



**CONSOLIDATED ANNUAL REPORT AND FINANCIAL
STATEMENTS
YEAR ENDED 31 DECEMBER 2024**

**CHALLENGE AVIATION
HOLDING LIMITED**

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2024.

Principal activity

Challenge Aviation Holding Limited is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C 74987. The Company was incorporated in Malta on 28 March 2016. The Company's activity, which remains unchanged since last year, is the holding of investments in subsidiaries. The Group's primary activity is the leasing of aircraft, focusing on wide-body freighters and aircraft engines to global airlines and cargo operators.

Review of the business

During the year ended 31 December 2024, Challenge Aviation Holding Limited continued to strengthen its position as a leading lessor of wide-body freighters and aircraft engines in the global aviation market. The Group's profit after tax amounted to USD 11,223,657 (2023: USD 18,962,780), reflecting stable operational performance amid continued global air cargo demand.

Fleet and Operations

As at 31 December 2024, the Group's fleet comprised 9 wide-body freighters and 6 spare aircraft engines. The fleet remained fully operational, reflecting strong demand from airline and cargo operators. The Group maintained rigorous maintenance and safety programs to ensure all aircraft and engines complied with international aviation standards.

Market Trends and Strategy

The global air cargo market continued to show resilience, driven by e-commerce growth and supply chain expansion. Demand for wide-body freighters remained robust, with airlines more capacity. The Group strategically focused on acquiring and leasing mid-life freighters and high-demand engines, positioning itself to benefit from market trends and evolving airline requirements.

Financial and Operational Highlights

- Revenue from aircraft and spare engine leasing increased by 20% compared to the prior year;
- During the year, the Company reported EBITDA of USD 37 million (2023: USD 36.5 million), reflecting a 1.7% increase over the previous year;
- Spare engine leasing contributed to 11% of total revenue, demonstrating a strong market demand for spare engine leasing;
- During 2024, investment in fleet expansion and modernization amounted to USD 122 million (2023: USD 23 million), ensuring long-term competitiveness;
- No aircraft or engine disposals occurred during the year, maintaining fleet size and capability.

Outlook

Looking ahead, the Group expects sustained demand for air cargo services and engine leasing. Strategic focus will remain on fleet optimization, long-term lease agreements, and risk management, including monitoring credit exposures and market conditions. The Board remains confident in the Group's ability to deliver steady returns and enhance shareholder value while maintaining operational excellence.

Risk assessment

The Group is exposed to risks inherent to the aviation leasing industry and the broader financial environment. These risks can be summarised as follows:

(i) Strategic risk

Strategic risks include market demand fluctuations for cargo aircraft, lease rate volatility, and competition from other lessors. The Group mitigates these risks by maintaining a diversified portfolio of wide-body freighters, securing long-term lease contracts, and regularly reviewing market trends.

(ii) Operational risk

Operational risks include aircraft maintenance, technical failures, regulatory compliance, and lessee performance. The Group manages these risks through comprehensive maintenance programs, strict safety and compliance policies, and continuous monitoring of lessee creditworthiness.

(iii) Financial risk

The Group's activities potentially expose it to financial risks, namely market risk (including cash flow interest rate risk), credit risk, and liquidity risk. A detailed analysis of the Group's financial risk is disclosed in Note 2 to the financial statements.

(iv) Residual value

Aircraft and engine residual values may fluctuate due to market conditions. The Group mitigates this by:

- Diversifying the fleet across aircraft types, models, and age.
- Performing regular market valuations to inform asset management decisions.
- Leasing primarily to operators with established financial strength to reduce repossession risk.

The Board reviews risk management strategies regularly and ensures that internal controls are in place to minimize exposure to these risks while supporting sustainable growth.

Results and dividends

The statement of comprehensive income are set out on pages 6. During 2024, the directors did not recommend a payment of a dividend.

Directors

The directors of the Company who held office during the year were:

Yossi Shoukroun
Colin Gregory
Didier Fernand P. Henet

Under the provisions of the Company's Memorandum and Articles of Association, the present directors continue in office.

The Company secretary during the year was Sarah Abela.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.



