Cancellation	(65,000)	(95)	(2,310,000)	(7,905)
At end of the year	-	-	-	-

During the year, the Company bought 65,000 treasury shares at market price ranging from 110 pence to 119 pence per share and subsequently cancelled 65,000 treasury shares.

During the previous year, the Company bought 100,000 treasury shares at a market price of 77.2 pence per share and subsequently cancelled 2,310,000 treasury shares.

(c) Net asset value per share

	2024	2023 (restated)
Net asset value per share (US\$) ⁽¹⁾	\$3.62	\$3.44
Net asset value per share (GBP) ⁽²⁾	£2.85	£2.71

⁽¹⁾ Net asset value per share is total equity divided by the total number of shares in issue excluding treasury shares at period end.

⁽²⁾ Based on GBP:US\$ exchange rate as at 30 June 2024 of 1.27 (30 June 2023 : 1.27)

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

33 ASSET REVALUATION RESERVE

	Group	
	2024 US\$'000s	2023 US\$'000s
At beginning of year	50,764	51,730
Revaluation loss	(3,746)	(1,080)
Deferred tax credit	325	114
At end of year	47,343	50,764

34 OTHER RESERVES

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Capital redemption reserve	52	51	52	51
Warrant reserve	3,543	2,835	3,543	2,835
Fair value reserve	4,745	9,734	(569)	447
Foreign currency hedge reserve	2,870	2,449	-	-
	11,210	15,069	3,026	3,333

Capital redemption reserve comprises of the par value of the cancelled treasury shares.

Warrant reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share warrants. The expense for service received is recognised over the vesting period.

Fair value reserve represents the portion of the fair value changes (net of tax) on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

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

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

34 OTHER RESERVES (continued)

Movements in other reserves are as follows:

	Group		Company	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<i>Capital redemption reserve:</i>				
At beginning of the year	51	12	51	12
Cancellation of treasury shares	1	39	1	39
At end of the year	52	51	52	51
<i>Warrant reserve:</i>				
At beginning of the year	2,835	2,389	2,835	2,389
Employee share warrant scheme:				
- Value of employee services	735	1,142	735	1,142
- Issue of shares	(18)	(506)	(18)	(506)
- Expired	(9)	(190)	(9)	(190)
At end of the year	3,543	2,835	3,543	2,835
<i>Fair value reserve:</i>				
At beginning of the year	9,734	2,941	447	(1,312)
Effective portion of changes in fair value	1,268	9,641	689	2,634
Net change in fair value reclassified to profit or loss	(6,257)	(2,848)	(1,705)	(875)
At end of the year	4,745	9,734	(569)	447
<i>Foreign currency hedge reserve:</i>				
At beginning of the year	2,449	8,832	-	-
Effective portion of changes in fair value	803	(102)	-	-
Net change in fair value reclassified to profit or loss	(382)	(6,281)	-	-
At end of the year	2,870	2,449	-	-

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

35 LOANS AND BORROWINGS

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Secured borrowings	372,785	452,511	54,386	72,742
Unsecured notes (a)	302,309	303,465	-	-
	675,094	755,976	54,386	72,742
Less: current portion of borrowings	(49,668)	(61,401)	(8,652)	(13,207)
	625,426	694,575	45,734	59,535
	Maturity		Weighted average interest rate per annum	
	2024	2023	2024 %	2023 %
Secured borrowings	2025-2031	2024-2031	4.80%	4.52%
Unsecured notes (a)	2026	2026	8.25%	8.25%

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

The Group incurred transaction costs and upfront fees of US\$0.9 million during the year (2023: US\$0.7 million) that are capitalised into loans and borrowings.

During the year, the Group increased its secured borrowings by US\$30.0 million (2023: US\$43.0 million) to fund its business operations.

During the year, the Group repaid its secured borrowings and repurchased its unsecured notes amounting to US\$121.6 million (2023: US\$135.1 million).

