

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

FINANCIAL RESULTS AND INTERIM MANAGEMENT STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Avation PLC (LSE: AVAP), the commercial passenger aircraft leasing company, announces reviewed financial results for the six months ending 31 December 2017.

Key Financial Metrics

- Fleet assets increased by 35% to \$1.008 billion since 30 June 2017;
- Revenue increased by 16% year on year to \$52.4 million;
- Weighted average cost of total debt declined to 4.8%;
- Total profit after tax decreased by 8% year on year to \$6.7 million; and
- Earnings per share (“EPS”) decreased 15% year on year to 10.9 cents.

Operational Highlights

- Record growth with over \$286 million in aircraft acquired in December 2017;
- First twin-aisle aircraft delivered into the fleet;
- First Boeing aircraft delivered into the fleet;
- Airbus A320 transitioned from Air Berlin to easyJet; and
- Four new customers added taking total airline customers to twelve.

Executive Chairman, Jeff Chatfield, said:

“During the six months ended 31 December 2017 Avation focused on re-deploying net proceeds generated by the sale of six ATR aircraft in June 2017, adding new customers to further diversify our revenue base and concluding our first investments in twin-aisle aircraft.

“Avation is pleased to report record growth in the value of its fleet assets. The Company took delivery of its first twin-aisle aircraft in December, completing the transformation into a diversified full service aircraft leasing platform. We also welcome four new airline customers.

“Lease revenue and total profit for the financial period were slightly reduced year on year. This was due to starting the period with a reduced fleet following the sale of six ATR 72 aircraft in June 2017. The sale of these aircraft de-risked the portfolio by lowering airline concentration and released equity which facilitated the acquisition of four new aircraft in December 2017.

“Avation ends the financial period with a larger, more diversified fleet and an increased revenue base that will deliver long-term shareholder returns.”

Financial Highlights

	6 months ended 31 December 2017 US\$ 000's	6 months ended 31 December 2016 US\$ 000's	Change
Revenue	52,385	45,108	16%
Lease revenue	41,707	45,108	(8%)
Operating profit (EBIT)	25,117	27,628	(9%)
Operating profit margin	60%	61%	(1%)
Administrative expense	4,914	3,943	25%
Administrative expense/ Revenue	9%	9%	-
Profit before tax	7,273	8,388	(13%)
Total profit after tax	6,739	7,357	(8%)
EPS	10.9 cents	12.9 cents	(15%)
Operating cash flows	64,264	31,116	107%
	As at 31 December 2017 US\$ 000's	As at 30 June 2017 US\$ 000's	
Fleet assets ⁽¹⁾	1,008,459	744,731	35%
Total assets	1,119,970	895,927	25%
Cash and cash equivalents	82,810	87,692	(6%)
Book Value per Share (US\$) ⁽²⁾	\$3.32	\$3.21	4%

1. Fleet assets equal property, plant and equipment plus assets held for sale
2. Book Value per Share is the total equity divided by the total number of shares on issue at period end.

Aircraft Fleet

Aircraft Type	31 December 2017
Boeing 777-300ER	1
Airbus A330-300	1
Airbus A321-200	8
Airbus A320-200	3
Fokker 100	5
ATR 72-600	13
ATR 72-500	6
Total	37

As at 31 December 2017 Avation's fleet comprised 37 aircraft including five aircraft on finance lease. The weighted average age of the fleet (excluding finance leases) has reduced to 2.9 years (30 June 2017: 3.3 years) and the weighted average remaining lease term has increased to 7.9 years (30 June 2017: 7.5 years). As at 31 December 2017, all aircraft owned by the Company were fully utilised. Avation has three ATR 72 turboprop aircraft on order for placement during calendar year 2018 and three aircraft in calendar year 2019.

Fleet assets increased 35% to \$1,008.5 million (30 June 2017: \$744.7 million). Four aircraft were added to the fleet in the period including a Boeing 777-300ER delivered to Philippine Airlines, an Airbus A330-300 on lease to EVA Air and two ATR72-600 aircraft delivered to Mandarin Airlines.

During the period an Airbus A320 on lease to Air Berlin was transitioned to easyJet. This resulted in the release of maintenance reserves of \$10.5 million into revenue and a corresponding impairment charge on the aircraft of \$8.0 million.