Colin Gregory
Director



Yossi Shoukroun
Director

Registered office:

Level 5, Skyparks Business Centre,
Malta International Airport,
Luqa, LQA 4000,
Malta

23 October 2025

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Consolidated statement of financial position

	Notes	As at 31 December		As at 1 January
		2024 USD	2023 USD (restated)	2023 USD (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	4	270,403,819	168,425,014	157,151,095
Right-of-use asset	5	-	-	994,053
Other financial assets at amortised cost	6	15,190,727	11,957,541	8,159,495
Trade and other receivables	7	14,568,000	14,568,000	16,204,589
Total non-current assets		300,162,546	194,950,555	182,509,232
Current assets				
Other financial assets at amortised cost	6	78,354	4,028,612	4,047,848
Trade and other receivables	7	39,474,147	49,979,092	25,097,578
Cash and cash equivalents	8	7,973,429	32,981,898	54,230,504
Total current assets		47,525,930	86,989,602	83,375,930
Total assets		347,688,476	281,940,157	265,885,162

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	Notes	As at 31 December		As at 1 January
		2024 USD	2023 USD (restated)	2023 USD (restated)
EQUITY AND LIABILITIES				
Equity				
Share capital	9	1,338	1,338	1,338
Retained earnings		110,925,343	99,701,686	80,738,906
Total equity		110,926,681	99,703,024	80,740,244
Non-current liabilities				
Borrowings	10	139,524,079	86,351,967	61,541,894
Deferred tax liability	11	7,218,729	5,657,491	5,525,234
Lease liability	5	-	-	540,000
Trade and other payables	12	19,554,160	14,828,621	55,148,626
Total non-current liabilities		166,296,968	106,838,079	122,755,754
Current liabilities				
Borrowings	10	14,471,066	12,255,572	3,674,180
Lease liability	5	-	-	1,031,400
Trade and other payables	12	54,786,597	61,138,421	54,557,650
Current tax liability		1,207,164	2,005,061	3,125,934
Total current liabilities		70,464,827	75,399,054	62,389,164
Total liabilities		236,761,795	182,237,133	185,144,918
Total equity and liabilities		347,688,476	281,940,157	265,885,162

The accompanying notes form an integral part of these financial statements.

The rate of exchange between the US Dollar and the euro issued by the European Central Bank as at 31 December 2024 was €1: USD 1.039 (2023: €1: USD 1.105). These financial statements on pages 4 to 33 were approved and authorised for issue by the board of directors on 23 October 2025 and signed on its behalf by:



Colin Gregory
Director



Yossi Shoukroun
Director

Consolidated statement of comprehensive income

	Notes	Year ended 31 December	
		2024 USD	2023 USD (restated)
Revenue	13	36,277,169	30,097,634
Cost of sales	14	(20,594,716)	(11,965,973)
Gross profit		15,682,453	18,131,661
Administrative expenses	14	(3,530,375)	(4,217,643)
Other income	15	4,647,661	9,958,626
Operating profit		16,799,739	23,872,644
Net finance expenses	16	(3,574,818)	(4,259,110)
Profit before tax		13,224,921	19,613,534
Tax expense	17	(2,001,264)	(650,754)
Profit for the year - other comprehensive income		11,223,657	18,962,780

The accompanying notes form an integral part of these financial statements.

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Consolidated statement of changes in equity

	Note	Share capital USD	Revaluation reserve USD	Retained earnings USD	Total USD
Balance as at 1 January					
- as previously reported		1,338	12,185,891	8,032,256	20,219,485
- effect of restatements	1	-	(12,185,891)	72,706,650	60,520,759
as restated		1,338	-	80,738,906	80,740,244
Comprehensive income					
Profit for the year		-	-	18,962,780	18,962,780
Balance as at 31 December 2023 (restated)		1,338	-	99,701,686	99,703,024
Balance as at 1 January 2024		1,338	-	99,701,686	99,703,024
Comprehensive income					
Profit for the year		-	-	11,223,657	11,223,657
Balance as at 31 December 2024		1,338	-	110,925,343	110,926,681

