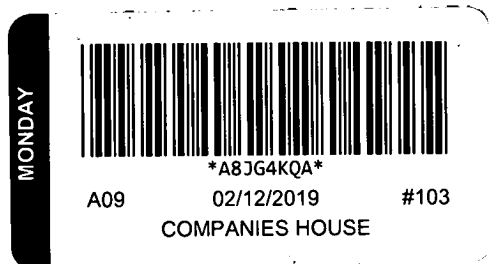


**AVATION PLC**  
**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2019**

**REGISTERED NUMBER: 05872328 (ENGLAND & WALES)**



## **AVATION PLC**

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## **AVATION PLC**

### **COMPANY INFORMATION FOR THE YEAR ENDED 30 JUNE 2019**

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<b>DIRECTORS:</b>	Robert Jeffries Chatfield Roderick Douglas Mahoney Stephen John Fisher Derek Sharples
<b>COMPANY SECRETARIES:</b>	Duncan Gerard Stephen Scott Jasmine Siow Fui San (appointed on 21 May 2019)
<b>REGISTERED OFFICE:</b>	5 Fleet Place London EC4M 7RD United Kingdom
<b>PRINCIPAL PLACE OF BUSINESS:</b>	65 Kampong Bahru Road Singapore 169370
<b>AUDITOR:</b>	Ernst & Young EY Building Harcourt Centre Harcourt Street 2 Dublin Ireland
<b>SOLICITORS:</b>	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD United Kingdom
<b>REGISTRAR:</b>	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS99 6ZZ United Kingdom

## **AVATION PLC**

### **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

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#### **Overview**

- Fleet assets increased by 22% to \$1.27 billion as at 30 June 2019;
- Lease rental revenue increased by 21% to a record \$117.7 million;
- Net profit after tax for the year increased by 28% to a record \$25.7 million;
- Earnings per share ("EPS") increased by 25.0% to 40.3 US cents;
- Interim dividend per share of 8.5 US cents declared, taking total dividends for the financial year to 10.5 US cents (2018: 7.25 cents), an increase of 45%;
- Dividend yield increased to 3.1% for the year up from 2.4%;
- Weighted average cost of debt declined from 5.0% to 4.6%; and
- Net asset value per share increased 7% year on year to £2.95 per share.

#### **Operational highlights**

- Twelve aircraft added to the fleet during the year;
- Two narrowbody aircraft sold;
- Completed deliveries of five Airbus A220-300 aircraft to airBaltic;
- Order for eight additional ATR 72-600 aircraft for delivery between 2020 and 2022; and
- Airline customers increased from thirteen to seventeen.

#### **Business review**

Avation posted record revenue, profit, EPS and fleet assets for the year ended 30 June 2019.

The Company acquired twelve aircraft during the year and continued to diversify aircraft types and add new customers to reduce revenue concentration.

Avation sold two narrowbody aircraft during the year, both of which were sold for more than 10% above book value. Narrowbody aircraft represent almost half of the fleet by value. This confirms that Avation's fleet assets are liquid and supports management's view that the group's net realisable value per share exceeds the reported net asset value per share.

The Company's strong performance enabled the Board to declare a second dividend of 8.5 US cents per share for the year, which takes the full year dividend to a record 10.5 US cents per share including the initial interim dividend of 2 US cents per share paid in December 2018. This dividend payout results in a yield of 3.1%.

Avation will continue to focus on growing the fleet and adding new airline customers in the coming financial year. The Company is currently assessing jet aircraft for acquisition, in addition to scheduled deliveries of new ATR 72 turboprop aircraft from our order book.

#### **Interim dividend**

In order to recognise shareholder ownership as it continues the development of the business, the Board has declared a second dividend of 8.5 US cents per share in respect of the financial year ended 30 June 2019. Inclusive of the initial interim dividend of 2 US cents per share paid in December 2018, this takes the total dividend for the financial year to 10.5 US cents per share (2018: 7.25 US cents), representing an increase of 45%.

## **AVATION PLC**

### **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

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#### **Market Positioning and Risk**

Avation's strategy is to target growth and diversification by adding new airline customers, while maintaining strong average aircraft age and remaining lease term metrics. Avation focuses on new and relatively new commercial passenger aircraft on long-term leases. Avation is able to own, manage and lease turboprop, narrowbody and twin-aisle aircraft.

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

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

#### **Outlook**

The outlook for the 2020 financial year is for continued fleet growth and the acquisition of new airline customers.

Management believes that the risks associated with its portfolio of assets have been reduced through the growth and diversification that has been achieved during the year. Avation has demonstrated that it has the capability to acquire, finance and deliver a number of aircraft in a short period of time when opportunities arise and has a platform which supports continued growth.

Management believes that it can attract airline customers, acquire aircraft and obtain the required funding for growth. In addition to operational cash flows, funding is traditionally sourced from capital markets, asset-backed bank lending and disposal of selected aircraft. Access to acceptably priced funding is a risk, which is common to all capital-intensive businesses. Specific risks which are inherent to the aircraft leasing industry include, but are not limited to, the creditworthiness of airline customers, over-production of new aircraft and market saturation, technology change, residual value risks, competition from other lessors and the risk of impairment of aircraft assets.

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



Robert Jeffries Chatfield  
Executive Chairman  
Singapore  
27 September 2019

## **AVATION PLC**

### **STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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The Directors present their strategic report for the year ended 30 June 2019.

#### **BUSINESS OVERVIEW**

Avation PLC and its subsidiaries ("Avation", the "Group") is a commercial passenger aircraft leasing group managing a fleet of 48 aircraft, as at 30 June 2019, which are leased to airlines. Avation was founded in 2006 and has now been in operation for 13 years, generating a profit every year. Avation leases aircraft to 17 airline customers spread across 13 countries in Europe and the Asia-Pacific region, as at 30 June 2019. Major customers include Virgin Australia, Vietjet Air, airBaltic, and Philippine Airlines. During the year ended 30 June 2019 Avation added four new airline customers. The Group's fleet includes 21 narrow-body jets, two twin-aisle jets and 25 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 17 April 2014, a beneficiary of the Singapore Aircraft Leasing Scheme ("ALS") tax incentive. On 17 April 2019 Avation was granted a 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 in the coming year. The Group has nine ATR 72-600 aircraft on order from the manufacturer, four of which are scheduled to be delivered in the coming financial year, and holds purchase rights for a further 25 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 is listed on the main list 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 jets, in particular the popular Airbus A320/A321, A220 and Boeing 737 families of narrow-body jet aircraft. The Group will also consider acquiring additional twin-aisle aircraft in future 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.

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 also 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 amortise to conservative balloon payments over the terms of the underlying leases.

The Avation fleet of 48 aircraft (as at 30 June 2019) has a weighted average age of 3.4 years and weighted average remaining lease term of 7.5 years, serving a diversified customer base of airlines in Europe and the Asia-Pacific region.

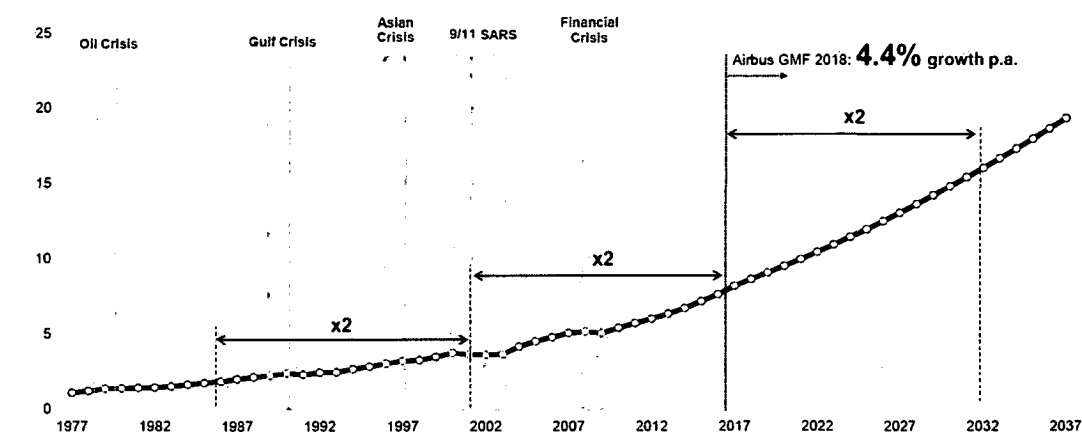
## AVATION PLC

### STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

#### MARKETS 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 increased access to financial capital for leasing companies.

World annual traffic (trillion RPKs)



5

RPK = Revenue Passenger Kilometre  
Source: ICAO, Airbus GMF 2018

AIRBUS

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.

The world fleet of commercial passenger aircraft is predicted to grow substantially with aircraft traffic expected to double every 15 years. Airbus forecasts that over 37,000 aircraft (replacement and growth) will be required over the next 20 years, of which 43% are expected to be in Asia-Pacific, 19% in Europe, 17% in North America, and of the total, 76% are expected to be single aisle.<sup>1</sup>

Comparatively low interest rates and improved access to capital, including unsecured debt, are supporting the growth plans of established leasing companies and new entrants into the global aircraft leasing market. Many stand-alone aircraft lessors have improved their leverage profile over the last several years and have been able to diversify funding sources.

<sup>1</sup> Airbus Global Market Forecast 2018-2037

## **AVATION PLC**

### **STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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#### **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 a number of factors including but not limited to local and global economic conditions, increased competition between airlines, speculative ordering of new aircraft, war, terrorism 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 against 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 against 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 in order to ensure that there is adequate funding at all times for proper maintenance of the aircraft.



## AVATION PLC

### STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

#### Financial risks:

Avation's financial risk management objectives and policies are set out in note 7 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

	2019 US\$'000s	2018 US\$'000s
Revenue	119,055	109,787
Other income	215	639
Operating profit	77,165	57,209
Total profit	25,691	20,000
Net cash from operating activities	73,607	102,696
Total assets	1,392,750	1,152,205
Total equity	240,757	228,178
Basic earnings per share	40.26 cents	32.20 cents
Dividend per share	10.50 cents	7.25 cents

Revenue increased by 8.4% to US\$119.1 million (2018: US\$109.8 million) primarily as a result of growth in the aircraft fleet.

Other income decreased by US\$0.4 million to US\$0.2 million (2018: US\$0.6 million) primarily due to lower foreign currency exchange gains of US\$nil (2018: US\$0.3 million) and lower sales of aircraft parts of US\$nil (2018: US\$0.2 million).

Depreciation increased by 19.6% to US\$41.0 million (2018: US\$34.3 million) as a consequence of growth in the aircraft fleet.

Gains on sales of aircraft during the period were US\$10.0 million (2018: US\$nil) and impairment losses were US\$nil (2018: US\$7.1 million). During the current year the Group sold two narrow-body aircraft for prices in excess of 10% above net book value, generating sale profits of US\$8.7 million (2018: US\$nil) and also recorded gains of US\$1.0 million (2018: US\$nil) on recognition of finance leases for two aircraft. During the previous financial year, the Group recorded an impairment loss of \$7.1 million in the year on an Airbus A320 aircraft which was re-possessed from Air Berlin.

Administrative expenses increased 7.4% to US\$11.0 million (2018: US\$10.2 million) primarily due to increased staff costs of US\$5.2 million (2018: US\$ 4.7 million) arising from additional headcount associated with managing a larger aircraft fleet. As a percentage of revenue, administrative expenses decreased to 9.2% (2018: 9.3%).

Other expenses were US\$0.2 million (2018: US\$1.7 million). Other expenses in the current period include expected credit losses on trade receivables of US\$0.2 million (2018: US\$nil). Other expenses in the prior period included a revaluation loss of US\$1.6 million (2019: US\$nil) on options held for trading.

Operating profit increased 34.9% to US\$77.2 million (2018: US\$57.2 million) as a result of the foregoing.

## AVATION PLC

### STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

Finance expenses increased by 23.5% to US\$55.3 million (2018: US\$44.8 million) and total interest expense within finance expenses increased to US\$48.0 million (2018: US\$38.6 million). The increases in finance expenses and total interest expense were primarily attributable to new debt incurred to finance aircraft acquisitions during the year. Interest expense on unsecured notes issued under the Company's Global Medium-Term Note programme ("GMTN") was US\$21.9 million (2018: US\$11.9 million). During the year the Notes outstanding under the GMTN increased from US\$300.0 million to US\$350.0 million.

Finance income was US\$3.7 million (2018: US\$6.5 million). The decrease was primarily due to lower break gains resulting from the termination of interest rate swaps of US\$0.2 million (2018: US\$3.6 million) and lower fair value gains on derivative interest rate swap contracts of US\$0.8 million (2018: US\$ 2.1 million).

The majority of the Group's operations are based in Singapore and are included in Singapore's Aircraft Leasing Scheme ("ALS"), benefitting from a concessionary tax rate. Taxation for the year was a credit of US\$0.1 million (2018: US\$1.1 million). The tax charge for the year was impacted by a net reduction in deferred tax liabilities of US\$3.3 million (2018: US\$0.7 million) primarily arising from renewal of the Group's ALS tax incentive at a reduced 8% tax rate. The tax charge for the prior year was impacted by a net reduction of US\$2.3 million in prior years current tax provisions resulting from utilisation of unrecognised deferred tax assets in Singapore.

Net cash from operating activities decreased by 28.3% to US\$73.6 million (2018: US\$102.7 million) primarily due to lower finance lease repayments received which included US\$33.0 million of terminal payments in 2018 (2019: US\$nil).

Total profit after tax for the financial year increased 28.5% to US\$25.7 million (2018: US\$20.0 million). Basic earnings per share increased by 25.0% to 40.26 US cents (2018: 32.2 US cents).

The Company confirms that there have been no changes to its accounting policies other than the adoption of new IFRS standards and interpretations as set out in the notes to the financial statements.

### FLEET OVERVIEW

Type	1 July 2018	Additions	Disposals	30 June 2019	On order	Purchase rights
ATR 72-500	6	-	-	6	-	-
ATR 72-600	13	6	-	19	9	25
A220-300	1	5	-	6	-	-
A320-200	3	-	1	2	-	-
A321-200	8	-	1	7	-	-
A330-300	1	-	-	1	-	-
B737-800	-	1	-	1	-	-
B777-300ER	1	-	-	1	-	-
Fokker 100	5	-	-	5	-	-
<b>Total</b>	<b>38</b>	<b>12</b>	<b>2</b>	<b>48</b>	<b>9</b>	<b>25</b>

The Company added five new Airbus A220-300s, a second-hand Boeing 737-800 and six new ATR 72-600s to the fleet during the year. An Airbus A321-200 and an Airbus A320-200 were sold during the year. As at 30 June 2019 the weighted average age of the fleet was 3.4 years (2018: 3.2 years) and the weighted average remaining lease term was 7.5 years (2018: 7.7 years).

Five Fokker 100 and two ATR 72-600 aircraft are classified as leased under finance leases.

## AVATION PLC

### STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

The aircraft fleet was valued as at 30 June 2019 by a third-party valuer using lease encumbered basis in accordance with the Group's accounting policy. The revaluation of the fleet resulted in a net positive adjustment of aircraft net book values of US\$8.6 million (2018: US\$3.8 million).