Two older narrowbody aircraft with total book value of \$38.4 million were re-classified as assets held for sale. Finance lease receivables totalled \$10.3 million (30 June 2017: \$45.4 million).

Debt summary

	31 December 2017 US\$000's	30 June 2017 US\$000's
Loans and borrowings	862,411	643,605
Cash & cash equivalents	82,810	87,692
Net indebtedness	779,601	555,913
Total loan to value ratio (LTV) ⁽¹⁾	77%	72%
Weighted average cost of secured debt ⁽²⁾	4.3%	4.5%
Weighted average cost of total debt ⁽³⁾	4.8%	5.1%

1. Total Loan to Value Ratio is the total loans and borrowing divided by the total assets.
2. Weighted Average Cost of Secured Debt is the weighted average of the interest rate for the secured loans and borrowings as at the period end.
3. Weighted Average Cost of Total Debt is the weighted average of the interest rate for the total loans and borrowings as at the period end.

The weighted average cost of total debt decreased to 4.8% as at 31 December 2017 (30 June 2017: 5.1%). The weighted average cost of secured debt decreased to 4.3% at 31 December 2017 (30 June 2017: 4.5%).

At the end of the financial period, Avation's overall loan to value ratio was 77% (30 June 2017: 72%). At 31 December 2017, 95% of total debt was at fixed or hedged interest rates (30 June 2017: 95%).

Avation issued an additional \$30.0 million Senior 7.5% Unsecured Guaranteed Notes due 2020 under its Global Medium Term Note programme at a premium to par value in November 2017.

Avation will continue to source competing forms of secured and unsecured debt finance to fund growth with the overriding objective of achieving the lowest cost of finance.

Credit Rating

The Company's current credit ratings are as follows:

Rating Agency	Corporate Credit Rating	Unsecured Notes Rating
Standard and Poor's	B+ outlook stable	B
Fitch Ratings	B+ outlook stable	B+
Egan Jones Ratings Company	BB	NR
Japan Credit Ratings Company	BB outlook stable	NR

Dividend Policy

The Company confirms its aim to maintain a progressive dividend policy.

Recognising that the Company's functional currency is US Dollars (USD) and to reduce exchange rate risk, shareholders are reminded that dividend payments are declared in USD. Shareholders who prefer to receive dividends in British Pounds (GBP) can elect to receive GBP by completing a form that can be downloaded at www.avation.net/dividends.html

Market Positioning

Avation's strategy is to target growth and diversification by adding new airline customers, while maintaining strong average aircraft age and lease term metrics. Avation focuses on new and

relatively new commercial passenger aircraft on long-term leases. Avation is able to supply regional, narrowbody and twin-aisle aircraft to the airline industry.

The Company's business model involves rigorous investment criteria and has a history of delivering 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 considerations of risk and revenue concentrations.

Outlook and Interim Management Statement

The outlook for the second half of the 2018 financial year is for materially increased lease revenue due to increased fleet size.

Management believes that the risks associated with its portfolio of assets have been reduced through the repositioning of the fleet, growth and diversification that has been achieved during the financial period. Avation has demonstrated that it has the capability to acquire, finance and deliver a number of aircraft in a short period of time when the opportunity presents itself and has a platform which supports future 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 customer airlines, 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 satisfactory financial results from its aircraft leasing business through this period of fleet repositioning, diversification and growth.

Results Conference Call

Avation's senior management team will host a conference call on 26 February 2018, at 1pm GMT (UK) / 8am EST (US) / 9pm SGT (Singapore), to discuss the Company's financial results. Participants should dial: United Kingdom 020 3936 2999; United States +1 845 709 8568; Singapore 31 634 602; other locations +44 20 3936 2999 and enter 609760 when prompted. The conference call will also be webcast live through the following link:

<http://avation.emincote.com/results/2018firsthalf>

To view the webcast investors will be invited to register their name and email address, participants can do this in advance or on the day. A replay of the webcast will be available on the Investor Relations page of the Avation website and a presentation, to support the conference call, will be available on the Avation website prior to the conference call.

Forward Looking Statements

This release contains certain "forward looking statements". Forward looking statements may be identified by words such as "expects," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for Avation's future business and financial performance. Forward looking statements are based on management's current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict.

Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors and risks. Further information on the factors and risks that may affect Avation's business is included in Avation's regulatory announcements from time to time, including its Annual Report, Full Year Financial Results and Half Year Results announcements. Avation expressly disclaims any obligation to update or revise any of these forward looking statements, whether because of future events, new information, a change in its views or expectations, or otherwise.

- ENDS-

More information on Avation PLC can be found at: www.avation.net

Enquiries:

Avation PLC
Jeff Chatfield, Executive Chairman

T: +65 6252 2077

INDEPENDENT REVIEW REPORT TO AVATION PLC

Introduction

We have been engaged by Avation Plc (the "Company") to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2017 which comprises the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes 1 to 23. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom and Ireland (ISRE 2410). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with ISRE 2410. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young
Ernst & Young
Dublin
Date 26 February 2018

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 US\$'000s	31 Dec 2016 US\$'000s
Continuing operations			
Revenue	5	52,385	45,108
Other income	6	240	444
		52,625	45,552
Depreciation	13	(14,555)	(15,930)
Gains on disposal of aircraft		-	1,979
Impairment loss on aircraft	13	(8,019)	-
Administrative expenses		(4,914)	(3,943)
Other expenses	7	(20)	(30)
Operating profit		25,117	27,628
Finance income	8	746	488
Finance expenses	9	(18,590)	(19,728)
Profit before taxation		7,273	8,388
Taxation		(534)	(1,031)
Total profit		6,739	7,357
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		(2)	(6)
Fair value gain on derivative financial instruments	17	1,874	4,024
		1,872	4,018
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Revaluation loss on property, plant and equipment, net of tax		-	(5,924)
Other comprehensive income, net of tax		1,872	(1,906)
Total comprehensive income for the period		8,611	5,451
Profit attributable to:			
Equity holders of the Company		6,732	7,363
Non-controlling interests		7	(6)
		6,739	7,357
Total comprehensive income attributable to:			
Equity holders of the Company		8,604	5,468
Non-controlling interests		7	(17)
		8,611	5,451
Basic earnings per share		10.94 cents	12.88 cents
Diluted earnings per share		10.81 cents	12.65 cents

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 Dec 2017 US\$'000s	30 June 2017 US\$'000s
ASSETS:			
Current assets:			
Cash and cash equivalents		82,810	87,692
Trade and other receivables		5,647	5,031
Finance lease receivables	11	3,105	36,641
Options held for trading		3,640	3,640
Assets held for sale	12	38,372	-
Total current assets		133,574	133,004
Non-current assets:			
Trade and other receivables		4,041	5,190
Finance lease receivables	11	7,152	8,728
Derivative financial instruments	17	3,214	2,372
Property, plant and equipment	13	970,087	744,731
Goodwill	14	1,902	1,902
Total non-current assets		986,396	762,923
Total assets		1,119,970	895,927
LIABILITIES AND EQUITY:			
Current liabilities:			
Trade and other payables		12,017	14,920
Provision for taxation		3,635	3,515
Loans and borrowings	15	87,527	93,044
Maintenance reserves	16	1,020	451
Liabilities associated with assets held for sale	12	500	-
Total current liabilities		104,699	111,930
Non-current liabilities:			
Trade and other payables		12,279	11,480
Loans and borrowings	15	774,884	550,561
Derivative financial instruments	17	844	1,901
Deferred tax liabilities		3,589	3,318
Maintenance reserves	16	16,502	20,813
Total non-current liabilities		808,098	588,073
Equity attributable to shareholders:			
Share capital	18	1,075	1,058
Treasury shares	18	-	-
Share premium		52,220	48,365
Merger reserve		6,715	6,715
Asset revaluation reserve		24,492	24,492
Capital reserve		8,876	8,876
Other reserves		2,868	801
Retained earnings		110,859	105,556
		207,105	195,863
Non-controlling interest		68	61
Total equity		207,173	195,924
Total liabilities and equity		1,119,970	895,927