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2024 USD	2023 USD
Cash flows from operating activities			
Cash generated from operations	18	46,466,250	32,081,186
Finance expenses		(3,574,818)	(4,259,110)
Tax paid		(1,237,926)	(1,228,225)
Net cash generated from operating activities		41,653,506	26,593,851
Cash flows from financing activities			
Proceeds from loans from group companies		67,892,163	49,521,402
Proceeds from bank loans		8,598,412	36,528,005
Payments of lease liabilities		-	(900,000)
Repayments of loans from group companies		(6,493,559)	(98,667,804)
Repayments of bank loans		(10,829,525)	(3,992,297)
Repayments of third party loans		(3,779,885)	(3,605,917)
Net cash generated from/(used in) financing activities		55,387,606	(21,116,611)
Cash flows from investing activities			
Amounts advanced to group companies		-	(3,778,805)
Repayment of amounts advanced to group companies		717,068	-
Payments to acquire property, plant and equipment		(122,341,649)	(22,947,041)
Amounts advances to acquire property, plant and equipment		(425,000)	-
Net cash used in investing activities		(122,049,581)	(26,725,846)
Movement in cash and cash equivalents		(25,008,469)	(21,248,606)
Cash and cash equivalents at beginning of year		32,981,898	54,230,504
Cash and cash equivalents at end of year	8	7,973,429	32,981,898

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

Basis of measurement and statement of compliance

The financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention.

As at 31 December 2024, the Group registered a net liability current position of USD 22,938,897. The Group envisages that a significant level of earnings will be generated throughout the forthcoming financial year by its subsidiaries, which will enable the Group to manage effectively its forecasted cash flows and liquidity needs. On this basis, these financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

Transition to IFRS

These financial statements are the first financial statements that the Group has prepared in accordance with IFRS as adopted by the EU. The Group previously prepared its financial statements in accordance with General Accounting Principles for Small and Medium Entities (GAPSME).

The date of transition to IFRS is 1 January 2023, and the Group has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these financial statements. An explanation of how the transition from GAPSME to IFRS has affected the Company's financial position, financial performance, and cash flows is provided below.

Reconciliations

As required by IFRS 1, the following reconciliations explaining the impact on transition, have been presented below:

- Reconciliation of the statement of financial position, specifically explaining the impact on property, plant and equipment and equity at 1 January 2023 and as at 31 December 2023.
- Reconciliation of total comprehensive income for the comparative period ending 31 December 2023.

Impact of transition

The transition to IFRS has resulted in the introduction of certain accounting policies that are different to those applied historically under GAPSME. This change from GAPSME to IFRS did not impact the Group's cash flows.

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Reconciliation of statement of financial position

Closing balance as at 31 December 2023

	Notes	GAPSME USD	Impact of transition USD	IFRS USD
Property, plant and equipment	a	168,425,014	-	168,425,014
Other financial assets at amortised cost		11,957,541	-	11,957,541
Trade and other receivables		14,568,000	-	14,568,000
Total non-current assets		194,950,555	-	194,950,555
Other financial assets at amortised cost		4,028,612	-	4,028,612
Trade and other receivables		49,979,092	-	49,979,092
Cash and cash equivalents		32,981,898	-	32,981,898
Total current assets		86,989,602	-	86,989,602
Share capital		1,338	-	1,338
Retained earnings	b	25,761,981	73,939,705	99,701,686
Revaluation reserve	c	78,973,582	(78,973,582)	-
Total equity		104,736,901	(5,033,877)	99,703,024
Borrowings		86,351,967	-	86,351,967
Deferred tax liability		623,614	5,033,877	5,657,491
Trade and other payables		14,828,621	-	14,828,621
Total non-current liabilities		101,804,202	5,033,877	106,838,079
Borrowings		12,255,572	-	12,255,572
Trade and other payables		61,138,421	-	61,138,421
Current tax liability		2,005,061	-	2,005,061
Total current liabilities		75,399,054	-	75,399,054
Total liabilities		177,203,256	5,033,877	182,237,133