#### DEBT SUMMARY

	2019 US\$'000s	2018 US\$'000s
Loans and borrowings	1,078,288	868,600
Cash and cash equivalents	61,689	57,950
Net indebtedness	1,016,599	810,650
Gearing ratio	73.0%	70.4%
Weighted average cost of secured debt	3.7%	4.3%
Weighted average cost of total debt	4.6%	5.0%

Loans and borrowings and net indebtedness increased due to additional secured debt issued to fund fleet acquisitions and the tap issue of an additional \$50.0 million 6.5% Senior Notes due 2021 under the GMTN in November 2018.

The weighted average cost of secured debt facilities decreased to 3.7% as at 30 June 2019 (2018: 4.3%) principally due to retirements of certain higher cost junior secured loans during the year and new secured loans issued to fund fleet growth benefiting from a comparatively low interest rate environment.

The weighted average cost of total debt was 4.6% at 30 June 2019 (2018: 5.0%).

At the end of the financial period, Avation's overall gearing ratio was 73.0% (2018: 70.4%) and 92.0% of total debt was at fixed or hedged interest rates (2018: 94.8%). Gearing ratio is calculated as net indebtedness divided by total assets and net indebtedness is calculated as loans and borrowings less unrestricted cash and bank balances. The proportion of unsecured debt to total debt was 32.0% (2018: 33.8%).

In November 2018, S&P Global Ratings advised that Avation's issue rating for the Notes had been upgraded to B+. The Company's current credit ratings are as follows:

Rating Agency	Corporate Credit Rating	Unsecured Notes Rating
Standard & Poor's	B+ positive outlook	B+
Fitch Ratings	BB- stable outlook	BB-
Japan Credit Ratings Company	BB stable outlook	NR

The leasing industry in general and Avation in particular operate in a capital-intensive industry. Avation manages interest rate risk as outlined in the risk management section of the note 7 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.

## AVATION PLC

### STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

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#### ENVIRONMENT

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. Recent additions to the fleet have included five new technology A220-300 aircraft, which provide significantly reduced fuel consumption and emissions in comparison to older aircraft.

#### CORPORATE SOCIAL RESPONSIBILITY

Avation is committed to the principles of being a good corporate citizen. For the financial year 2019 the group did not have any material matters to report on social, community and human rights issues.

#### EMPLOYEES

A breakdown by gender of the number of persons who were Directors of the Company, senior managers and other employees as at 30 June 2019 is set out below:

---

	Male	Female
Directors of the Company	4	-
Senior managers	4	-
Other employees	9	6

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On behalf of the board



Robert Jeffries Chatfield  
Executive Chairman

27 September 2019

## AVATION PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report and financial statements for the year ended 30 June 2019.

#### Principal activities and business review

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 7 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 paid a dividend of 7.25 US cents on 18 October 2018 and a dividend of 2.00 US cents on 21 December 2018. On 5 September 2019, the Directors declared a dividend of 8.50 US cents payable on 18 October 2019.

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 2019	1 July 2018	30 June 2019	1 July 2018
<b>Ordinary shares of £0.01 each:</b>				
Robert Jeffries Chatfield	1	1	11,605,000	11,155,000
Roderick Douglas Mahoney	700,000	433,000	-	-
Stephen John Fisher	5,000	5,000	-	-
Derek Sharples	10,000	10,000	-	-

## AVATION PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

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#### Significant shareholdings

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	Ordinary shares	Percentage
<b>Ordinary shares of £0.01 each:</b>		
JP Morgan Securities LLC	15,224,539	23.67%
Lynchwood Nominees Limited	10,516,285	16.35%
State Street Nominees Limited	5,949,886	9.25%
Roy Nominees Limited	3,775,000	5.87%
HSBC Global Custody Nominee (UK)	2,745,500	4.27%

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#### Equal Opportunities Policy

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.

#### Directors' Insurance

The Group maintains insurance policies on behalf of all the Directors against liability arising from negligence, breach of duty and breach of trust in relation to the Group.

#### 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 7 to these financial statements.

#### Going Concern

After making appropriate enquiries and taking into account the matters set out in the Principal Risks and Uncertainties paragraph/section in the Strategic Report, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## **AVATION PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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#### **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.

Carbon emissions 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.

In the year ended 30 June 2019 the Company used 41,461 KWh of energy (2018: 27,031 KWh) which was converted to estimated carbon emissions of 17,380 Kg (2018: 11,331 Kg) using a GEF of 0.4192 (2018: 0.4192).

#### **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 28. 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 34.

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.

#### **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 April 2016. The Company is not required to comply with the Code in full nor state any areas with which it does not comply. 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 Roderick Douglas Mahoney) and two Non-Executive Directors (Stephen John Fisher and Derek Sharples). 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.

## **AVATION PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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

- Audit Committee - Robert Jeffries Chatfield, Stephen John Fisher and Derek Sharples; and
- Risk Committee – Derek Sharples, Stephen John Fisher, Iain Cawte (non-Board member), Duncan Scott (non-Board member) and Richard Wolanski (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.

#### **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 financial year ended 30 June 2019 the Company bought 300,000 treasury shares at prices ranging from 285 pence to 292 pence per share.

By a resolution passed at the Annual General Meeting held on 15 November 2018 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 £1.50 and not above £4.00 and not above 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 per share, excluding commissions and other related expenses.



## AVATION PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

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#### Subsequent events

See Note 41 to these financial statements.

#### Information to be included in annual report

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the following table provides references to where the information to be included in the annual report and accounts, where applicable, under LR 9.8.4, is set out.

Listing Rule requirement	Reference
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Directors' Remuneration report and Notes to the Financial Statements – Note 34, Share Based Payments
Details of any contract of significance subsisting during the period under review to which the listed company, or one of its subsidiary undertakings, is a party and in which a Director of the listed company is or was materially interested.	Notes to the Financial Statements – Note 8, Related Party Transactions

On behalf of the board



Robert Jeffries Chatfield  
Executive Chairman

## AVATION PLC

### DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2019

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#### 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 2019. Key aspects of the policy are to attract and retain executives; be consistent with best practices and to ensure alignment between performance and compensation. The Company's performance in the current year was in line with expectations with revenue increasing 8.4%, net profit after tax increasing 28.5% and EPS increasing 25.0%. After adjusting for exchange rates, remuneration was commensurate with this performance.

#### 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
<b>Salary and benefits</b>	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.	<p><b>Operation:</b></p> <p>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.</p> <p>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.</p> <p><b>Framework used to assess performance:</b></p> <p>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.</p>

## AVATION PLC

### DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2019

<b>Bonuses</b>	To incentivise and recognise execution of the business strategy on a semi-annual basis.	<p><b>Operation:</b> Bonuses are paid in cash twice yearly to 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.</p> <p><b>Framework used to assess performance:</b> 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 key performance metrics established for each executive. Metrics considered in awarding bonuses include 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.</p>
<b>Share Warrants</b>	To incentivise and recognise execution of the business strategy over the long-term.	<p><b>Operation:</b> Each year share warrants and/or performance shares awards may be granted subject to the achievement of performance targets. Awards normally vest over a three-year period.</p> <p><b>Framework used to assess performance:</b> Same as for bonus.</p>

Individual Director's remuneration was as follows:

	<b>Salaries and fees US\$'000s</b>	<b>Bonuses US\$'000s</b>	<b>Taxable benefits US\$'000s</b>	<b>Share warrants US\$'000s</b>	<b>Total 2019 US\$'000s</b>	<b>Total 2018 US\$'000s</b>
<b>Executive Directors:</b>						
Robert Jeffries Chatfield	608	-	53	142	803	682
Roderick Douglas Mahoney	372	175	-	90	637	575
<b>Non-Executive Directors:</b>						
Stephen John Fisher	45	-	-	-	45	41
Derek Sharples	45	-	-	-	45	41
	<b>1,070</b>	<b>175</b>	<b>53</b>	<b>232</b>	<b>1,530</b>	<b>1,339</b>

The Company has included share warrants expense in Directors' remuneration for the year ended 30 June 2019. The comparative figure for 2018 has been restated for consistency.

Bonuses are subject to the discretion of the Remuneration Committee and are awarded after assessing company and individual performance compared to prior years and expectations for the current year. Individual performance is also assessed against key performance metrics established for each executive.

Taxable benefits mainly relate to housing 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 2019

#### 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	1 July 2016	Indefinite	3 months	-
Stephen John Fisher	29 April 2014	Indefinite	1 month	-
Derek Sharples	15 November 2016	Indefinite	1 month	-

#### Share options and 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 to Directors on 16 November 2015 have a 3-year vesting schedule with details as follows:

Vesting period	Proportion of total share options that are exercisable
Before 16 November 2016	0 per cent
On 16 November 2016 and before 16 November 2017	Up to 33 per cent of the grant
On 16 November 2017 and before 16 November 2018	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 16 November 2018	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 2019

Warrants granted to Directors on 27 November 2017 have a 3-year vesting schedule with details as follows:

<b>Vesting period</b>	<b>Proportion of total share options that are exercisable</b>
Before 27 November 2018	0 per cent
On 27 November 2018 and before 27 November 2019	Up to 33 per cent of the grant
On 27 November 2019 and before 27 November 2020	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 27 November 2020 to 31 December 2020	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

Warrants granted to Directors on 5 September 2018 have a 3-year vesting schedule with details as follows:

<b>Vesting period</b>	<b>Proportion of total share options that are exercisable</b>
Before 6 September 2019	0 per cent
On 6 September 2019 and before 6 September 2020	Up to 33 per cent of the grant
On 6 September 2020 and before 6 September 2021	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 6 September 2021 to 6 October 2021	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

Warrants granted to Directors on 8 March 2019 have a 3-year vesting schedule with details as follows:

<b>Vesting period</b>	<b>Proportion of total share options that are exercisable</b>
Before 9 March 2020	0 per cent
On 9 March 2020 and before 9 March 2021	Up to 33 per cent of the grant
On 9 March 2021 and before 9 March 2022	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 9 March April 2022 to 9 April 2022	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 2019

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	Exercise during the year	Balance at end of year
Robert Jeffries Chatfield *	16 Nov 2015	130.0p	450,000	-	(450,000)	-
Robert Jeffries Chatfield *	27 Nov 2017	215.0p	255,000	-	-	255,000
Robert Jeffries Chatfield *	6 Sept 2018	232.0p	-	760,000	-	760,000
Robert Jeffries Chatfield *	8 Mar 2019	294.5p	-	250,000	-	250,000
Roderick Douglas Mahoney	16 Nov 2015	130.0p	400,000	-	(400,000)	-
Roderick Douglas Mahoney	27 Nov 2017	215.0p	170,000	-	-	170,000
Roderick Douglas Mahoney	6 Sept 2018	232.0p	-	450,000	-	450,000
Roderick Douglas Mahoney	8 Mar 2019	294.5p	-	150,000	-	150,000

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

For warrants exercised by both Directors during the year the market price was 265.0p at the date of exercise.

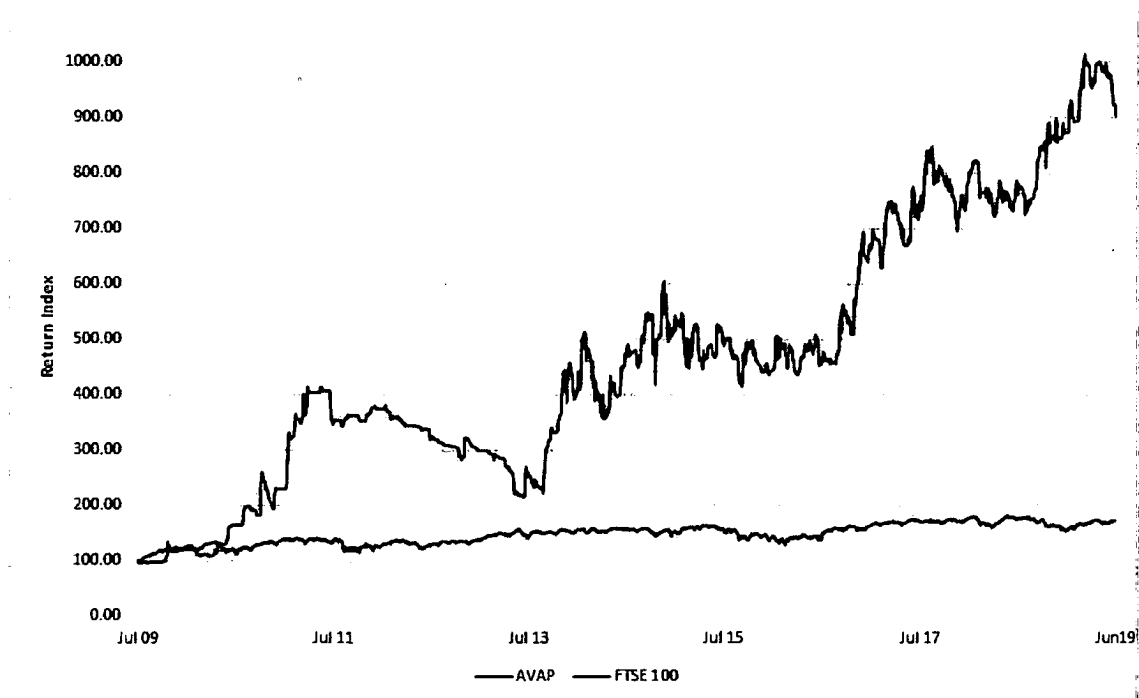
The closing market price of the shares subject to warrants at the year-end was 266.0p. The highest and lowest closing market prices during the year were 214.0p and 299.0p.

## AVATION PLC

### DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2019

#### 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

	2019	2018	2017	2016	2015
Executive Chairman single figure remuneration (US\$'000)	803	682	541	699	711
Annual bonus pay-out (as % of maximum)	-	-	15%	-	-
Long term incentive vesting rates against maximum opportunity %	N/A	N/A	N/A	N/A	N/A

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 2019

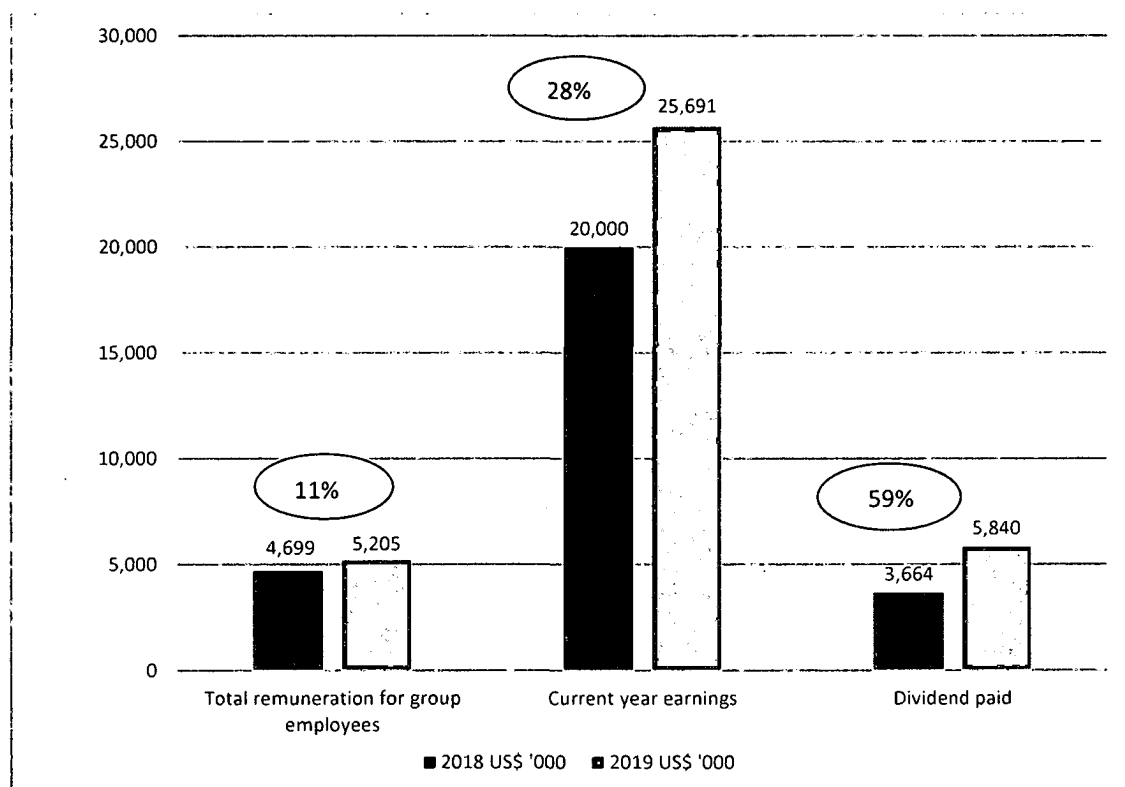
#### Percentage change in remuneration of Chief Executive Officer

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 compared to that of all employees of the Group.