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Note	Attributable to shareholders of the parent										Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total			
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Balance at 1 July 2017	1,058	-	48,365	6,715	24,492	8,876	801	105,556	195,863	61	195,924	
Profit for the period	-	-	-	-	-	-	-	6,732	6,732	7	6,739	
Other comprehensive income	-	-	-	-	-	-	1,872	-	1,872	-	1,872	
Total comprehensive income	-	-	-	-	-	-	1,872	6,732	8,604	7	8,611	
Increase in issued share capital	18	17	-	2,756	-	-	(219)	-	2,554	-	2,554	
Warrants expired		-	-	-	-	-	(18)	18	-	-	-	
Warrants expense		-	-	1,099	-	-	432	(1,447)	84	-	84	
Total transactions with owners, recognised directly in equity		17	-	3,855	-	-	195	(1,429)	2,638	-	2,638	
Balance at 31 December 2017		1,075	-	52,220	6,715	24,492	8,876	110,859	207,105	68	207,173	

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

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Note	Attributable to shareholders of the parent										Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	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		
Balance at 1 July 2016	993	(1)	38,925	6,715	41,142	8,876	(1,814)	78,679	173,515	93	173,608	
Profit for the period	-	-	-	-	-	-	-	7,363	7,363	(6)	7,357	
Other comprehensive income	-	-	-	-	(5,913)	-	4,018	-	(1,895)	(11)	(1,906)	
Total comprehensive income	-	-	-	-	(5,913)	-	4,018	7,363	5,468	(17)	5,451	
Dividend paid	22	-	-	-	-	-	-	(1,820)	(1,820)	-	(1,820)	
Increase in issued share capital	18	38	-	5,864	-	-	(43)	-	5,859	-	5,859	
Fund raising expenses		-	-	(284)	-	-	-	-	(284)	-	(284)	
Dividend paid to non-controlling interest of a subsidiary		-	-	-	-	-	-	-	-	(16)	(16)	
Transfer of asset revaluation surplus		-	-	-	(4,053)	-	-	4,053	-	-	-	
Warrants expense		-	-	-	-	-	100	-	100	-	100	
Total transactions with owners, recognised directly in equity		38	-	5,580	-	(4,053)	57	2,233	3,855	(16)	3,839	
Balance at 31 December 2016		1,031	(1)	44,505	6,715	31,176	8,876	88,275	182,838	60	182,898	

AVATION PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 US\$'000s	31 Dec 2016 US\$'000s
Cash flows from operating activities:			
Profit before taxation		7,273	8,388
Adjustments for:			
Depreciation expense	13	14,555	15,930
Warrants expense		84	100
Impairment loss on non-trade receivables	7	-	30
Impairment loss on aircraft	13	8,019	-
Amortisation of loan insurance premium	9	539	539
Amortisation of interest expense on non-current deposits	9	191	217
Gain on disposal of aircraft		-	(1,979)
Fair value gain on derivatives	6	(25)	-
Finance income from discounting non-current deposits to fair value	8	(196)	(227)
Interest income	8	(550)	(261)
Maintenance reserves released	5	(10,491)	-
Interest expense	9	17,734	18,010
Operating cash flows before working capital changes		37,133	40,747
Movement in working capital:			
Trade and other receivables and finance lease receivables		35,629	1,899
Trade and other payables		1,838	1,888
Maintenance reserves		6,749	3,682
Cash from operations		81,349	48,216
Interest received		566	261
Interest paid		(17,507)	(17,232)
Income tax paid		(143)	(129)
Net cash from operating activities		64,265	31,116
Cash flows from investing activities:			
Purchase of property, plant and equipment		(286,302)	(256,786)
Proceeds from disposal of aircraft		-	100,140
Net cash used in investing activities		(286,302)	(156,646)
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		2,554	5,575
Dividends paid to shareholders	22	(3,664)	(1,820)
Dividend paid to non-controlling interest of a subsidiary		-	(16)
Proceeds from loans and borrowings, net of transactions costs		277,393	216,332
Repayment of loans and borrowings		(59,126)	(94,872)
Net cash from financing activities		217,157	125,199
Effects of exchange rates on cash and cash equivalents		(2)	(5)
Net decrease in cash and cash equivalents		(4,882)	(336)
Cash and cash equivalents at beginning of financial period		87,692	48,267
Cash and cash equivalents at end of financial period		82,810	47,931

AVATION PLC

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

This interim condensed consolidated financial statements for Avation PLC for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 26 February 2018.