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

35 LOANS AND BORROWINGS (continued)

Secured loans and borrowings denominated in foreign currencies are as follows:

	Group		Company	
	2024 US\$'000s	2023 US\$'000s	2024 US\$'000s	2023 US\$'000s
Euro	98,506	113,961	-	-

- (a) In May 2015, the Company through its wholly owned subsidiaries, Avation Capital S.A. and Avation Group (S) Pte. Ltd. (together, "the Issuers") established a US\$500 million global medium term note programme (the "Programme") guaranteed by the Company.

Under the Programme, the Issuers may from time to time issue Notes (the "Notes") denominated in any currency as agreed. All Notes issued under the Programme are listed on the Singapore Stock Exchange ("SGX").

During the year, the Company repurchased US\$18.0 million unsecured notes through the market at prices ranging from 85.5 US cents to 85.8 US cents.

During the previous year, the Company repurchased US\$4.4 million unsecured notes through the market at a price of 75.25 US cents and US\$7.1 million through a tender offer at a price of 86.0 US cents.

During the year ended 30 June 2021, the Company reached agreement with the holders of its unsecured notes for a maturity extension and the following are the key terms of the extension:

- Maturity extension of the notes from 15 May 2021 to 31 October 2026;
- Cash coupon of 6.5% with, at the Company's option, an additional 2.5% payment in kind coupon or an additional 1.75% cash coupon;
- Bondholders receive 6,000,000 warrants to subscribe for ordinary shares exercisable to 31 October 2026 at a price of 114.5 pence per share (including cashless exercise option);
- The notes are callable at any time during their 2.3 year remaining duration, with the call premium decreasing to par during year 5; and

The maturity extension of the unsecured note resulted in a gain on debt modification of US\$50.3 million during the year ended 30 June 2021.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

36 TRADE AND OTHER PAYABLES

	Group		Company	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Current:				
Trade payables	448	734	249	444
Other payables:				
- subsidiaries	-	-	40,729	9,054
- third parties	1,029	137	98	91
Deposits collected	3,605	864	2,360	316
Deferred lease income	634	621	-	-
Lease liability	306	280	100	93
Revenue received in advance	6,006	6,310	-	-
Accrued expenses	6,892	8,221	416	405
	18,920	17,167	43,952	10,403
Non-current:				
Other payables:				
- subsidiaries	-	-	56,389	54,919
Deposits collected	14,967	15,907	-	-
Deferred lease income	2,716	3,179	-	-
Lease liability	104	399	34	130
Accrued expenses	700	700	700	700
	18,487	20,185	57,123	55,749

Other payables due to subsidiaries includes interest bearing payables of US\$58.6 million (2023: US\$56.7 million) which are unsecured, with fixed repayment terms, and bear interest at 5.8% to 8.2% (2023: 5.8% to 8.2%) per annum. Amounts due to subsidiaries without fixed repayment terms are payable on demand.

Deposits collected mainly consist of security deposits collected from customers in respect of aircraft lease commitments and have been discounted to present value at a current pre-tax rate that reflects the risks specific to these deposits. Deposits will be refunded at the end of the respective lease term. Current deposits collected included US\$2 million for sales deposit of two aircraft as of 30 June 2024.

Trade and other payables denominated in foreign currencies are as follows:

	Group		Company	
	2024	2023	2024	2023
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Pound sterling	108	66	91	48
Australian dollar	-	1,194	-	16
Euro	4,415	3,725	276	288
Singapore dollar	621	604	36	24

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

37 MAINTENANCE RESERVES

	Group	
	2024	2023
	US\$'000s	(Restated) US\$'000s
Current:		
Maintenance reserves	62,153	61,456
Non-current:		
Maintenance reserves	53,817	41,639
Maintenance lease contribution	19,453	10,394
	73,270	52,033
Total maintenance reserves	135,423	113,489
	Group	
	2024	2023
	US\$'000s	(Restated) US\$'000s
At beginning of year	113,489	83,910
Contributions	34,152	29,152
Utilisations	(6,285)	(7,544)
Released to profit or loss	(5,933)	(2,773)
Transfer from liabilities directly associated with assets held for sale	-	10,744
At end of the year	135,423	113,489

During the year, maintenance reserves of US\$5.3 million (2023 : US\$0.8 million) were released to profit or loss as income following the change in accounting policy. See note 3 for the change in accounting policy. The remaining US\$0.6 million was the release of maintenance lease contribution offset against loss on disposal of aircraft.