	Change in remuneration from 2018 to 2019		
	% change in base salary	% change in annual bonus	% change in taxable benefits and share warrants
Executive Chairman	9%	0%	58%
All employees	8%	(10%)	13%

#### 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:





## **AVATION PLC**

### **DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2019**

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#### **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 KPIs; 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.

#### **Remuneration for the appointment of a new Executive Director**

Base salary levels are set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual. Benefits are provided in line with those offered to other employees, with relocation expenses/arrangements provided if necessary. The Company may offer a cash amount on recruitment, payment of which may be deferred, as compensation for the value of benefits a new employee would have received from a former employer.

## AVATION PLC

### DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2019

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#### 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	41,702,458	99.98%
Votes cast against	10,000	0.02%
Total votes cast in favour or against	41,712,458	100.00%
Votes withheld	298,000	0.71%

Note:

The above numbers reflect the proxy vote, whereas at the annual general meeting, votes were taken as a show of hands with a unanimous result in favour.

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 2018 was approved at the Annual General Meeting held on 15 November 2018.

On behalf of the Board



Robert Jeffries Chatfield  
Executive Chairman

## **AVATION PLC**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

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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 Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU.

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 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 specific IFRSs 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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, 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 27 September 2019 and is signed on its behalf by Robert Jeffries Chatfield.



Robert Jeffries Chatfield  
Executive Chairman

## 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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Group	Parent company
Consolidated statement of profit and loss for the year then ended	
Consolidated statement of other comprehensive income for the year then ended	
Consolidated statement of financial position as at 30 June 2019	Company statement of financial position as at 30 June 2019
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 flows for the year then ended
Related notes 1 to 42 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 42 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and; as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC

### 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>• Valuation of aircraft</li> <li>• Valuation of warrants</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of Avation Plc in accordance with the materiality thresholds as set out below.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall group materiality of US\$1.3 million which represents 5% of the profit before tax for the year ended 30 June 2019.</li> </ul>

### 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Valuation of Aircraft</b></p> <p>The carrying value of jet and turboprop aircraft represent the most significant asset in the financial statements of Avation Plc. As at 30 June 2019, the carrying value of aircraft reported is US\$1,225 million (2018: US\$981 million) as detailed in Note 19 of the financial statements.</p> <p>As set out within Note 3 (f) and 3 (g) 'Summary of Significant Accounting Policies', aircraft are measured at fair value on a Lease Encumbered Value basis ("LEV"). As detailed in Note 4 (b) 'Critical Accounting Estimates and Judgments', management need to apply estimation and judgment as part of their fair value assessment of aircraft.</p> <p>For the purposes of determining the valuation, the carrying value of each jet and turboprop is compared to the computed LEV. 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 the weighted average cost of capital.</p>	<p>We have assessed each aircraft as they are deemed to be individually material to the financial statements.</p> <p>In obtaining sufficient audit evidence we:</p> <ul style="list-style-type: none"> <li>• Walked through the design effectiveness of key controls around the preparation and review of the LEV model including appropriate governance procedures.</li> <li>• Obtained external aircraft valuation reports validating the calculation of the LEV including residual values.</li> <li>• Assessed and challenged the key assumptions used (weighted average cost of capital, lease income streams and residual values).</li> <li>• Engaged specialists from our valuations and business modelling team to assess the reasonableness of the weighted average cost of capital used in discounting the future cash flows of aircraft in the model.</li> <li>• Assessed the calculations underpinning the LEV model by checking that the data and the assumptions input into the model were in agreement with those that we had evaluated.</li> <li>• Assessed the appropriateness and presentation of disclosures in the financial statements for compliance with the relevant accounting standards.</li> </ul>	<p>Our planned audit procedures were completed without material exception.</p>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Valuation of Warrants</b></p> <p>We have determined that the valuation of warrants represents a risk due to the number of assumptions used in the calculation and the related estimation.</p> <p>As set out within Note 3 (I) 'Summary of Significant Accounting Policies', the cost of warrants issued in favour of employees is recognised as an employee benefit expense in the statement of profit or loss.</p> <p>During the financial year ended 30 June 2019, US\$478 thousand (2018: US\$394 thousand) has been recognised as an employee benefit expense in relation to warrants.</p>	<p>In obtaining sufficient audit evidence we:</p> <ul style="list-style-type: none"> <li>• Walked through the design effectiveness of key controls around the preparation and review of the warrant valuation process including appropriate governance procedures.</li> <li>• Obtained management's calculation of the valuation of warrants and validated the inputs and assumptions used within the calculation;</li> <li>• Obtained grant deeds and exercise notices to validate the details on the warrants register;</li> <li>• Engaged specialists from our financial accounting advisory team to evaluate the methodology and inputs used by management in their calculation. These specialists also performed an independent recalculation of the valuation assigned by management using other sources of information where available;</li> <li>• Assessed the appropriateness and presentation of disclosures in the financial statements for compliance with the relevant accounting standards.</li> </ul>	<p>Our planned audit procedures were completed without material exception.</p>

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC**

### **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 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.

### **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 US\$1.3 million (2018: US\$0.9 million), which is 5% (2018: 5%) of the profit before tax for the year ended 30 June 2019. We believe that profit before tax provides us with a relevant measure used by investors and other stakeholders when assessing the performance of Avation plc.

We determined materiality for the Parent Company to be US\$238 thousand (2018: US\$208 thousand), which is 2% (2018: 2%) of total revenue.

During the course of our audit, we reassessed initial materiality and no changes were required.

#### **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 assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2018: 50%) of our planning materiality, namely US\$650 thousand (2018: US\$473 thousand).

#### **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 US\$64 thousand (2018: US\$47 thousand), which is set at 5% (2018: 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC**

### **Other information**

The other information comprises the information included in the annual report, including the Chairman's Statement (set out on pages 2-3), Strategic Report (set out on pages 4-10), Directors' Report (set out on pages 11-15), Directors' Remuneration Report (set out on pages 16-24) and Directors' Responsibilities Statement (set out on page 25) other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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 there is 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 returns adequate for our audit have not been received from branches not visited by us; 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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 25, 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**

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC**

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
  - Financial Reporting Council (FRC)
  - Tax Legislation (governed by HM Revenue and Customs and Inland Revenue Authority of Singapore)
- We understood how Avation plc is complying with those frameworks holding discussions with general counsel, external counsel and service providers. We inquired as to any known instances of non-compliance or suspected 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, including the Chief Executive Officer, Chief Financial Officer, Audit Committee members and General Counsel.
- 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 ended 30 June 2018 and subsequent financial periods.

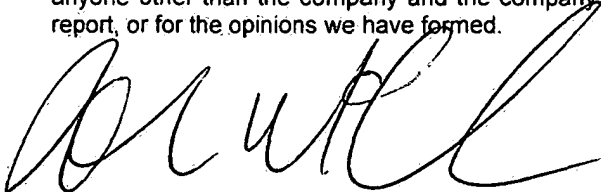
The period of total uninterrupted engagement including previous renewals and reappointments are 2 years, covering the period from our appointment through 30 June 2019.

- 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 audit results report to the audit committee.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATION PLC

### 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.



John McCormack (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin  
27 September 2019

### Notes:

1. The maintenance and integrity of the Avation plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# AVATION PLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US\$'000s	2018 (Restated) US\$'000s
<b>Continuing operations</b>			
Revenue	9	119,055	109,787
Other income	10	215	639
		<u>119,270</u>	<u>110,426</u>
Depreciation	19	(41,011)	(34,284)
Gain on disposal of aircraft	19,27	10,026	-
Impairment loss on aircraft	19	-	(7,080)
Administrative expenses	11	(10,954)	(10,202)
Other expenses	12	(166)	(1,651)
Operating profit		<u>77,165</u>	<u>57,209</u>
Finance income	13	3,722	6,521
Finance expenses	14	(55,328)	(44,815)
Profit before taxation	16	<u>25,559</u>	<u>18,915</u>
Taxation	17	132	1,085
<b>Profit from continuing operations</b>		<u><b>25,691</b></u>	<u><b>20,000</b></u>
Profit attributable to:			
Equity holders of the Company		25,690	19,992
Non-controlling interests		1	8
		<u><b>25,691</b></u>	<u><b>20,000</b></u>
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
Basic earnings per share:	18	40.26 cents	32.20 cents
Diluted earnings per share	18	<u>40.10 cents</u>	<u>31.84 cents</u>

## AVATION PLC

### CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US\$'000s	2018 US\$'000s
<b>Profit from continuing operations</b>		<b>25,691</b>	<b>20,000</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		-	27
Net (loss)/gain on cash flow hedge		(18,009)	5,239
		(18,009)	5,266
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Revaluation gain on property, plant and equipment, net of tax		8,181	3,355
Other comprehensive income, net of tax		(9,828)	8,621
<b>Total comprehensive income for the year</b>		<b>15,863</b>	<b>28,621</b>
Total comprehensive income attributable to:			
Equity holders of the Company		15,862	28,613
Non-controlling interests		1	8
		<b>15,863</b>	<b>28,621</b>

# AVATION PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US\$'000s	2018 US\$'000s
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19	1,225,324	981,176
Trade and other receivables	20	8,930	6,790
Finance lease receivables	21	37,137	5,529
Goodwill	22	1,902	1,902
Derivative financial assets	24	363	7,848
		<u>1,273,656</u>	<u>1,003,245</u>
<b>Current assets</b>			
Trade and other receivables	20	4,425	3,914
Finance lease receivables	21	7,221	3,199
Options held for trading	25	-	2,000
Cash and bank balances	26	107,448	91,102
		<u>119,094</u>	<u>100,215</u>
Assets held for sale	27	-	48,745
		<u>119,094</u>	<u>148,960</u>
<b>Total assets</b>		<b>1,392,750</b>	<b>1,152,205</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	28	1,104	1,080
Share premium		56,912	53,083
Treasury shares	28	(1,147)	-
Merger reserve		6,715	6,715
Asset revaluation reserve		34,392	27,847
Capital reserve		8,876	8,876
Other reserves	29	(11,809)	6,389
Retained earnings		145,644	124,119
<b>Equity attributable to equity holders of the parent</b>		<u>240,687</u>	<u>228,109</u>
Non-controlling interests		70	69
<b>Total equity</b>		<u>240,757</u>	<u>228,178</u>
<b>Non-current liabilities</b>			
Loans and borrowings	30	1,005,693	796,896
Trade and other payables	31	16,091	12,397
Derivative financial liabilities	24	10,174	-
Maintenance reserves	32	31,325	22,504
Deferred tax liabilities	33	179	2,988
		<u>1,063,462</u>	<u>834,785</u>
<b>Current liabilities</b>			
Loans and borrowings	30	72,595	71,704
Trade and other payables	31	11,964	13,390
Maintenance reserves	32	1,166	1,040
Income tax payables		2,806	2,608
		<u>88,531</u>	<u>88,742</u>
Liabilities directly associated with assets held for sale	27	-	500
		<u>88,531</u>	<u>89,242</u>
<b>Total equity and liabilities</b>		<b>1,392,750</b>	<b>1,152,205</b>

Approved by the board and authorised for issue on 27 September 2019



Robert Jeffries Chatfield  
Executive Chairman

# AVATION PLC

## COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US\$'000s	2018 US\$'000s
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19	37,550	14,829
Trade and other receivables	20	145,604	54,737
Investment in subsidiaries	23	13,492	15,375
Derivative financial assets	24	-	2,036
		<u>196,646</u>	<u>86,977</u>
<b>Current assets</b>			
Trade and other receivables	20	64,433	93,817
Options held for trading	25	-	2,000
Cash and bank balances	26	16,634	3,646
		<u>81,067</u>	<u>99,463</u>
<b>Total assets</b>		<b><u>277,713</u></b>	<b><u>186,440</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	28	1,104	1,080
Share premium		56,912	53,083
Treasury shares	28	(1,147)	-
Merger reserve		6,715	6,715
Asset revaluation reserve		-	2,833
Other reserves	29	(5,133)	733
Retained earnings		33,713	34,388
<b>Total equity</b>		<u>92,164</u>	<u>98,832</u>
<b>Non-current liabilities</b>			
Loans and borrowings	30	136,900	48,309
Trade and other payables	31	200	150
Derivative financial liabilities	24	2,817	-
Deferred tax liabilities	33	340	1,453
		<u>140,257</u>	<u>49,912</u>
<b>Current liabilities</b>			
Loans and borrowings	30	10,574	3,068
Trade and other payables	31	33,227	34,628
Income tax payable		1,491	-
		<u>45,292</u>	<u>37,696</u>
<b>Total equity and liabilities</b>		<b><u>277,713</u></b>	<b><u>186,440</u></b>

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\$3.49 million (2018: US\$4.92 million).

Approved by the board and authorised for issue on 27 September 2019



Robert Jeffries Chatfield  
Executive Chairman



# AVATION PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Note	Attributable to shareholders of the parent									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total		
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2018	1,080	53,083	-	6,715	27,847	8,876	6,389	124,119	228,109	69	228,178
Profit for the year	-	-	-	-	-	-	-	25,690	25,690	1	25,691
Other comprehensive income	-	-	-	-	8,181	-	(18,009)	-	(9,828)	-	(9,828)
<i>Total comprehensive income</i>	-	-	-	-	8,181	-	(18,009)	25,690	15,862	1	15,863
Dividend paid	38	-	-	-	-	-	-	(5,840)	(5,840)	-	(5,840)
Issue of new shares	28	24	3,829	-	-	-	(628)	-	3,225	-	3,225
Purchase of treasury shares	28	-	-	(1,147)	-	-	-	-	(1,147)	-	(1,147)
Share warrants expense	-	-	-	-	-	-	478	-	478	-	478
<i>Total transactions with owners recognised directly in equity</i>	24	3,829	(1,147)	-	-	-	(150)	(5,840)	(3,284)	-	(3,284)
Expiry of share warrants	-	-	-	-	-	-	(39)	39	-	-	-
Release of revaluation reserve upon sale of aircraft	-	-	-	-	(1,636)	-	-	1,636	-	-	-
<i>Total others</i>	-	-	-	-	(1,636)	-	(39)	1,675	-	-	-
<b>Balance at 30 June 2019</b>	<b>1,104</b>	<b>56,912</b>	<b>(1,147)</b>	<b>6,715</b>	<b>34,392</b>	<b>8,876</b>	<b>(11,809)</b>	<b>145,644</b>	<b>240,687</b>	<b>70</b>	<b>240,757</b>

During the year the Company paid total dividends of 9.25 US cents (2018: 6.00 US cents) per share.