1 CORPORATE INFORMATION

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and is listed on the London Stock Exchange in the Standard Segment (LSE:AVAP).

The Group's principal activity is aircraft leasing.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and in accordance with International Accounting Standard (IAS) 34 'Interim Reporting'.

The interim condensed consolidated financial statements do not include all the notes of the type normally included within the annual report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financial and investing activities of the consolidated entity as the full financial report.

It is recommended that the interim condensed consolidated financial statements be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by Avation PLC during the six months ended 31 December 2017.

The accounting policies and methods of computation are the same as those adopted in the annual report for the year ended 30 June 2017 except for the new category of revenue recognition policy as follows:

Maintenance reserve released - The maintenance reserves revenue is recognised in the profit or loss upon the recovery of maintenance reserve from an insolvent airline customer that defaulted on its lease agreements.

The preparation of the interim condensed consolidated financial statements require management to make estimates and assumptions that affect the reported income and expenses, assets and liabilities and disclosure of contingencies at the date of the Interim Report, actual results may differ from these estimates.

The statutory financial statements of Avation PLC for the year ended 30 June 2017, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain any statements under section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements are unaudited and reviewed by the auditors.

The interim condensed consolidated financial statements do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

3 **NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2017**

(a) **New standards and interpretations not applied**

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

The Group intends to apply these standards and interpretations when they become effective.

International Accounting Standards (IAS/IFRS)	Effective Date (accounting periods commencing after)
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
Amendments to IFRS 2 Classification and measurements of share-Based payment transactions	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint venture	To be determined

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods. IFRS 16 does not substantially change the accounting for lessors whilst the Group's operating lease commitments are immaterial. IFRS 9 is not expected to change the accounting treatment for the financial instruments that the group holds. IFRS 15 is not expected to cause any material change to the Group financial statements as currently all of the Group's income is outside the scope of that standard. . It is anticipated that the other IFRS and IFRIC interpretations are not relevant for the Group's activities.

(b) **Standards in effect in 2017**

The Group has adopted all new standards that have come into effect during the six months.

4 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 cash equivalents, 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.

	31 Dec 2017		30 Jun 2017	
	Carrying amount US\$'000s	Fair value US\$'000s	Carrying amount US\$'000s	Fair value US\$'000s
Financial assets:				
Finance lease receivables – non-current	7,152	7,124	8,728	8,551
Financial liabilities:				
Deposits collected – non-current	10,125	10,429	9,321	9,054
Loans and borrowings other than unsecured 7.5% note– non-current	626,463	645,463	432,672	423,169
Unsecured 7.5% note	148,421	150,567	117,889	121,328

The fair values (other than the unsecured 7.5% note) 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 7.5% note is based on level 1 quoted prices (unadjusted) in active market that the Group can access at measurement date.

Non-financial assets measured at fair value:

	31 Dec 2017 US\$'000s	30 Jun 2017 US\$'000s
Fair value measurement using significant unobservable inputs		
Aircraft	970,032	744,624

Aircraft were valued at 30 June 2017. Refer to Note 13 for the details on the valuation technique and significant inputs used in the valuation.

4 FAIR VALUE MEASUREMENT (continued)

Classification of financial instruments:

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

	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s
Loans and receivables:		
Cash and cash equivalents	82,810	87,692
Trade and other receivables	8,041	9,261
Finance lease receivables	10,257	45,369
	101,108	142,322
Financial liabilities measured at amortised cost:		
Trade and other payables	15,021	17,938
Loans and borrowings	862,411	643,605
Maintenance reserves	17,522	21,264
	894,954	682,807
Derivative used for hedging:		
Derivative financial instruments- asset	3,214	2,372
Derivative financial instruments- (liability)	(844)	(1,901)
Fair value through profit or loss:		
Options held for trading	3,640	3,640

5 REVENUE

	31 Dec 2017	31 Dec 2016
	US\$'000s	US\$'000s
Lease rental revenue	41,707	45,108
Maintenance reserves released	10,491	-
End of lease return compensation	187	-
	52,385	45,108

The maintenance reserves revenue relates to the recovery of maintenance reserve from an insolvent airline customer that defaulted on its lease payments. See Note 16.