Maintenance lease contribution represents the contractual obligations of the Group to contribute to the lessee's costs for aircraft maintenance. During the year, the maintenance lease contribution was US\$7.3 million (2023: US\$1.0 million).

The Group also holds letters of credit for US\$12.0 million (2023: US\$12.0 million) as security for lessees' obligations under operating leases for the maintenance of aircraft.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

38 DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities are attributable to the following:

	Group		Company	
	2024	2023	2024	2023
	US\$'000s	(Restated) US\$'000s	US\$'000s	US\$'000s
Property, plant and equipment	6,395	6,240	-	-
Aircraft purchase rights and deposits for aircraft	20,527	13,010	20,527	13,010
Gain on debt modification	3,926	6,597	-	-
Tax losses	2,709	-	-	-
Cash flow hedge	490	847	(116)	92
	34,047	26,694	20,411	13,102

Movements in temporary differences are as follows:

Group	Property, plant and equipment US\$'000s	Aircraft purchase rights and deposits for aircraft US\$'000s	Gain on debt modification US\$'000s	Cash flow hedge US\$'000s	Total US\$'000s
2024					
At beginning of the year	6,240	13,010	6,597	847	26,694
Recognised in profit or loss	480	7,517	38	-	8,035
Recognised in equity	(325)	-	-	(357)	(682)
At end of the year	6,395	20,527	6,635	490	34,047
2023 (Restated)					
At beginning of the year	6,102	9,948	9,498	65	25,613
Recognised in profit or loss	252	3,062	(2,901)	-	413
Recognised in equity	(114)	-	-	782	668
At end of the year	6,240	13,010	6,597	847	26,694

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

38 DEFERRED TAX LIABILITIES (continued)

Company	Aircraft purchase rights and deposits for aircraft US\$'000s	Cash flow hedge US\$'000s	Total US\$'000s
2024			
At beginning of the year	13,010	92	13,102
- Recognised in profit or loss	7,517	-	7,517
- Recognised in equity	-	(208)	(208)
At end of the year	20,527	(116)	20,411
2023			
At beginning of the year	9,948	(268)	9,680
- Recognised in profit or loss	3,062	-	3,062
- Recognised in equity	-	360	360
At end of the year	13,010	92	13,102

39 SHARE BASED PAYMENTS

The Group has an ownership-based compensation scheme for all employees of the Group.

Each share warrant converts into one ordinary share of Avation PLC on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights.

Warrants are granted to employees of the Group to promote:

- Improvement in share price;
- Improvement in the Company's earnings per share;
- Reliable and high quality financial reporting;
- Growth in asset value and profits; and
- Growth in dividends.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

39 SHARE BASED PAYMENTS (continued)

Movement in warrants during the year

The following table illustrates the number (No.) and weighted average exercise prices in GBP pence (WAEP) of, and movements in, warrants during the year:

	2024		2023	
	No.	WAEP	No.	WAEP
Outstanding at beginning of the year	7,050,000	118.7p	5,480,000	120.8p*
- Granted	1,105,000	121.3p	3,450,000	107.0p
- Exercised	(60,000)	102.0p	(1,495,000)	101.3p
- Expired	(25,000)	106.8p	(385,000)	110.6p
Outstanding at end of the year	8,070,000	119.1p	7,050,000	118.7p
Exercisable at end of the year	4,681,667	124.7p	2,411,677	130.0p

*The beginning WAEP for the outstanding warrants is re-adjusted due to re-pricing of warrants on 14 October 2022 for warrants granted on 21 September 2019 and 21 November 2019 from exercise price of 296 pence and 274.5 pence respectively to 101.25 pence.