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

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 2018**

Note	Attributable to shareholders of the parent									Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total		
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2017	1,058	48,365	-	6,715	24,492	8,876	801	105,556	195,863	61	195,924
Profit for the year	-	-	-	-	-	-	-	19,992	19,992	8	20,000
Other comprehensive income	-	-	-	-	3,355	-	5,266	-	8,621	-	8,621
<i>Total comprehensive income</i>	-	-	-	-	3,355	-	5,266	19,992	28,613	8	28,621
Issue of new shares	28	22	3,564	-	-	-	(348)	-	3,238	-	3,238
Share warrants expense	-	1,154	-	-	-	-	688	(1,447)	395	-	395
<i>Total transactions with owners recognised directly in equity</i>	22	4,718	-	-	-	-	340	(1,447)	3,633	-	3,633
Expiry of share warrants	-	-	-	-	-	-	(18)	18	-	-	-
<i>Total others</i>	-	-	-	-	-	-	(18)	18	-	-	-
<b>Balance at 30 June 2018</b>	<b>1,080</b>	<b>53,083</b>	<b>-</b>	<b>6,715</b>	<b>27,847</b>	<b>8,876</b>	<b>6,389</b>	<b>124,119</b>	<b>228,109</b>	<b>69</b>	<b>228,178</b>

# **AVATION PLC**

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Share capital	Shares Premium	Treasury shares	Merger reserve	Asset revaluation reserve	Other reserves	Retained earnings	Total
		US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Balance at 1 July 2018</b>		<b>1,080</b>	<b>53,083</b>	-	<b>6,715</b>	<b>2,833</b>	<b>733</b>	<b>34,388</b>	<b>98,832</b>
Profit for the year		-	-	-	-	-	-	3,490	3,490
Other comprehensive income		-	-	-	-	(1,197)	(5,677)	-	(6,874)
<i>Total comprehensive income</i>		-	-	-	-	(1,197)	(5,677)	3,490	(3,384)
Dividend paid	38	-	-	-	-	-	-	(5,840)	(5,840)
Issue of new shares	28	24	3,829	-	-	-	(628)	-	3,225
Purchase of treasury shares	28	-	-	(1,147)	-	-	-	-	(1,147)
Share warrants expense		-	-	-	-	-	478	-	478
<i>Total transactions with owners, recognised directly in equity</i>		<i>24</i>	<i>3,829</i>	<i>(1,147)</i>	<i>-</i>	<i>-</i>	<i>(150)</i>	<i>(5,840)</i>	<i>(3,284)</i>
Release of revaluation reserve upon sale of aircraft		-	-	-	-	(1,636)	-	1,636	-
Expiry of share warrants		-	-	-	-	-	(39)	39	-
<i>Total others</i>		<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,636)</i>	<i>(39)</i>	<i>1,675</i>	<i>-</i>
<b>Balance at 30 June 2019</b>		<b>1,104</b>	<b>56,912</b>	<b>(1,147)</b>	<b>6,715</b>	<b>-</b>	<b>(5,133)</b>	<b>33,713</b>	<b>92,164</b>

During the year the Company paid total dividends of 9.25 US cents (2018: 6.00 US cents) per share.

**AVATION PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Share capital	Share premium	Treasury shares	Merger reserve	Asset revaluation reserve	Other reserves	Retained earnings	Total
		US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Balance at 1 July 2017</b>		<b>1,058</b>	<b>48,365</b>	-	<b>6,715</b>	<b>2,862</b>	<b>411</b>	<b>30,897</b>	<b>90,308</b>
Profit for the year		-	-	-	-	-	-	4,920	4,920
Other comprehensive income		-	-	-	-	(29)	-	-	(29)
<i>Total comprehensive income</i>		-	-	-	-	(29)	-	4,920	4,891
Issue of new shares	28	22	3,564	-	-	-	(348)	-	3,238
Share warrants expense		-	1,154	-	-	-	688	(1,447)	395
<i>Total transactions with owners, recognised directly in equity</i>		22	4,718	-	-	-	340	(1,447)	3,633
Expiry of share warrants		-	-	-	-	-	(18)	18	-
<i>Total others</i>		-	-	-	-	-	(18)	18	-
<b>Balance at 30 June 2018</b>		<b>1,080</b>	<b>53,083</b>	-	<b>6,715</b>	<b>2,833</b>	<b>733</b>	<b>34,388</b>	<b>98,832</b>

# AVATION PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US\$'000s	2018 (Restated) US\$'000s
<b>Cash flows from operating activities:</b>			
Profit before income tax		25,559	18,915
Adjustments for:			
Depreciation expense		41,011	34,284
Share warrants expense	15	478	394
Impairment loss on aircraft	19	-	7,080
Expected credit loss on trade receivables	12	166	-
Gain on disposal of aircraft		(10,026)	-
Gain on disposal of subsidiary	10	-	(1)
Fair value loss on options held for trading	12	-	1,640
Interest income from finance lease		(1,382)	(734)
Finance income	13	(3,722)	(6,521)
Finance expense	14	55,328	44,815
Operating cash flows before working capital changes		107,412	99,872
Movement in working capital:			
Trade and other receivables and finance lease receivables		4,411	36,143
Trade and other payables		1,412	2,320
Maintenance reserves		8,947	2,280
Cash from operations		122,182	140,615
Finance income received		2,950	4,775
Finance expense paid		(48,579)	(42,148)
Income tax paid		(2,946)	(546)
<b>Net cash from operating activities</b>		<b>73,607</b>	<b>102,696</b>
<b>Cash flows from investing activities:</b>			
Cash inflow from disposal of subsidiary	10	-	1
Purchase of property, plant and equipment		(328,570)	(322,804)
Proceeds from disposal of aircraft		70,184	-
<b>Net cash used in investing activities</b>		<b>(258,386)</b>	<b>(322,803)</b>
<b>Cash flows from financing activities:</b>			
Net proceeds from issuance of ordinary shares		3,225	3,238
Dividends paid to shareholders		(5,840)	(3,664)
Purchase of treasury shares		(1,147)	-
Placement of restricted cash balances		(12,607)	(2,309)
Proceeds from loans and borrowings, net of transactions costs		301,741	600,627
Repayment of loans and borrowings		(96,854)	(376,711)
<b>Net cash from financing activities</b>		<b>188,518</b>	<b>221,181</b>
Effects of exchange rates on cash and cash equivalents		-	27
<b>Net increase in cash and cash equivalents</b>		<b>3,739</b>	<b>1,101</b>
Cash and cash equivalents at beginning of year	26	57,950	56,849
<b>Cash and cash equivalents at end of year</b>	26	<b>61,689</b>	<b>57,950</b>

# AVATION PLC

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US\$'000s	2018 (Restated) US\$'000s
<b>Cash flows from operating activities:</b>			
Profit before taxation		4,113	4,565
Adjustments for:			
Dividend income		(5,647)	(7,001)
Depreciation expense		1,023	1,062
Finance income		(5,456)	(5,320)
Finance expense		5,834	4,290
Fair value loss on options held for trading		-	1,640
Gain on disposal of aircraft		(3,725)	-
Impairment loss on investment in subsidiary		1,883	-
Share warrant expense		478	394
Operating cash flows before working capital changes		(1,497)	(370)
Movement in working capital:			
Trade and other receivables and prepayments		(62,570)	(60,125)
Trade and other payables		(1,890)	1,710
Cash used in operations		(65,957)	(58,785)
Finance income received		7,719	316
Finance expense paid		(8,064)	(600)
<b>Net cash used in operating activities</b>		<b>(66,302)</b>	<b>(59,069)</b>
<b>Cash flows from investing activities:</b>			
Dividends received		5,647	7,001
Purchase of property, plant and equipment		(57,511)	(6)
Proceeds from disposal of aircraft		36,050	-
<b>Net cash (used in)/from investing activities</b>		<b>(15,814)</b>	<b>6,995</b>
<b>Cash flows from financing activities:</b>			
Net proceeds from issuance of ordinary shares		3,225	3,238
Dividends paid to shareholders		(5,840)	(3,664)
Purchase of treasury shares		(1,147)	-
Proceeds from loans and borrowings		253,823	108,464
Repayment of loans and borrowings		(154,957)	(55,364)
<b>Net cash from financing activities</b>		<b>95,104</b>	<b>52,674</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,988</b>	<b>600</b>
Cash and cash equivalents at beginning of year	26	3,646	3,046
<b>Cash and cash equivalents at end of year</b>	26	<b>16,634</b>	<b>3,646</b>

## **AVATION PLC**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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#### **1 GENERAL**

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and is listed as a Standard Listing on the London Stock Exchange. The 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 International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted by the European Union ("IFRS").

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (a) **BASIS OF PREPARATION** – The financial statements have been prepared in accordance with IFRS including standards and interpretations issued by the International Accounting Standards Board ("IASB").

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). The year-end exchange rate for Pounds Sterling to United States Dollars is 1.27 (2018: 1.321).

The preparation of financial statements in conformity with IFRS 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 and have been applied consistently by the Company and its subsidiaries, unless otherwise disclosed.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (b) **BASIS OF CONSOLIDATION** - The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. 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 power 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 equity holders of the parent of the Group 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (c) **BUSINESS COMBINATIONS** - Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts held by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss.

- (d) **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.

- (e) **GOING CONCERN** - The financial statements have been prepared on a going concern basis. The Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (f) **FAIR VALUE MEASUREMENT** – The Group measures financial instruments, such as derivatives, and non-financial assets, such as aircraft and aircraft purchase options in excess of the Group's usage requirements at fair values at each reporting date. The fair values of debt instruments are not considered to be materially different from their amortised cost.

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

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) FAIR VALUE MEASUREMENT (continued)**

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

External valuers are involved for valuation of significant assets, such as aircraft, aircraft purchase options and significant liabilities, such as contingent consideration.

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.

- (g) 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 fair value. 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. However, these aircraft have been reviewed for impairment.

Any revaluation increase arising on the revaluation of such aircraft is credited to the assets 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
Furniture and equipment	3 years

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) PROPERTY, PLANT AND EQUIPMENT (continued)**

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 and estimated scrap values for second hand aircraft.

Fully depreciated assets still in use are retained in the financial statements.

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.

**(h) 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.

**(i) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) 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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is 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.

- (j) PROVISIONS** - Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

- (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. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (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 the 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.

- (m) **LEASES** – The Group leases aircraft to airlines under operating leases. 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 receivable. Lease receipts are apportioned between finance income and reduction of the lease asset 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 recognises 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. At the end of a lease, when we are able to determine the amount, if any, by which maintenance contributions received exceed the amount we are required under the lease to reimburse to the lessee for heavy maintenance, overhaul or parts replacement, the excess is recognised as maintenance revenue. 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.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (n) **BORROWING COSTS** - Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
- (o) **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 shareholders' right to receive payment have been established.
- (p) **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.

A contingent asset is a possible asset 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (q) **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.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (r) **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 the parent company.

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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) 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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flow, selling the financial assets or both.

All purchases and sales of financial assets are recognised or derecognised on the trade date which is the date that the Group commits to purchase or sell the asset.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) FINANCIAL INSTRUMENTS (continued)**

**(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's financial assets at amortised cost are cash and bank balances, trade and other receivables and finance lease receivables.

**(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's financial assets at fair value through profit or loss are options held for trading 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) FINANCIAL INSTRUMENTS (continued)**

*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, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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.

(ii) Other financial liabilities

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.

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.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (t) **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 receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group established a provision 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.

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; or
- in the case where the financial asset is not secured, when the financial asset is more than 90 days past due.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (u) **CASH AND BANK BALANCES** - Cash and bank balances comprise cash and cash equivalents and restricted cash.
- 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.
  - Restricted cash balances comprise bank balances which are pledged as security for certain loan obligations.
- (v) **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 the profit or loss when the liabilities are derecognised as well as through the amortisation process.

- (w) **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 in accordance with the Group's accounting policy for borrowing costs (see above).
- 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 amortised using the effective interest rate method over the remaining life of the loan and recorded as part of finance income in the consolidated statement of profit or loss.
- (x) **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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (y) **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING** – The Group uses derivative financial instruments such as interest rate 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.

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.

Hedging relationships designated under IAS 39 Financial Instruments that were still existing as at 30 June 2018 are treated as continuing hedges and hedge documentation was aligned accordingly to the requirements of IFRS 9 Financial Instruments.

Derivatives are classified as fair value through profit or loss unless they qualify for hedge accounting. Derivatives which meet the criteria for hedge accounting are accounted for as cash flow hedges.

For cash flow hedges, 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.

- (z) **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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**4 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 key assumptions concerning the future 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 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.

**(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 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.

**(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.

**(d) Fair value estimation for options held for trading**

The Group sometimes holds options to acquire aircraft. Management periodically assesses the Group's future fleet requirements and will identify options in excess of requirements as held for trading. The Group values options held for trading as the expected market value of the relevant aircraft based on its estimated delivery date less the Group's estimated contract price to acquire the aircraft, discounted to present value. Critical assumptions made in determining the fair value of these options included the discount rate of 8.1%, an inflation rate of 1.5% per annum used to estimate the future contract price for the aircraft and the expected open market future value of the aircraft at delivery.



## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

##### (e) Income taxes and deferred income taxes

- a. Commencing 17 April 2014, Avation Group (S) Pte. Ltd. ("AGS") and its subsidiaries were awarded a 5-year Aircraft Leasing Scheme incentive ("ALS") by the Singapore Economic Development Board, whereby income from the leasing of aircraft and aircraft engines and qualifying activities was taxed at a concessionary rate of 10%. Qualifying income during the period 17 April 2014 to 16 April 2019 was taxed at the concessionary rate subject to meeting the terms and conditions of the incentive.

On 26 April 2019, Avation Group (S) Pte. Ltd. and its subsidiaries were awarded another 5-year Aircraft Leasing Scheme incentive, where income from the leasing of aircraft and aircraft engines and qualifying activities will be taxed at a concessionary rate of 8%. The effective date is 17 April 2019. Accordingly, qualifying income derived from the period 17 April 2019 to 16 April 2024 will be taxed at the 8% concessionary rate subject to meeting the terms and conditions of the incentive. Management's judgement is required in the application of the concessionary tax rate of 8% in determining the carrying amount of deferred tax asset and liability for temporary differences that are expected to realised or settled beyond 16 April 2024.