6 OTHER INCOME

	31 Dec 2017	31 Dec 2016
	US\$'000s	US\$'000s
Finance lease conversion fee	-	325
Fair value gain on derivatives	25	-
Foreign currency exchange gain	-	76
Sale of aircraft parts	198	-
Others	17	43
	240	444

7 OTHER EXPENSES

	31 Dec 2017	31 Dec 2016
	US\$'000s	US\$'000s
Impairment loss on non-trade receivables	-	30
Foreign currency exchange loss	20	-
	20	30

8 FINANCE INCOME

	31 Dec 2017	31 Dec 2016
	US\$'000s	US\$'000s
Interest income	550	261
Finance income from discounting non-current deposits to fair value	196	227
	746	488

9 FINANCE EXPENSES

	31 Dec 2017	31 Dec 2016
	US\$'000s	US\$'000s
Interest expense on borrowings	12,644	13,882
Interest expense on unsecured 7.5% notes	5,090	4,128
Amortisation of loan insurance premium	539	539
Amortisation of interest expense on non-current deposits	191	217
Finance charges on early full repayment on borrowings	-	740
Others	126	222
	18,590	19,728

10 RELATED PARTY TRANSACTIONS

Significant related party transactions:

	31 Dec 2017	31 Dec 2016
	US\$'000s	US\$'000s
Entities controlled by key management personnel (including directors):		
Rental expenses paid	(98)	(119)
Consulting fee paid	(166)	(81)
Interest expense	-	(15)
Interest expense on unsecured 7.5% notes	(204)	(204)
Director		
Interest expense	-	(29)
Interest expense on unsecured 7.5% notes	(7)	(7)

11 FINANCE LEASE RECEIVABLES

Future minimum lease payments receivable under finance are as follows:

	31 Dec 2017		30 Jun 2017	
	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	3,636	3,105	37,386	36,641
Later than one year but not more than five years	7,525	7,152	9,344	8,728
Total minimum lease payments	11,161	10,257	46,730	45,369
Less: amounts representing interest income	(904)	-	(1,361)	-
Present value of minimum lease payments	10,257	10,257	45,369	45,369

12 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

As at 31 December 2017, the Group's aircraft which met the criteria to be classified as assets held for sale and the associated liabilities were as follows:

	31 Dec 2017 US\$'000s	30 Jun 2017 US\$'000s
Assets held for sale:		
Property, plant and equipment - aircraft At 1 July 2017/ 1 July 2016	-	-
Additions	38,372	-
At 31 Dec/30 June	38,372	-
Liabilities associated with assets held for sale:		
Deposits collected	500	-

13 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment US\$'000s	Jet aircraft US\$'000s	Turbo-prop aircraft US\$'000s	Total US\$'000s
31 December 2017:				
<i>Cost or valuation:</i>				
At 1 July 2017	432	476,170	336,594	813,196
Additions	7	247,498	38,797	286,302
Reclassified as assets held for sale	-	(53,379)	-	(53,379)
At 31 December 2017	439	670,289	375,391	1,046,119
Representing:				
At cost	439	-	-	439
At valuation	-	670,289	375,391	1,045,680
	439	670,289	375,391	1,046,119
<i>Accumulated depreciation:</i>				
At 1 July 2017	325	25,088	43,052	68,465
Depreciation expense	59	8,813	5,683	14,555
Impairment loss	-	8,019	-	8,019
Reclassified as assets held for sale	-	(15,007)	-	(15,007)
At 31 December 2017	384	26,913	48,735	76,032
<i>Net book value:</i>				
At 1 July 2017	107	451,082	293,542	744,731
At 31 December 2017	55	643,376	326,656	970,087

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and equipment US\$'000s	Jet aircraft US\$'000s	Turbo-prop aircraft US\$'000s	Total US\$'000s
30 June 2017:				
<i>Cost or valuation:</i>				
At 1 July 2016	388	382,565	435,215	818,168
Additions	47	256,791	18,827	275,665
Disposals/written-off	(3)	(126,916)	(117,448)	(244,367)
Reclassified as held under finance lease	-	(32,383)	-	(32,383)
Impairment recognised in equity	-	(3,887)	-	(3,887)
At 30 June 2017	432	476,170	336,594	813,196
Representing:				
At cost	432	-	-	432
At valuation	-	476,170	336,594	812,764
	432	476,170	336,594	813,196
<i>Accumulated depreciation and impairment:</i>				
At 1 July 2016	206	55,845	37,135	93,186
Depreciation expense	122	17,008	15,170	32,300
Disposals/written-off	(3)	(27,609)	(9,253)	(36,865)
Reclassified as held under finance lease	-	(20,156)	-	(20,156)
At 30 June 2017	325	25,088	43,052	68,465
<i>Net book value:</i>				
At 1 July 2016	182	326,720	398,080	724,982
At 30 June 2017	107	451,082	293,542	744,731