The weighted average fair value of warrants granted during the year was 28.1 pence (2023: 33.5 pence). The charge recognised in profit or loss in respect of share based payments is US\$0.7 million (2023: US\$1.1 million).

During the year, 60,000 warrants were exercised (2023: 1,495,000 warrants).

Warrants outstanding at the end of the year have the following expiry date and exercise price:

Warrant series granted on	Expiry date	Exercise price	Number of warrants	
			2024	2023
23 December 2020	23 Jan 2024*	130.0p	3,600,000	3,600,000
29 September 2022	29 Nov 2025	102.0p	2,655,000	2,735,000
2 March 2023	2 May 2026	126.0p	710,000	715,000
1 November 2023	1 January 2027	125.5p	485,000	-
13 March 2024	13 May 2027	118.0p	620,000	-

*The expiry date for the warrants granted on 23 December 2020 is extended to one month after the Company exits a restricted period related to a material refinancing transaction under consideration at the date of signing this report.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

39 SHARE BASED PAYMENTS (continued)

Warrants granted have a 3-year vesting schedule with details as follows:

Vesting period	Proportion of total share options that are exercisable
Before year 1	0 per cent
On year 1 and before year 2	Up to 33 per cent of the grant
On year 2 and before year 3	Up to 33 per cent of the grant or up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On year 3 to 2 months after year 3	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

The warrants were valued using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the previous twelve months.

	Warrant series granted on 13 March 2024	Warrant series granted on 1 November 2023	Warrant series granted on 2 March 2023
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Inputs into the model:

Grant date share price	118.0 pence	125.5 pence	126.0 pence
Exercise price	118.0 pence	125.5 pence	126.0 pence
Expected volatility	24.75%	33.83%	45.11%
Warrant life	3 years	3 years	3 years
Dividend yield	0.00%	0.00%	0.00%
Risk free interest rate	4.04% to 4.23%	4.54% to 4.77%	3.70% to 3.73%

	Warrant series granted on 29 September 2022	Warrant series granted on 23 December 2020
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Inputs into the model:

Grant date share price	102.0 pence	132.5 pence
Exercise price	102.0 pence	132.5 pence
Expected volatility	42.96%	77%
Warrant life	3 years	3 years
Dividend yield	0.00%	0.90%
Risk free interest rate	4.36% to 4.44%	-0.08% to -0.06%

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

40 CAPITAL COMMITMENTS

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

	Group and Company	
	2024	2023
	US\$'000s	US\$'000s
Property, plant and equipment	249,481	32,761

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

As at the year end, the Group has commitments to purchase twelve (2023: two) ATR 72-600 aircraft from the manufacturer with expected delivery dates ranging from 2024 to 2028.

41 OPERATING LEASE MATURITY ANALYSIS

The Group leases out aircraft under operating leases. The future minimum undiscounted lease payments under non-cancellable leases are as follows:

	Group	
	2024	2023
	US\$'000s	US\$'000s
Within one year	91,510	92,461
One to two years	82,240	88,630
Two to three years	68,731	79,315
Three to four years	54,215	65,948
Four to five years	27,393	52,466
Later than five years	38,095	63,977
	362,184	442,797

The Group holds cash deposits of US\$20.1 million (2023: US\$20.1 million) and letters of credit for US\$3.5 million (2023: US\$3.5 million) as security for lessees' obligations under operating leases.

42 CONTINGENT LIABILITIES

	Company	
	2024	2023
	US\$'000s	US\$'000s
Guarantees	706,669	800,448

The maximum estimated amount that the Company could become liable for under guarantees for loans and borrowings is as shown above.

AVATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

43 ULTIMATE HOLDING COMPANY

No party controls the Company.

44 SUBSEQUENT EVENTS

Subsequent to the year-end two ATR 72-600 aircraft were sold to the lessee pursuant to the exercise of purchase options.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the year ended 30 June 2024 were authorised for issue by the Board of Directors on 25 October 2024.