- 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 determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

##### (f) Consolidation of special purpose entity ("SPE") – Avation Airframe Holdings Pte. Ltd.

Although the ultimate shareholder of the SPE is a trust, the Directors of Avation PLC consider that they have the power to, and in practice, control the day to day activities of the SPE. Furthermore, Avation PLC is entitled to the benefits and is exposed to the risks of the activities of the SPE, which are consistent with the operations of the Group, and are conducted on behalf of the Group according to the Group's specific business needs. Accordingly the SPE is consolidated as a subsidiary in these financial statements.

The Group would cease to control the SPE in the event of a "Relevant Event" as defined in the financing agreement, for example, a delay in payment of interest. Were this to occur consolidation would cease at that point although the Group has no intention, or anticipation, that any such event will occur.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019**

**(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 2019.

Changes in accounting policies

The Group adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments on 1 July 2018. The changes in accounting policies are as follows:

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on the performance obligations in customer contracts. The Group has reviewed the impact of the initial application of IFRS 15 and determined that there is no impact for the Group.

***IFRS 9 Financial Instruments***

IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning or after 1 January 2018, brings together all three aspects of the accounting for financial instrument classification and measurement; impairment, and hedge accounting.

With the exception of hedge accounting which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018.

The Group has not restated comparative information for prior periods as there is no material impact from the implementation of IFRS 9.

**a) Classification and measurement**

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial assets are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's debt model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

#### Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

Group			Original carrying amount under IAS 39	Net carrying amount under IFRS 9
			US\$'000s	US\$'000s
<b>Financial assets:</b>				
Cash and bank balances	Loans and receivables	Amortised cost	91,102	91,102
Trade and other receivables	Loans and receivables	Amortised cost	9,619	9,619
Finance lease receivables	Loans and receivables	Amortised cost	8,728	8,728
Derivative financial assets	FVOCI/FVTPL	FVOCI/FVTPL	7,848	7,848
Options held for trading	FVTPL	FVTPL	2,000	2,000
			<b>119,297</b>	<b>119,297</b>
<b>Financial liabilities:</b>				
Trade and other payables	Other financial liabilities	Amortised cost	15,943	15,943
Loans and borrowings	Other financial liabilities	Amortised cost	868,600	868,600
Maintenance reserves	Other financial liabilities	Amortised cost	23,544	23,544
			<b>908,087</b>	<b>908,087</b>
<b>Company</b>				
			Original carrying amount under IAS 39	Net carrying amount under IFRS 9
			US\$'000s	US\$'000s
<b>Financial assets:</b>				
Cash and bank balances	Loans and receivables	Amortised cost	3,646	3,646
Trade and other receivables	Loans and receivables	Amortised cost	148,308	148,308
Derivative financial assets	FVOCI/FVTPL	FVOCI/FVTPL	2,036	2,036
Options held for trading	FVTPL	FVTPL	2,000	2,000
			<b>155,990</b>	<b>155,990</b>
<b>Financial liabilities:</b>				
Trade and other payables	Other financial liabilities	Amortised cost	34,705	34,705
Loans and borrowings	Other financial liabilities	Amortised cost	51,377	51,377
			<b>86,082</b>	<b>86,082</b>

## **AVATION PLC**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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#### **5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2019 (continued)**

**b) Impairment**

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade, other receivables and finance lease receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected losses. The Group has established a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of IFRS 9 did not result in a change in impairment allowances for the Group's debt financial assets in current and prior periods.

**c) Hedge accounting**

The Group applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application all of the Group's existing hedging relationships were eligible to be treated as continuing hedge relationships. The change did not have a significant impact on the current hedging relationships entered into by the Group.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

##### ***IFRIC 22 Foreign Currency Transactions and Advance Consideration***

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Group has reviewed the impact of the initial application of IFRIC 22 and determined that there is no impact to the Group.

#### (b) New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The standards listed below are those which may have an impact on the Group. The Group intends to adopt these standards, if applicable, when they become effective.

The Group does not plan to adopt these standards early:

Description	Effective date (period beginning)
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or joint venture	No effective date
IAS 28 Long term interest in associates and joint ventures	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2015-2017 Cycle	1 January 2019

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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

**(i) IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. The standard's transition provisions permit certain reliefs.

As the Group is primarily a lessor engaging in leasing aircraft, the Group does not expect the changes of this standard to have a material impact on the financial statements in the period of initial application.

The Group has a non-cancellable operating lease commitment for its office premises of US\$1.3 million. The Group expects to recognise a right-of-use of asset and the liability on initial application.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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

**(ii) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

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

The Interpretation specifically addresses the following:

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The group does not anticipate any significant impact on the consolidated financial statements as a result of the amendments.

**(iii) Annual Improvements 2015-2017 Cycle (issued in December 2017)**

These improvements include:

- IFRS 3 Business Combinations

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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

**(iv) Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)**

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

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income taxes**

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

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- **IAS 23 Borrowing costs**

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.



## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 6 FAIR VALUE MEASUREMENT

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

The carrying amounts of cash and bank balances, trade and other receivables, finance lease receivables – current, trade and other payables – current and loans and borrowings – current are a reasonable approximation of fair value either due to their short-term nature or because the interest rate charged closely approximates market interest rates or that the financial instruments have been discounted to their fair value at a current pre-tax interest rate.

Group	2019		2018	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
<b>Financial assets:</b>				
Finance lease receivables – non-current	37,137	35,661	5,529	5,197
<b>Financial liabilities:</b>				
Deposits collected – non-current	13,979	13,273	10,338	10,119
Loans and borrowings other than unsecured notes – non-current	660,727	644,726	503,374	505,916
Unsecured notes	344,966	358,327	293,522	301,899

Company	2019		2018	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
<b>Financial liabilities:</b>				
Deposits collected – non-current	200	200	150	150
Loans and borrowings – non-current	136,900	132,497	48,309	48,031

The fair values (other than the unsecured notes) above are estimated by discounting expected future cash flows at market incremental leading rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. The fair value of the unsecured notes are based on level 1 quoted prices (unadjusted) in active market that the Group can access at measurement date.

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6 FAIR VALUE MEASUREMENT (continued)

#### Non-financial assets measured at fair value:

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Fair value measurement using significant unobservable inputs:</b>				
Aircraft	1,225,285	981,122	37,547	14,818

Aircraft were valued at 30 June 2019 and 30 June 2018. Refer to Note 19 for the details on the valuation technique and significant inputs used in the valuation.

#### Classification of financial instruments:

A comparison by category of carrying amounts of all the Group and Company's financial instruments that are carried in the financial statements which are considered to equate to fair value is set out below.

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Financial assets measured at amortised cost:</b>				
Cash and bank balances	107,448	91,102	16,634	3,646
Trade and other receivables	12,616	9,619	209,927	148,308
Finance lease receivables	44,358	8,728	-	-
	<b>164,422</b>	<b>109,449</b>	<b>226,561</b>	<b>151,954</b>
<b>Financial liabilities measured at amortised cost:</b>				
Trade and other payables	19,324	15,943	33,427	34,705
Loans and borrowings	1,078,288	868,600	147,474	51,377
Maintenance reserves	32,491	23,544	-	-
	<b>1,130,103</b>	<b>908,087</b>	<b>180,901</b>	<b>86,082</b>
<b>Derivative used for hedging:</b>				
Derivative financial assets	363	7,848	-	2,036
Derivative financial liabilities	(10,174)	-	(2,817)	-
<b>Fair value through profit or loss:</b>				
Options held for trading	-	2,000	-	2,000

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6 FAIR VALUE MEASUREMENT (continued)

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

<b>Group</b>				
	<b>2018</b> US\$'000s	<b>Cash flows</b> US\$'000s	<b>Non-cash/ other</b> US\$'000s	<b>2019</b> US\$'000s
<b>Loans and borrowings:</b>				
Current	71,704	(47,371)	48,262	72,595
Non-current	503,374	203,314	(45,961)	660,727
<b>Unsecured notes:</b>				
Non-current	293,522	48,944	2,500	344,966
	<b>868,600</b>	<b>204,887</b>	<b>4,801</b>	<b>1,078,288</b>
<b>Group</b>				
	<b>2017</b> US\$'000s	<b>Cash flows</b> US\$'000s	<b>Non-cash/ other</b> US\$'000s	<b>2018</b> US\$'000s
<b>Loans and borrowings:</b>				
Current	93,044	(107,978)	86,638	71,704
Non-current	432,672	156,261	(85,559)	503,374
<b>Unsecured notes:</b>				
Non-current	117,889	175,633	-	293,522
	<b>643,605</b>	<b>223,916</b>	<b>1,079</b>	<b>868,600</b>
<b>Company</b>				
	<b>2018</b> US\$'000s	<b>Cash flows</b> US\$'000s	<b>Non-cash/ other</b> US\$'000s	<b>2019</b> US\$'000s
<b>Loans and borrowings:</b>				
Current	3,068	3,896	3,610	10,574
Non-current	48,309	91,979	(3,388)	136,900
Interest bearing payable due to subsidiaries	26,993	2,991	-	29,984
	<b>78,370</b>	<b>98,866</b>	<b>222</b>	<b>177,458</b>

**AVATION PLC****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****6 FAIR VALUE MEASUREMENT (continued)**

<b>Company</b>	<b>2017</b>	<b>Cash flows</b>	<b>Non-cash/ other</b>	<b>2018</b>
	<b>US\$'000s</b>	<b>US\$'000s</b>	<b>US\$'000s</b>	<b>US\$'000s</b>
<b>Loans and borrowings:</b>				
Current	7,362	(4,294)	-	3,068
Non-current	-	48,309	-	48,309
Interest bearing payable due to subsidiaries	17,908	9,085	-	26,993
	<b>25,270</b>	<b>53,100</b>	<b>-</b>	<b>78,370</b>

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

**7 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 and equipment failure. 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 on each aircraft.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7 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.

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	
	2019 US\$'000s	2018 US\$'000s	2019 US\$'000s	2018 US\$'000s
Asia-Pacific	3,743	2,980	36	52
Europe	4	109	4	108
	<u>3,747</u>	<u>3,089</u>	<u>40</u>	<u>160</u>

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected losses. The Group has established a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables that are neither past due nor impaired amounting to US\$1.1 million (2018: US\$1.4 million) are substantially due from companies with a good payment track record.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES  
(continued)**

**(b) Credit risk (continued)**

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. An allowance for expected credit losses of US\$0.2 million (2018: US\$0.1 million) has been provided in relation to trade receivables past due of US\$2.7 million (2018: US\$0.1 million).

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

	Group	
	2019 US\$'000s	2018 US\$'000s
Past due less than 3 months	157	1,325
Past due 3 to 6 months	-	210
Past due over 6 months	35	167
	<b>192</b>	<b>1,702</b>

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 subsidiaries are low in default credit risk as these subsidiaries are financially sound and with good payment track record.

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 reduces carrying amount 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 not recognised any loss allowance in respect of its finance lease receivables during the year ended 30 June 2019 (2018: US\$nil).

**(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 2019, 92.0% (2018: 94.8%) of the Group's loans and borrowings are at fixed or hedged interest rates.

The 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 2019.

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7 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's foreign currency exposures arose mainly from movements in the exchange rate for Singapore Dollars and Euro against the United States Dollar.

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	Cash and bank balances US\$'000s	Other financial assets US\$'000s	Other financial liabilities US\$'000s	Net currency exposure US\$'000s
<b>2019:</b>				
Pound sterling	66	62	(53)	75
Euro	5,307	30,389	(27,753)	7,943
Singapore dollar	245	29	(493)	(219)
	<b>5,618</b>	<b>30,480</b>	<b>(28,299)</b>	<b>7,799</b>
<b>2018:</b>				
Pound sterling	34	16	(112)	(62)
Australian dollar	-	-	(5)	(5)
Euro	826	180	(29,339)	(28,333)
Singapore dollar	317	57	(533)	(159)
	<b>1,177</b>	<b>253</b>	<b>(29,989)</b>	<b>(28,559)</b>
Company	Cash and bank balances US\$'000s	Other financial assets US\$'000s	Other financial liabilities US\$'000s	Net currency exposure US\$'000s
<b>2019:</b>				
Pound sterling	30	62	(19)	73
Euro	-	57,666	(57,825)	(159)
Singapore dollar	57	24	(47)	34
	<b>87</b>	<b>57,752</b>	<b>(57,891)</b>	<b>(52)</b>
<b>2018:</b>				
Pound sterling	22	16	(112)	(74)
Australian dollar	-	-	(5)	(5)
Euro	-	-	(184)	(184)
Singapore dollar	44	25	(19)	50
	<b>66</b>	<b>41</b>	<b>(320)</b>	<b>(213)</b>

**AVATION PLC****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****7 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% (2018: 10%) with all other variables including tax rate being held constant:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Foreign currency:</b>				
Pound sterling	7	(6)	7	(7)
Euro	794	(2,833)	(16)	(18)
Singapore dollar	(22)	(16)	3	5

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 2019

### 7 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
<b>2019:</b>				
<b>Financial liabilities:</b>				
Trade and other payables	849	7,550	9,021	17,420
Loans and borrowings	125,702	832,463	327,494	1,285,659
Maintenance reserves	1,166	31,325	-	32,491
	127,717	871,338	336,515	1,335,570
<b>2018:</b>				
<b>Financial liabilities:</b>				
Trade and other payables	1,447	6,974	8,241	16,662
Loans and borrowings	119,012	681,633	274,177	1,074,822
Maintenance reserves	1,040	22,504	-	23,544
	121,499	711,111	282,418	1,115,028

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7 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
<b>2019:</b>				
<b>Financial liabilities:</b>				
Trade and other payables	33,081	200	-	33,281
Loans and borrowings	15,757	145,327	-	161,084
	<b>48,838</b>	<b>145,527</b>	<b>-</b>	<b>194,365</b>
<b>2018:</b>				
<b>Financial liabilities:</b>				
Trade and other payables	34,483	150	-	34,633
Loans and borrowings	5,267	52,303	-	57,570
	<b>39,750</b>	<b>52,453</b>	<b>-</b>	<b>92,203</b>

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (f) Capital risk

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 unrestricted cash and bank balances.

The Group previously calculated gearing ratio on the basis of net debt divided by total capital.

The Group now calculates its gearing ratio on the basis of net indebtedness divided by total assets. The revised calculation of gearing ratios is considered to be a better measure as restricted cash balances are excluded from net indebtedness. The change from measuring the gearing against total capital to total assets this year more closely reflects the way aircraft fleet are financed. The comparatives numbers have been updated for consistency.

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Net indebtedness	1,016,599	810,650	130,840	47,731
Total assets	1,392,750	1,152,205	277,713	186,440
<b>Gearing ratio:</b>	<b>73.0%</b>	<b>70.4%</b>	<b>47.1%</b>	<b>25.6%</b>

The Group is in compliance with all externally imposed capital requirements for the years ended 30 June 2019 and 30 June 2018.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 8 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. Key management remuneration is as follows:

	Group		Company	
	2019 US\$'000s	2018 US\$'000s	2019 US\$'000s	2018 US\$'000s
<b>Key management:</b>				
Short-term employee benefits	2,883	2,747	642	512

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

	Group	
	2019 US\$'000s	2018 US\$'000s
Aggregate emoluments	803	682

No contributions were made on behalf of any Directors to money purchase pension schemes.