Additions and Disposals

During the six months ended 31 December 2017, the Group acquired 2 Jet aircraft and 2 Turbo-prop aircraft. Aircraft with a net book value of US\$38.37 million were reclassified to assets held for sale.

Valuation

The Group's aircraft were valued in June 2017 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 of 6.5% per annum for Jet aircraft and 8.1% per annum for Turbo-prop aircraft. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles.

During the six months ended 31 December 2017, an impairment loss of US\$8.0 million was recognised to write down the book value of an aircraft. The aircraft was repossessed from an insolvent airline and leased to a new customer under a new lease with different terms and duration.

14 GOODWILL

The Group performed its annual impairment test in June and when circumstances indicate the carrying value may be impaired. For the purpose of these financial statements there was no indication of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 30 June 2017.

15 LOANS AND BORROWINGS

	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s
Secured borrowings	692,593	502,301
Junior secured borrowings	21,397	23,415
Unsecured 7.5% notes due 2020	148,421	117,889
Total loans and borrowings	862,411	643,605
Less: current portion of borrowings	(87,527)	(93,044)
Non-current loans and borrowings	774,884	550,561

	Maturity		Weighted average interest rate per annum	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s	%	%
Secured borrowings	2018-2028	2017-2028	4.2%	4.5%
Junior secured borrowings	2020-2023	2020-2023	6.7%	6.7%
Unsecured 7.5% notes due 2020	2020	2020	7.5%	7.5%

During the six months ended 31 December 2017, the Group issued US\$ 30 million unsecured Notes with a fixed coupon rate of 7.5% and the tenor of 3 years repayable in May 2020 under the Programme. The Notes are listed on the Singapore Exchange (SGX).

Secured borrowings are secured by first ranking mortgages over the aircraft financed by the related borrowings, 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, a charge over a fixed deposit 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.

16 MAINTENANCE RESERVES

	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s
Current	1,020	451
Non-current	16,502	20,813
Total maintenance reserves	17,522	21,264

	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s
At 1 July 2017/ 1 July 2016	21,264	10,763
Contributions	6,749	10,668
Utilisations	-	(167)
Release to profit or loss	(10,491)	-
At 31 Dec/30 June	17,522	21,264

During the six months ended 31 December 2017, the maintenance reserves amount of US\$10.49 million was released to the profit or loss as revenue due to the recovery of maintenance reserve from an insolvent airline customer that defaulted on its lease payments. See Note 5.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ notional amount		Fair value	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Interest rate swap – non-current asset	94,779	96,829	3,214	2,372
Interest rate swap – non-current liability	100,427	87,014	844	1,901

Hedge accounting has been applied for interest rate swap contracts and these interest rate swap contracts have been designated as cash flow hedges. The Group pays fixed rates of interest of 1.73% to 2.63% per annum and receives floating rate interest pegged to US\$ LIBOR under the interest rate swap contracts. The swap contracts mature between 23 September 2021 and 22 December 2028.

The fair value changes of these interest rate swap contracts are recognised in the fair value reserve. The net fair value gain of US\$1.87 million (31 December 2016: US\$4.02 million) on these derivative financial instruments was recognised in the fair value reserve for the six months ended 31 December 2017.

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.

18 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	31 Dec 2017		30 Jun 2017	
	No of shares	US\$'000s	No of shares	US\$'000s
Allotted, called up and fully paid Ordinary shares of 1 penny each:				
At 1 July 2017/ 1 July 2016	61,071,246	1,058	55,785,227	993
Issue of shares	1,306,000	17	5,286,019	65
At 31 Dec/30 June	62,377,246	1,075	61,071,246	1,058

During the six months period ended 31 December 2017, the Company issued 1,306,000 ordinary shares of 1 penny each at prices ranging from 130p to 153p following the exercise of warrants by warrant holders raising total gross proceeds of US\$2.55m.