**AVATION PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**8 RELATED PARTY TRANSACTIONS (continued)**

**(b) Significant related party transactions:**

	Group		Company	
	2019 US\$'000s	2018 US\$'000s	2019 US\$'000s	2018 US\$'000s
<b>Entities controlled by key management personnel (including Directors):</b>				
Rental expenses paid	(292)	(209)	(111)	(103)
Consulting fee paid	(417)	(250)	(417)	(250)
Interest expense	-	(373)	-	-
Service fee received	6	-	-	-
Sale of dormant subsidiary	-	5	-	-
<b>Directors</b>				
Interest expense	-	(14)	-	-

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

	Company	
	2019 US\$'000s	2018 US\$'000s
Sale of aircraft	19,964	-
Dividend income	5,647	7,001
Interest income	4,308	3,284
Rental income	1,527	2,024
Interest expense	(1,271)	(1,663)
Lease termination fee	(174)	-

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 9 REVENUE

	Group	
	2019	2018
	US\$'000s	(Restated) US\$'000s
Lease rental revenue	117,673	97,581
Interest income on finance leases	1,382	734
Maintenance reserves released	-	10,491
End of lease return compensation	-	981
	<b>119,055</b>	<b>109,787</b>

The maintenance reserves revenue relates to the recovery of maintenance reserve from an insolvent airline customer that defaulted on its lease payments. See Note 32.

End of lease return compensation represents contingent rents as set out in the revenue recognition accounting policy.

#### Geographical analysis

	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
2019	31,385	87,670	119,055
2018 (Restated)	34,777	75,010	109,787

During the year ended 30 June 2019, six customers individually represented more than 5% of the Group's total revenue (2018: five) of which four are based in Asia-Pacific (2018: four) and two are based in Europe (2018: one). The largest customer, who is based in Asia-Pacific, accounts for US\$26.4 million or 22.2% of the Group's total revenue (2018: US\$26.5 million or 24.3%).

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 10 OTHER INCOME

	Group	
	2019	2018
	US\$'000s	(Restated) US\$'000s
Foreign currency exchange gain	29	261
Sale of aircraft parts	-	216
Gain on disposal of subsidiary	-	1
Others	186	161
	<b>215</b>	<b>639</b>

The Group disposed of a 100% owned subsidiary, MSN 429 Limited on 30 June 2018 for a cash consideration of US\$5,025.

The aggregate cash inflows arising from the disposal of MSN 429 Limited were:

	US\$'000
Cash	4
Identifiable net assets disposed	4
Gain on disposal	1
Cash proceeds from disposal	5
Less : cash and cash equivalents in subsidiary disposed	(4)
Net cash inflow on disposal	1

### 11 ADMINISTRATIVE EXPENSES

	Group	
	2019	2018
	US\$'000s	US\$'000s
Staff costs (note 15)	5,205	4,699
Other administrative expenses	5,749	5,503
	<b>10,954</b>	<b>10,202</b>

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 12 OTHER EXPENSES

	Group	
	2019	2018
	US\$'000s	US\$'000s
Fair value loss on options held for trading	-	1,640
Expected credit loss on trade receivables	166	-
Others	-	11
	<b>166</b>	<b>1,651</b>

#### 13 FINANCE INCOME

	Group	
	2019	2018
	US\$'000s	(Restated) US\$'000s
Interest income from financial institutions	1,099	413
Interest income from non-financial institutions	317	-
Interest rate swap break gains	174	3,611
Fair value gain on derivatives	819	2,138
Finance income from discounting non-current deposits to fair value	753	359
Loan modification gain	370	-
Others	190	-
	<b>3,722</b>	<b>6,521</b>

Interest rate swap break gains arose from the termination of interest rate swap contracts concurrently with early repayments of loans and borrowings.

The fair value gain on derivatives arose from mark-to-market gains on the ineffective hedge portion of interest rate swap contracts.



# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 14 FINANCE EXPENSES

	Group	
	2019	2018
	US\$'000s	US\$'000s
Interest expense on borrowings	26,116	28,798
Interest expense on unsecured notes	21,851	13,984
Amortisation of loan transaction cost	5,640	1,078
Amortisation of interest expense on non-current deposits	771	349
Finance charges on early full repayment of borrowings	166	120
Others	784	486
	<b>55,328</b>	<b>44,815</b>

### 15 STAFF COSTS

	Group	
	2019	2018
	US\$'000s	US\$'000s
Salaries and fees	3,965	3,532
Bonuses	588	627
Defined contribution plans	121	93
Benefits	53	53
Warrants expense	478	394
	<b>5,205</b>	<b>4,699</b>

The average number of Directors of the Company for the year is 4 (2018: 4). The average number of other employees for the year is 19 (2018: 18) and in the following departments:

	Group	
	2019	2018
Administrative	3	2
Commercial	5	4
Finance	5	4
Legal	4	5
Technical	2	3
	<b>19</b>	<b>18</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16 PROFIT BEFORE TAXATION

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000s</b>	<b>US\$'000s</b>
Depreciation of property, plant and equipment	41,011	34,284
Foreign currency exchange (gain)	(29)	(216)
Audit fees:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	273	202
Fees payable to the Company's auditor and their associates for audits of the Company's subsidiaries' annual accounts	233	298
Total audit fees	<b>506</b>	<b>500</b>
Auditors' remuneration for non-audit services:		
- Tax compliance services	105	145
- All other assurance services	142	693
Total fees for non-audit services	<b>247</b>	<b>838</b>

### 17 TAXATION

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000s</b>	<b>US\$'000s</b>
<i>From continuing operations</i>		
Current tax expense:		
- Singapore	1,491	85
- Overseas	978	490
(Over)/Under provision in prior years current tax expense:		
- Singapore	(16)	(2,279)
- Overseas	691	1,009
Deferred tax expense:		
- Singapore	(5,074)	(464)
- Overseas	1,476	(261)
Under provision in prior years deferred tax expense:		
- Singapore	322	-
Withholding tax	-	335
<b>Income tax credit</b>	<b>(132)</b>	<b>(1,085)</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 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:

	Group	
	2019 US\$'000s	2018 US\$'000s
Profit before income tax	25,559	18,915
Tax calculated at 17% (2018: 17%)	4,345	3,215
Effects of:		
(Over)/under provision in prior years current tax expense		
- Singapore	(16)	(2,279)
- Overseas	691	1,009
Under provision in prior years deferred tax expense:		
- Singapore	322	-
Non-deductible items	1,809	937
Income not subject to tax	(394)	(171)
Different tax rates of other countries	1,736	(556)
Deferred tax asset not recognised	540	51
Utilisation of deferred tax asset not recognised	(2,370)	(2,362)
Effect of concessionary tax rate at 10% and 8%	(1,953)	(1,262)
Effect of tax exemption and tax relief	(12)	(31)
Deferred tax asset recognised	(4,830)	-
Withholding tax	-	335
Others	-	29
<b>Income tax credit</b>	<b>(132)</b>	<b>(1,085)</b>

The Group has unutilised tax losses of approximately US\$3.5 million (2018: US\$2.3 million) and unabsorbed capital allowances of approximately US\$26.9 million (2018: US\$102.9 million) that are available for offset against future taxable profits, 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.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 18 EARNINGS PER SHARE

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

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

	Company	
	2019 US\$'000s	2018 US\$'000s
Net profit attributable to equity holders of the company	25,690	19,992
Weighted average number of ordinary shares ('000s)	63,818	62,089
Basic earnings per share	40.26 cents	32.20 cents

##### (b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, total profit attributable to equity holders of the Company 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; 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 equity holders of the Company is calculated as follows:

	Company	
	2019 US\$'000s	2018 US\$'000s
Net profit attributable to equity holders of the company	25,690	19,992
Weighted average number of ordinary shares ('000s)	63,818	62,089
Adjustment for warrants ('000s)	253	698
Weighted average number of ordinary shares ('000s)	64,071	62,787
Diluted earnings per share	40.10 cents	31.84 cents

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 19 PROPERTY, PLANT AND EQUIPMENT

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

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 19 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Furniture and equipment US\$'000s	Jets US\$'000s	Turbo props US\$'000s	Total US\$'000s
<b>2018:</b>				
<i>Cost or valuation:</i>				
At beginning of year	432	476,170	336,594	813,196
Additions	19	283,975	38,810	322,804
Disposals/written-off	(105)	-	-	(105)
Reclassified as assets held for sale	-	(51,281)	-	(51,281)
Impairment recognised in equity	-	4,278	(528)	3,750
<b>At end of the year</b>	<b>346</b>	<b>713,142</b>	<b>374,876</b>	<b>1,088,364</b>
Representing:				
At cost	346	-	-	346
At valuation	-	713,142	374,876	1,088,018
	<b>346</b>	<b>713,142</b>	<b>374,876</b>	<b>1,088,364</b>
<i>Accumulated depreciation and impairment:</i>				
At beginning of year	325	25,088	43,052	68,465
Depreciation expense	72	21,709	12,503	34,284
Disposals/written-off	(105)	-	-	(105)
Reclassified as assets held for sale	-	(2,536)	-	(2,536)
Impairment loss	-	7,080	-	7,080
<b>At end of the year</b>	<b>292</b>	<b>51,341</b>	<b>55,555</b>	<b>107,188</b>
<i>Net book value:</i>				
<b>At beginning of the year</b>	<b>107</b>	<b>451,082</b>	<b>293,542</b>	<b>744,731</b>
<b>At end of the year</b>	<b>54</b>	<b>661,801</b>	<b>319,321</b>	<b>981,176</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 19 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and equipment US\$'000	Jets US\$'000s	Turbo props US\$'000s	Total US\$'000s
<b>2019</b>				
<i>Cost or valuation:</i>				
At beginning of year	202	19,915	-	20,117
Additions	-	-	57,511	57,511
Disposal/written-off	(184)	(18,473)	(19,964)	(38,621)
Impairment recognised in equity	-	(1,442)	-	(1,442)
<b>At end of the year</b>	<b>18</b>	<b>-</b>	<b>37,547</b>	<b>37,565</b>
Representing:				
At cost	18	-	-	18
At valuation	-	-	37,547	37,547
	<b>18</b>	<b>-</b>	<b>37,547</b>	<b>37,565</b>
<i>Accumulated depreciation and impairment:</i>				
At beginning of year	191	5,097	-	5,288
Depreciation expense	8	1,015	-	1,023
Disposal/written-off	(184)	(6,112)	-	(6,296)
<b>At end of the year</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>
<i>Net book value:</i>				
<b>At beginning of the year</b>	<b>11</b>	<b>14,818</b>	<b>-</b>	<b>14,829</b>
<b>At end of the year</b>	<b>3</b>	<b>-</b>	<b>37,547</b>	<b>37,550</b>

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 19 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and equipment US\$'000s	Jets US\$'000s	Total US\$'000s
<b>2018:</b>			
<i>Cost or valuation:</i>			
At beginning of year	196	19,949	20,145
Additions	6	-	6
Impairment recognised in equity	-	(34)	(34)
<b>At end of the year</b>	<b>202</b>	<b>19,915</b>	<b>20,117</b>
<i>Representing:</i>			
At cost	202	-	202
At valuation	-	19,915	19,915
	<b>202</b>	<b>19,915</b>	<b>20,117</b>
<i>Accumulated depreciation and impairment:</i>			
At beginning of year	156	4,070	4,226
Depreciation expense	35	1,027	1,062
<b>At end of the year</b>	<b>191</b>	<b>5,097</b>	<b>5,288</b>
<i>Net book value:</i>			
<b>At beginning of the year</b>	<b>40</b>	<b>15,879</b>	<b>15,919</b>
<b>At end of the year</b>	<b>11</b>	<b>14,818</b>	<b>14,829</b>

#### Assets pledged as security

The Group's aircraft with carrying values of US\$1,122.0 million (2018: US\$925.4 million) are mortgaged to secure the Group's borrowings (Note 30).

#### Additions and Disposals

During the year, the Group acquired six jet aircraft and six turboprop aircraft. Two aircraft with a net book value of US\$39.6 million were reclassified to assets held under finance leases. A gain on transfer of the aircraft to finance leases of US\$1.0 million was recorded and included within the gain on disposal of aircraft.

During the year, the Group sold two aircraft, one of which was classified as an asset held for sale as of 30 June 2018.



## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 19 PROPERTY, PLANT AND EQUIPMENT (continued)

##### Valuation

The Group's aircraft were valued in June 2019 by independent valuers on lease-encumbered basis ("LEV"). LEV takes into account the current lease arrangements for the aircraft and estimated residual values at the end of the lease. These amounts have been discounted to present value using discount rates ranging from 5.75% to 7.75% per annum for jet aircraft and 6.00% to 9.25% per annum for turboprop aircraft. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles.

During the year, one aircraft was damaged while undergoing maintenance. The affected aircraft has been revalued downward by the estimated diminution in value resulting from the damage. The lessee is responsible for maintenance and repair of the aircraft. The Group has submitted a claim against the lessee for compensation for the estimated loss in value of the aircraft resulting from the damage. The lessee is disputing the claim and at the current date no agreement has been reached to settle the claim.

During the previous year, an impairment loss of US\$7.1 million was recognised to write down the book value of an aircraft to its fair value. The aircraft was repossessed from an insolvent airline and leased to a new customer under a new lease with different terms and duration.

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

Group	2019		2018	
	Jets	Turbo props	Jets	Turbo props
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Cost	776,330	552,544	704,181	352,475
Accumulated depreciation and impairment	(58,706)	(81,504)	(51,586)	(53,232)
<b>Net book value</b>	<b>717,624</b>	<b>471,040</b>	<b>652,595</b>	<b>299,243</b>

Company	2019		2018	
	Jets	Turbo props	Jets	Turbo props
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Cost	-	37,547	16,561	-
Accumulated depreciation and impairment	-	-	(4,036)	-
<b>Net book value</b>	<b>-</b>	<b>37,547</b>	<b>12,525</b>	<b>-</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 19 PROPERTY, PLANT AND EQUIPMENT (continued)

#### Geographical analysis

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

2018	Europe US\$'000s	Asia Pacific US\$'000s	Total US\$'000s
Capital expenditure	36,544	286,260	322,804
Net book value – aircraft	242,772	738,350	981,122

### 20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 US\$'000s	2018 US\$'000s	2019 US\$'000s	2018 US\$'000s
<b>Current:</b>				
Trade receivables	3,954	3,130	40	160
Less:				
Allowance for estimated credit loss/ impairment of trade receivables	(207)	(41)	-	-
	3,747	3,089	40	160
Other receivables:				
– subsidiaries	-	-	64,052	90,138
– related parties	-	5	-	-
– third parties	106	49	62	16
Interest receivables:				
– subsidiaries	-	-	145	3,232
– third parties	12	-	-	-
Deposits	47	48	24	25
Prepaid expenses	513	723	110	246
	<b>4,425</b>	<b>3,914</b>	<b>64,433</b>	<b>93,817</b>
<b>Non-current:</b>				
Other receivables:				
– subsidiaries	-	-	136,900	48,309
Deposits for aircraft	8,704	6,428	8,704	6,428
Prepaid expenses	226	362	-	-
	<b>8,930</b>	<b>6,790</b>	<b>145,604</b>	<b>54,737</b>

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 20 TRADE AND OTHER RECEIVABLES (continued)

Other receivables from subsidiaries includes interest bearing receivables of US\$150.02 million (2018: US\$75.37 million). Current receivables from subsidiaries are unsecured and repayable upon demand. Interest is charged at 4.0% to 6.0% (2018: 3.0% 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.

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

	Group		Company	
	2019 US\$'000s	2018 US\$'000s	2019 US\$'000s	2018 US\$'000s
Pound sterling	62	16	62	16
Euro	4	180	57,666	-
Singapore dollar	29	57	24	25

#### 21 FINANCE LEASE RECEIVABLES

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

Future minimum lease payments receivable under finance are as follows:

Group	2019		2018	
	Minimum lease payments US\$'000s	Present value of payments US\$'000s	Minimum lease payments US\$'000s	Present value of payments US\$'000s
Within one year	8,440	7,221	3,636	3,199
Later than one year but not more than five years	13,848	10,566	5,707	5,529
Later than five years	28,534	26,571	-	-
<b>Total minimum lease payments</b>	<b>50,822</b>	<b>44,358</b>	<b>9,343</b>	<b>8,728</b>
Less: amounts representing interest income	(6,464)	-	(615)	-
<b>Present value of minimum lease payments</b>	<b>44,358</b>	<b>44,358</b>	<b>8,728</b>	<b>8,728</b>

Finance lease receivables denominated in foreign currencies are as follows:

	Group	
	2019 US\$'000s	2018 US\$'000s
Euro	30,385	-

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 22 GOODWILL

	Group	
	2019	2018
	US\$'000s	US\$'000s
Cost:		
<b>At beginning and end of the year</b>	<b>2,384</b>	<b>2,384</b>
Allowance for impairment:		
<b>At beginning and end of the year</b>	<b>482</b>	<b>482</b>
Net carrying amount:		
<b>At beginning and end of the year</b>	<b>1,902</b>	<b>1,902</b>

#### *Impairment test of goodwill*

Goodwill is allocated to the cash generating unit ("CGU") of the Group which is in 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 two-year period.

Key assumptions used for value-in-use calculations:

	2019	2018
	%	%
Average cash flow growth rate	2.0	2.0
Terminal growth rate	2.0	2.0
Discount rate	10.0	10.0

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\$276.5 million (2018: US\$241.9 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 2019

#### 23 INVESTMENT IN SUBSIDIARIES

	Company	
	2019 US\$'000s	2018 US\$'000s
Unquoted equity shares, at cost	15,375	15,375
Less impairment loss	(1,883)	-
	<b>13,492</b>	<b>15,375</b>

The impairment of US\$1.9 million recognised during the year relates to a subsidiary, Avation.net Inc, which is impaired to the recoverable amount of the equity investment based on the net tangible assets of the subsidiary.

Details of subsidiaries are as follows:

Name of entity		Country of incorporation	Principal activities	Ownership interest	
				2019 %	2018 %
<i>Held directly by the Company:</i>					
Avation.net Inc		United States	Procurement	99.96	99.96
Avation Capital S.A.		Luxembourg	Financing	100.00	100.00
Capital Lease Aviation Limited		United Kingdom	Aircraft leasing	99.68	99.68
MSN429 Leaseco Limited		United Kingdom	Aircraft leasing	100.00	100.00
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
<i>Held by Capital Lease Aviation Limited:</i>					
Capital Lease Malta Ltd.	(a)	Malta	Aircraft leasing	99.68	99.68
Capital MSN 4033 Limited		Ireland	Aircraft leasing	99.68	99.68
Capital MSN 4033 II 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
<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 Eastern Fleet IV Pte. Ltd.:</i>					
Airframe Leasing (S) IV Pte. Ltd.	+	Singapore	Aircraft leasing	-	100.00
<i>Held by MSN 429 Leaseco Limited:</i>					
MSN 429 Limited	++	United Kingdom	Aircraft leasing	-	-
<i>Held by F100 Fleet Pte. Ltd.:</i>					
F100 Leasing Pte. Ltd.	+	Singapore	Aircraft leasing	-	100.00

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 23 INVESTMENT IN SUBSIDIARIES (continued)

Name of entity		Country of incorporation	Principal activities	Ownership interest	
				2019 %	2018 %
<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 Eastern Fleet IV 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 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) IV 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. (formerly known as Avation Taiwan Leasing IV Pte Ltd)		Singapore	Aircraft leasing	100.00	100.00
MSN 429 (S) Pte. Ltd.	+	Singapore	Aircraft leasing	-	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	-
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
MSN 1922 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	-
AVAP Aircraft Leasing Pte. Ltd.		Singapore	Aircraft leasing	100.00	-

All companies as at 30 June 2019 are audited by member firms of Ernst & Young except for the following:

(a) Audited by Nexia BT, Malta

+ Dissolved during the year.

++ Disposed during the previous year.

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

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 24 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	Contract/ notional amount		Fair value	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Non-current asset</b>				
Interest rate swap	63,185	310,755	363	7,848
<b>Non-current liability</b>				
Interest rate swap	267,118	-	(10,117)	-
Cross-currency interest rate swap	4,000	-	(57)	-
	<b>271,118</b>	<b>-</b>	<b>(10,174)</b>	<b>-</b>
Company	Contract/ notional amount		Fair value	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Non-current asset</b>				
Interest rate swap – non-current asset	-	96,750	-	2,036
<b>Non-current liability</b>				
Interest rate swap – non-current liability	90,250	-	(2,817)	-

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

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

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

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

Changes in the fair value of these interest rate swap and cross-currency interest rate swap contracts are recognised in the fair value reserve. The net fair value loss of US\$18.5 million (2018: gain of US\$5.2 million) on these derivative financial instruments was recognised in the fair value reserve for the year.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 24 DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

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

The Group has also designated certain Euro denominated loans as cash flow hedges of foreign currency exchange risk derived from Euro denominated leases. Unrealised foreign exchange gains and losses arising on Euro denominated loans designated as cash flow hedges are recognised in the foreign currency hedge reserve. Unrealised foreign exchange gains and losses recorded in the foreign currency hedging reserve are systematically 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

During the year 30 June 2019, the effect of the cash flow hedge in the consolidated statement of profit or loss and consolidated statement of other comprehensive income was as follows:

	<b>Total hedging gain/(loss) recognised in OCI</b>	<b>Amount reclassified from OCI to profit or (loss)</b>	<b>Line item in the statement of profit or loss</b>
<b>Group</b>	<b>US\$'000s</b>	<b>US\$'000s</b>	
Interest rate swap	(18,421)	-	-
Cross currency swap	(57)	-	-
Foreign currency hedge	469	(132)	Other income
	<b>(18,009)</b>	<b>(132)</b>	



# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 24 DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

During the year ended 30 June 2018, the effect of the cash flow hedge in the consolidated statement of profit or loss and consolidated statement of other comprehensive income was as follows:

Group	Total hedging gain/(loss) recognised in OCI	Amount reclassified from OCI to profit or (loss)	Line item in the statement of profit or loss
	US\$'000s	US\$'000s	
Interest rate swap	5,239	-	-

### 25 OPTIONS HELD FOR TRADING

	Group and Company	
	2019 US\$'000s	2018 US\$'000s
Options to purchase aircraft, at fair value	-	2,000

During the year, the Group exercised the two options previously classified as held for trading and reclassified the US\$2.0 million to deposits for aircraft.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 26 CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Fixed deposits	6,700	20,000	5,000	-
Other cash and bank balances	100,748	71,102	11,634	3,646
<b>Total cash and bank balances</b>	<b>107,448</b>	<b>91,102</b>	<b>16,634</b>	<b>3,646</b>
Less : restricted	(45,759)	(33,152)	-	-
<b>Cash and cash equivalents</b>	<b>61,689</b>	<b>57,950</b>	<b>16,634</b>	<b>3,646</b>

The Group's restricted cash and bank balances have been pledged as security for certain loan obligations.

The rate of interest for cash on interest earning accounts is approximately 0.01% to 2.60% (2018: 0.01% to 1.08%) per annum.

Cash and bank balances denominated in foreign currencies are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Pound sterling	66	34	30	22
Euro	5,307	826	-	-
Singapore dollar	245	317	57	44

#### 27 ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

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

	Group	
	2019	2018
	US\$'000	US\$'000s
<b>Assets held for sale:</b>		
Property, plant and equipment - aircraft		
At beginning of year	48,745	-
Additions	-	48,745
Disposals	(48,745)	-
<b>At end of year</b>	<b>-</b>	<b>48,745</b>
<b>Liabilities directly associated with assets held for sale:</b>		
Deposits collected	-	500

During the year, the Group sold the aircraft held for sale.

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 28 SHARE CAPITAL AND TREASURY SHARES

#### (a) Share capital

	2019		2018	
	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	62,760,246	1,080	61,071,246	1,058
Issue of shares	1,849,693	24	1,689,000	22
<b>At end of the year</b>	<b>64,609,939</b>	<b>1,104</b>	<b>62,760,246</b>	<b>1,080</b>

During the year, the Company issued 1,849,693 ordinary shares of 1 penny at prices ranging 130p to 215p following the exercise of warrants raising total gross proceeds of US\$3.2m.

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

	2019		2018	
	No of treasury shares	US\$'000s	No of treasury shares	US\$'000s
At beginning of the year	-	-	-	-
Acquired during the year	300,000	1,147	-	-
<b>At end of the year</b>	<b>300,000</b>	<b>1,147</b>	<b>-</b>	<b>-</b>

#### (c) Net asset value per share

	2019	2018
Net asset value per share (US\$) <sup>(1)</sup>	\$3.74	\$3.64
Net asset value per share (GBP) <sup>(2)</sup>	£2.95	£2.76

<sup>(1)</sup> Net asset value per share is total equity divided by the total number of shares in issue at period end.

<sup>(2)</sup> Based on GBP:US\$ exchange rate as at 30 June 2019 of 1.27 (30 June 2018 : 1.321).

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 29 OTHER RESERVES

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Capital redemption reserve	12	12	12	12
Warrant reserve	532	721	532	721
Fair value reserve	(12,822)	5,656	(5,677)	-
Foreign currency translation reserve	-	-	-	-
Foreign currency hedge reserve	469	-	-	-
	<b>(11,809)</b>	<b>6,389</b>	<b>(5,133)</b>	<b>733</b>

Movements in other reserves are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<i>Warrant reserve:</i>				
At the beginning the year	721	399	721	399
Employee share warrant scheme:				
- Value of employee services	478	688	478	688
- Issue of shares	(628)	(348)	(628)	(348)
- Expired	(39)	(18)	(39)	(18)
<b>At end of the year</b>	<b>532</b>	<b>721</b>	<b>532</b>	<b>721</b>
<i>Fair value reserve:</i>				
At the beginning the year	5,656	417	-	-
Fair value (loss)/gain	(18,478)	5,239	(5,677)	-
<b>At end of the year</b>	<b>(12,822)</b>	<b>5,656</b>	<b>(5,677)</b>	<b>-</b>
<i>Foreign currency translation reserve:</i>				
At the beginning the year	-	(27)	-	-
Transfer to profit or loss	-	27	-	-
<b>At end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Foreign currency hedge reserve:</i>				
At the beginning the year	-	-	-	-
Fair value gain	601	-	-	-
Transfer to profit or loss	(132)	-	-	-
<b>At end of the year</b>	<b>469</b>	<b>-</b>	<b>-</b>	<b>-</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 30 LOANS AND BORROWINGS

	Group		Company	
	2019 US\$'000s	2018 US\$'000s	2019 US\$'000s	2018 US\$'000s
Secured borrowings	733,322	555,787	147,474	51,377
Junior secured borrowings	-	19,291	-	-
Unsecured notes (a)	344,966	293,522	-	-
	<b>1,078,288</b>	<b>868,600</b>	<b>147,474</b>	<b>51,377</b>
Less: current portion of borrowings	(72,595)	(71,704)	(10,574)	(3,068)
	<b>1,005,693</b>	<b>796,896</b>	<b>136,900</b>	<b>48,309</b>

	Maturity		Weighted average interest rate per annum	
	2019 US\$'000s	2018 US\$'000s	2019 %	2018 %
Secured borrowings	2019-2031	2018-2028	3.7%	4.2%
Junior secured borrowings	-	2020-2023	-	6.7%
Unsecured notes (a)	2021	2021	6.5%	6.5%

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

Junior secured borrowings are secured by second ranking aircraft mortgages, security assignments and charges over bank accounts.

Borrowing costs capitalised into loans and borrowings amounted to US\$3.0 million (2018: US\$9.7 million). The rate used to determine the amount of borrowing costs for capitalisation was 5.1% (2018: 5.8%) per annum.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 30 LOANS AND BORROWINGS (continued)

- (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 Group issued US\$50 million 6.5% Senior Notes due 2021 under the Programme.

During the year, the Group increased its secured borrowings by US\$158.2 million to fund aircraft acquisitions.

During the year, the Group repaid US\$96.9 million of its secured borrowings.

The Group recognised a day-one gain of US\$0.4 million related to a current debt modification during the year. There is no material impact from historical debt modifications and no adjustments have been made to the comparative information for prior periods.

During the previous year, the Group issued US\$30 million 7.5% Senior Notes due 2020 and US\$300 million 6.5% Senior Notes due 2021 under the Programme and fully redeemed US\$150 million 7.5% Senior Notes due 2020.

During the previous year, entities over which a director has significant influence fully redeemed US\$5.5 million and a director of the Company fully redeemed US\$0.2 million of the May 2015 series of 7.5% Senior Notes due 2020.

Loans and borrowings denominated in foreign currencies are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Euro	193,105	28,638	57,666	-

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 31 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
<b>Current:</b>				
Trade payables	92	741	36	335
Other payables:				
- subsidiaries	-	-	32,781	31,379
- third parties	162	31	75	31
Deferred lease income	427	376	-	-
Revenue received in advance	6,192	7,409	-	73
Accrued expenses	5,091	4,833	335	2,810
	<b>11,964</b>	<b>13,390</b>	<b>33,227</b>	<b>34,628</b>
<b>Non-current:</b>				
Accrued expenses	-	-	-	-
Deposits collected	13,979	10,338	200	150
Deferred lease income	2,112	2,059	-	-
	<b>16,091</b>	<b>12,397</b>	<b>200</b>	<b>150</b>

Amounts due to subsidiaries are unsecured, interest free and without fixed repayment terms unless otherwise stated.

Other payables due to subsidiaries includes interest bearing payables of US\$30.0 million (2018: US\$27.0 million) which are unsecured, payable upon demand and bear interest at 8.2% (2018: 8.2% to 9.3%) per annum. Accrued expenses includes interest payable to subsidiaries of US\$nil million (2018: US\$2.5 million).

The average credit period taken to settle non-related party trade payables is approximately 30 to 60 days.

Deposits collected are 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 reflect the risks specific to these deposits. Deposits will be refunded at the end of the respective lease term.

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

	Group		Company	
	2019	2018	2019	2018
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Pound sterling	53	112	19	112
Australian dollar	-	5	-	5
Euro	2,809	701	159	184
Singapore dollar	493	533	47	19

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 32 MAINTENANCE RESERVES

	Group	
	2019 US\$'000s	2018 US\$'000s
Current	1,166	1,040
Non-current	31,325	22,504
<b>Total maintenance reserves</b>	<b>32,491</b>	<b>23,544</b>

	Group	
	2019 US\$'000s	2018 US\$'000s
At beginning of year	23,544	21,264
Contributions	15,413	13,193
Utilisations	(1,558)	(422)
Released to profit or loss	-	(10,491)
Transfer to buyer upon sale of aircraft	(4,908)	-
<b>At end of the year</b>	<b>32,491</b>	<b>23,544</b>

During the last financial year, maintenance reserves of US\$10.5 million were released to profit or loss as revenue due to the recovery of maintenance reserves from an insolvent airline customer that defaulted on its lease payments. See Note 9.