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

(b) Treasury shares

	31 Dec 2017		30 Jun 2017	
	No of treasury shares	US\$'000s	No of treasury shares	US\$'000s
At 1 July 2017/1 July 2016	-	-	600	1
Re-issued during the financial period	-	-	(600)	(1)
At 31 Dec/30 June	-	-	-	-

19 CAPITAL COMMITMENTS

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

	31 Dec 2017	30 Jun 2017
	US\$'000s	US\$'000s
Property, plant and equipment	115,013	147,890

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

As at 31 December 2017, the Group has commitments to purchase six ATR 72-600 aircraft from the manufacturer with expected delivery dates over a 1.5 year period ending in June 2019.

20 SEGMENT INFORMATION (continued)

Management has determined the operating segments based on reports reviewed by the Executive Chairman ("Chief Operating Decision Maker" or "CODM") that are used to make strategic decisions.

The CODM considers the business from a business segment perspective. Management manages and monitors the business in 2 primary business areas: aircraft leasing and aircraft parts procurement.

(a) Segment reporting policy

A segment is a distinguishable component of the Group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Business segments are based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the Group while information for geographical segments is based on the geographical areas where customers are located.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are mostly comprised of corporate assets and liabilities or profit or losses items that are not directly attributable to a segment or those that cannot be allocated on a reasonable basis. Common expenses were allocated based on revenue.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

(b) Business segments

During the six months ended 31 December 2017, the Group was organised into two main business segments which are aircraft leasing and aircraft parts procurement.

Other Group operations mainly comprise investment holding which does not constitute a separate reportable segment. There are no inter-segment transactions recorded during the financial period.

The aircraft parts procurement segment does not meet the quantitative thresholds and is not separately disclosed. Consequently, the aircraft leasing segment is not disclosed as the financial statements substantially represent the results of this segment.

20 SEGMENT INFORMATION (continued)

(c) Geographical analysis

31 December 2017	Europe US\$'000s	Asia- Pacific US\$'000s	Total US\$'000s
Revenue from continuing activities	22,288	30,097	52,385
Net book value - aircraft	186,854	783,178	970,032
Total assets	248,162	876,477	1,124,639

	Europe US\$'000s	Asia- Pacific US\$'000s	Total US\$'000s
31 December 2016			
Revenue from continuing activities	16,482	28,626	45,108
30 June 2017			
Net book value - aircraft	222,039	522,585	744,624
Total assets	358,580	542,555	901,135

21 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities since 30 June 2017.

22 DIVIDEND

	31 Dec 2017 US\$'000s	31 Dec 2016 US\$'000s
<i>Paid during the six months ended 31 December 2017</i>		
<i>Dividends on ordinary shares</i>		
- Interim exempt (one-tier) dividend for 6.00 US cents (2017: 3.25 US cents) per share	3,664	1,820

No dividends have been declared subsequent to 31 December 2017.

23 SUBSEQUENT EVENTS

On 19 January 2018, the Company allotted 239,000 fully paid new ordinary shares of 1 penny each representing 0.38 percent of the enlarged share capital of the Company pursuant to the exercise of 2015 series employee share warrants at a price of 130 pence per share.

PRINCIPAL RISKS

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

The principal risks and uncertainties which may affect the Group in the second half of the financial year will include the typical risks associated with the aviation business, including but not limited to any downturn in the global aviation industry, fuel costs, finance costs, war and terrorism and the like which may affect our airline customers' ability to fulfil their lease obligations.

The business also relies on its ability to source finance on favourable terms. Should this supply of finance contract, it would limit our fleet expansion and therefore growth.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk and liquidity risk are discussed in the annual report for the Group for the year ended 30 June 2017.

DIRECTORS

The directors of Avation PLC are listed in its Annual Report for the year ended 30 June 2017. A list of the current directors is maintained on the Avation PLC website: www.avation.net

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely

- an indication of important events that have occurred during the first six months and their impact on the Interim Report, and a description required by the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board

Jeff Chatfield
Executive Chairman
Singapore, 26 February 2018