The Group also holds letters of credit for US\$38.8 million (2018: US\$21.3 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 2019

### 33 DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities are attributable to the following:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b> US\$'000s	<b>2018</b> US\$'000s	<b>2019</b> US\$'000s	<b>2018</b> US\$'000s
Property, plant and equipment	179	4,286	340	1,453
Tax losses carried forward	-	(1,298)	-	-
	<b>179</b>	<b>2,988</b>	<b>340</b>	<b>1,453</b>

Movements in temporary differences are as follows:

<b>Group</b>	<b>Property, plant and equipment</b> US\$'000s	<b>Tax losses carried forward</b> US\$'000s	<b>Total</b> US\$'000s
<b>2019</b>			
At beginning of the year	4,286	(1,298)	2,988
Recognised in profit or loss	(4,574)	1,298	(3,276)
Recognised in equity	467	-	467
<b>At end of the year</b>	<b>179</b>	<b>-</b>	<b>179</b>
<b>2018</b>			
At beginning of the year	4,168	(850)	3,318
Recognised in profit or loss	(277)	(448)	(725)
Recognised in equity	395	-	395
<b>At end of the year</b>	<b>4,286</b>	<b>(1,298)</b>	<b>2,988</b>
<b>Company</b>	<b>Property, plant and equipment</b> US\$'000s	<b>Other items</b> US\$'000s	<b>Total</b> US\$'000s
<b>2019</b>			
At beginning of the year	1,453	-	1,453
- Recognised in profit or loss	(868)	-	(868)
- Recognised in equity	(245)	-	(245)
<b>At end of the year</b>	<b>340</b>	<b>-</b>	<b>340</b>
<b>2018</b>			
At beginning of the year	1,814	-	1,814
- Recognised in profit or loss	(355)	-	(355)
- Recognised in equity	(6)	-	(6)
<b>At end of the year</b>	<b>1,453</b>	<b>-</b>	<b>1,453</b>

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 34 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.

#### *Movement in warrants during the year*

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, warrants during the year:

	2019		2018	
	No.	WAEP	No.	WAEP
Outstanding at beginning of the year	2,651,690	159.8p	3,581,190	136.3p
- Granted	3,158,000	248.3p	1,000,000	215.0p
- Exercised	(1,849,693)	135.9p	(1,689,000)	142.9p
- Expired	(250,000)	227.8p	(240,500)	157.9p
<b>Outstanding at end of the year</b>	<b>3,709,997</b>	<b>242.5p</b>	<b>2,651,690</b>	<b>159.8p</b>
<b>Exercisable at end of the year</b>	<b>155,335</b>	<b>215.0p</b>	<b>951,190</b>	<b>130.0p</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 34 SHARE BASED PAYMENTS (continued)

The weighted average fair value of warrants granted during the year was 20 pence (2018: 33 pence). The charge recognised in profit or loss in respect of share based payments is US\$0.5 million (2018: US\$0.4 million).

During the year, 1,849,693 warrants were exercised (2018: 1,689,000).

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	
			2019	2018
16 November 2015	16 Nov 2018	130.0p	-	1,721,690
27 November 2017	27 Nov 2020	215.0p	721,997	930,000
5 September 2018	6 Oct 2021	232.0p	2,170,000	-
8 March 2019	9 Apr 2022	294.5p	818,000	-

The warrants granted on 16 November 2015 have a 3-year vesting schedule and the details are as follows:

Vesting period	Proportion of total share options that are exercisable
Before 16 November 2016	0 per cent
On 16 November 2016 and before 16 November 2017	Up to 33 per cent of the grant
On 16 November 2017 and before 16 November 2018	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 16 November 2018	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

The warrants granted on 27 November 2017 have a 3-year vesting schedule and the details are as follows:

Vesting period	Proportion of total share options that are exercisable
Before 27 November 2018	0 per cent
On 27 November 2018 and before 27 November 2019	Up to 33 per cent of the grant
On 27 November 2019 and before 27 November 2020	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 27 November 2020 to 31 December 2020	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 34 SHARE-BASED PAYMENTS (continued)

The warrants granted on 5 September 2018 have a 3-year vesting schedule and the details are as follows:

Vesting period	Proportion of total share options that are exercisable
Before 6 September 2019	0 per cent
On 6 September 2019 and before 6 September 2020	Up to 33 per cent of the grant
On 6 September 2020 and before 6 September 2021	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 6 September 2021 to 6 October 2021	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

The warrants granted on 8 March 2019 have a 3-year vesting schedule and the details are as follows:

Vesting period	Proportion of total share options that are exercisable
Before 9 March 2020	0 per cent
On 9 March 2020 and before 9 March 2021	Up to 33 per cent of the grant
On 9 March 2021 and before 9 March 2022	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 9 March 2022 to 9 April 2022	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 8 March 2019	Warrant series granted on 5 September 2018	Warrant series granted on 27 November 2017
Inputs into the model:			
Grant date share price	294.5 pence	232.0 pence	215.0 pence
Exercise price	294.5 pence	232.0 pence	215.0 pence
Expected volatility	17%	16%	25% to 28%
Warrant life	3 years	3 years	3 years
Dividend yield	2.45%	2.45%	1.91%
Risk free interest rate	0.75% to 0.79%	0.74% to 0.79%	0.83% to 0.93%

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 35 CAPITAL COMMITMENTS

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

	Group	
	2019 US\$'000s	2018 US\$'000s
Property, plant and equipment	169,034	115,013

The above capital commitments represent amounts due under contracts entered into by the Group to purchase aircraft. The company has paid deposits towards the cost of these aircraft which are included in trade and other receivables.

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

#### 36 OPERATING LEASE COMMITMENTS

The Group leases out aircraft under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group	
	2019 US\$'000s	2018 US\$'000s
Within one year	132,112	112,860
In the second to fifth years inclusive	441,241	410,312
More than five years	337,207	382,083

The Group holds cash deposits of US\$16.2 million (2018: US\$13.2 million) and letters of credit for US\$10.4 million (2018: US\$8.0 million) as security for lessees' obligations under operating leases.

#### 37 CONTINGENT LIABILITIES

##### Guarantees

	Company	
	2019 US\$'000s	2018 US\$'000s
Guarantees	1,078,288	868,600

The maximum estimated amount that the Company could become liable for under guarantees is as shown above.

## AVATION PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 38 DIVIDENDS

	2019 US\$'000s	2018 US\$'000s
<b><i>Paid during the year:</i></b>		
<i>Dividends on ordinary shares</i>		
- First interim exempt (one-tier) dividend for 7.25 US cents (2018: 6.00 US cents) per share	4,550	3,664
- Second interim exempt (one-tier) dividend for 2.00 US cents (2018: Nil US cents) per share	1,290	-
	<b>5,840</b>	<b>3,664</b>

Dividends are recognised as liabilities when they are approved for payment.

#### 39 RECLASSIFICATIONS AND COMPARATIVES

During the year, in order to be more representative of the operating activities of the Group, interest income from finance leases has been reclassified from "Finance income" to "Revenue" and Interest rate swap break gain has been reclassified from "Other income" to "Finance income".

During the year, in order to reflect the above changes in classification the statement of cash flows has amalgamated all finance costs and finance income.

As a result, certain line items have been amended in the consolidated statement of profit or loss, consolidated statement of cash flows, company statement of cash flows and the related notes to the financial statements. Comparatives figures have been adjusted to conform to the current year's presentation.

##### Consolidated statement of profit or loss

	2018 As published US\$'000s	Reclassifications US\$'000s	2018 Restated US\$'000s
Revenue	109,053	734	109,787
Other income	2,777	(2,138)	639
	111,830	(1,404)	110,426
Depreciation	(34,284)	-	(34,284)
Impairment loss on aircraft	(7,080)	-	(7,080)
Administrative expenses	(10,202)	-	(10,202)
Other expenses	(1,651)	-	(1,651)
Operating profit	58,613	(1,404)	57,209
Finance income	5,117	1,404	6,521
Finance expenses	(44,815)	-	(44,815)
Profit before tax	18,915	-	18,915
Taxation	1,085	-	1,085
Profit from continuing operations	20,000	-	20,000

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 39 RECLASSIFICATIONS AND COMPARATIVES (continued)

#### Consolidated statement of cash flows

	2018 As published US\$'000s	Reclass- ifications US\$'000s	2018 Restated US\$'000s
<b>Cash flows from operating activities:</b>			
Profit before income tax	18,915	-	18,915
Adjustments for:			
Depreciation expense	34,284	-	34,284
Warrants expense	394	-	394
Impairment loss on aircraft	7,080	-	7,080
Gain on disposal of subsidiary	(1)	-	(1)
Amortisation of loan insurance premium	1,078	(1,078)	-
Amortisation of interest expense on non-current deposits	349	(349)	-
Finance income from discounting non-current deposits to fair value	(359)	359	-
Fair value gain on derivatives	(2,138)	2,138	-
Fair value loss on options held for trading	1,640	-	1,640
Interest income	(1,147)	1,147	-
Interest income from finance leases	-	(734)	(734)
Finance income	-	(6,521)	(6,521)
Finance expense	42,782	2,033	44,815
Operating cash flows before working capital changes	102,877	(3,005)	99,872
Movement in working capital:			
Trade and other receivables and finance lease receivables	36,143	-	36,143
Trade and other payables	2,320	-	2,320
Maintenance reserves	2,280	-	2,280
Cash from operations	143,620	(3,005)	140,615
Finance income received	1,163	3,612	4,775
Finance expense paid	(41,541)	(607)	(42,148)
Income tax paid	(546)	-	(546)
<b>Net cash from operating activities</b>	<b>102,696</b>	<b>-</b>	<b>102,696</b>
Cash flows from investing activities:			
Cash inflow from disposal of subsidiary	1	-	1
Purchase of property, plant and equipment	(322,804)	-	(322,804)
<b>Net cash used in investing activities</b>	<b>(322,803)</b>	<b>-</b>	<b>(322,803)</b>
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares	3,238	-	3,238
Dividends paid to shareholders	(3,664)	-	(3,664)
Placement of restricted cash balances	(2,309)	-	(2,309)
Proceeds from loans and borrowings, net of transactions costs	600,627	-	600,627
Repayment of loans and borrowings	(376,711)	-	(376,711)
<b>Net cash from financing activities</b>	<b>221,181</b>	<b>-</b>	<b>221,181</b>
Effects of exchange rates on cash and cash equivalents	27	-	27
<b>Net increase in cash and cash equivalents</b>	<b>1,101</b>	<b>-</b>	<b>1,101</b>
Cash and cash equivalents at beginning of year	56,849	-	56,849
<b>Cash and cash equivalents at end of year</b>	<b>57,950</b>	<b>-</b>	<b>57,950</b>

# AVATION PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 39 RECLASSIFICATIONS AND COMPARATIVES (continued)

#### Company statement of cash flows

	2018 As published US\$'000s	Reclass- ifications US\$'000s	2018 Restated US\$'000s
<b>Cash flows from operating activities:</b>			
Profit before taxation	4,565	-	4,565
Adjustments for:			
Dividend income	(7,001)	-	(7,001)
Depreciation expense	1,062	-	1,062
Finance income	(3,284)	(2,036)	(5,320)
Finance expense	4,015	275	4,290
Fair value gain on derivatives	(2,036)	2,036	-
Fair value loss on options held for trading	1,640	-	1,640
Gain on disposal of aircraft	-	-	-
Impairment loss on investment in subsidiary	-	-	-
Share warrant expense	394	-	394
Operating cash flows before working capital changes	(645)	275	(370)
Movement in working capital:			
Trade and other receivables and prepayments	(60,125)	-	(60,125)
Trade and other payables	1,710	-	1,710
Cash used in operations	(59,060)	-	(58,785)
Finance income received	316	-	316
Finance expense paid	(325)	(275)	(600)
<b>Net cash used in operating activities</b>	<b>(59,069)</b>	<b>-</b>	<b>(59,069)</b>
<b>Cash flows from investing activities:</b>			
Dividends received	7,001	-	7,001
Purchase of property, plant and equipment	(6)	-	(6)
Proceeds from disposal of aircraft	-	-	-
<b>Net cash from investing activities</b>	<b>6,995</b>	<b>-</b>	<b>6,995</b>
<b>Cash flows from financing activities:</b>			
Net proceeds from issuance of ordinary shares	3,238	-	3,238
Dividends paid to shareholders	(3,664)	-	(3,664)
Purchase of treasury shares	-	-	-
Proceeds from loans and borrowings	108,464	-	108,464
Repayment of loans and borrowings	(55,364)	-	(55,364)
<b>Net cash from financing activities</b>	<b>52,674</b>	<b>-</b>	<b>52,674</b>
<b>Net increase in cash and cash equivalents</b>	<b>600</b>	<b>-</b>	<b>600</b>
Cash and cash equivalents at beginning of year	3,046	-	3,046
<b>Cash and cash equivalents at end of year</b>	<b>3,646</b>	<b>-</b>	<b>3,646</b>



## **AVATION PLC**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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#### **40 ULTIMATE HOLDING COMPANY**

No party controls the Company.

#### **41 SUBSEQUENT EVENTS**

On 19 July 2019, the Company repurchased 300,000 ordinary shares. The shares were acquired through the market for 272 pence per share and will be held in treasury.

On 21 August 2019, the Group delivered a new ATR 72-600 turboprop aircraft to a South Asian airline at the manufacturer's facility in Toulouse, France. The aircraft is on finance lease to the airline.

On 5 September 2019, the directors of the Company declared an interim dividend of 8.50 US cents for the financial year ended 30 June 2019.

On 5 September 2019, the Company repurchased 250,500 ordinary shares. The shares were acquired through the market for 295 pence per share and will be held in treasury.

On 17 September 2019, the Group signed 10-year leases with Braathens Regional Airways AB for four new ATR 72-600 aircraft.

On 20 September 2019, the Company allotted 270,003 fully paid new ordinary shares representing 0.42 per cent of the enlarged capital of the Company pursuant to the exercise of 2017 and 2018 series staff share warrants at a price of 215 pence and 232 pence per share respectively.

On 20 September 2019, the Company granted 1,155,000 share warrants to directors and employees at an exercise price of 296 pence per share.

On 20 September 2019, the Group delivered a new ATR 72-600 aircraft to US-Bangla Airlines. The aircraft is on operating lease to the airline.

On 22 September 2019, Thomas Cook Group Plc ceased trading and entered compulsory liquidation. The Group leases 2 Airbus A321 aircraft to a subsidiary of Thomas Cook Group Plc. While management is currently assessing the financial impact on the Group of this development, there were no balances receivable from Thomas Cook at 30 June 2019. The Group holds letters of credit as security for rent deposits (US\$1.6 million) and maintenance obligations (US\$4.0 million) in relation to the two aircraft.

#### **42 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company and the consolidated financial statements of the Group for the year ended 30 June 2019 were authorised for issue by the Board of Directors on 27 September 2019.