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Opening balance as at 1 January 2023	Notes	GAPSME USD	Impact of transition USD	IFRS USD
Property, plant and equipment	a	90,749,464	66,401,631	157,151,095
Right-of-use asset		-	994,053	994,053
Other financial assets at amortised cost		8,159,495	-	8,159,495
Trade and other receivables		16,204,589	-	16,204,589
Total non-current assets		115,113,548	67,395,684	182,509,232
Other financial assets at amortised cost		4,047,848	-	4,047,848
Trade and other receivables		25,097,578	-	25,097,578
Cash and cash equivalents		54,230,504	-	54,230,504
Total current assets		83,375,930	-	83,375,930
Share capital		1,338	-	1,338
Retained earnings	b	8,032,256	72,706,650	80,738,906
Revaluation reserve	c	12,185,891	(12,185,891)	-
Total equity		20,219,485	60,520,759	80,740,244
Borrowings		61,541,894	-	61,541,894
Deferred tax liability		221,709	5,303,525	5,525,234
Lease liability		-	540,000	540,000
Trade and other payables		55,148,626	-	55,148,626
Total non-current liabilities		116,912,229	5,843,525	122,755,754
Borrowings		3,674,180	-	3,674,180
Lease liability		-	1,031,400	1,031,400
Trade and other payables		54,557,650	-	54,557,650
Current tax liability		3,125,934	-	3,125,934
Total current liabilities		61,357,764	1,031,400	62,389,164
Total liabilities		178,269,993	6,874,925	185,144,918

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Reconciliation of income statement

For the period ended 31 December 2023	Note	GAPSME USD	Impact of transition USD	IFRS USD
Revenue		30,097,634	-	30,097,634
Cost of sales	d	(12,352,033)	386,060	(11,965,973)
Gross profit		17,745,601	386,060	18,131,661
Administrative expenses		(4,217,643)	-	(4,217,643)
Other income		9,958,626	-	9,958,626
Operating profit		23,486,584	386,060	23,872,644
Net finance costs		(4,259,110)	-	(4,259,110)
Profit before tax		19,227,474	386,060	19,613,534
Tax (expense)/credit		(920,402)	269,648	(650,754)
Profit for the year		18,307,072	655,708	18,962,780

a) Property, plant and equipment

The opening carrying value of the aircraft reflect their deemed cost. Management has opted to measure the deemed cost as the fair value of the aircrafts at the date of transition to IFRS as allowed under IFRS 1. Subsequently, management has opted to apply the cost model to its aircrafts in line with the requirements of IAS 16 'Property, plant and equipment', reflecting the deemed cost on transition to IFRS less accumulated depreciation.

Under GAPSME, the aircrafts were carried under the revaluation model, whereby the carrying amount was equal to the previously measured fair value less accumulated depreciation.

The main difference between the carrying amount of the aircraft between IFRS and GAPSME at 31 December 2023 is therefore the reversal of the effect of the depreciated value of the revalued amount that was reflected under GAPSME in previous years.

Furthermore, under GAPSME the Group had undertaken a formal fair valuation of the aircrafts as at 31 December 2023 and such value was reflected as the carrying amount. The resulting revaluation surplus recorded under GAPSME during the year ended 31 December 2023 was reversed upon transition to IFRS.

b) Retained earnings

The change from the fair value model to the cost model has implications on retained earnings. Any fair value adjustments were accounted for in a separate revaluation reserve under GAPSME rules. These fair value adjustments resulted in a higher carrying amount of the aircrafts, and consequently in higher depreciation charges. Upon transition to IFRS, retained earnings is adjusted for the higher depreciation charge previously recorded within the income statement under GAPSME, as well as the deferred tax liability arising on temporary differences on property, plant and equipment.

c) Revaluation reserve

As highlighted above, the application of the cost model to the measurement of aircrafts under IFRS has resulted in the elimination of the revaluation reserve that was previously reflected in equity under GAPSME.

d) Cost of sales

The depreciation recognised in cost of sales is lower in the current year due to the adjustments in the carrying amount of the aircrafts when using the cost model as compared to the fair value approach.

Standards, interpretations and amendments to published standards effective in 2024

In 2024, the Group adopted amendments to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2024.

The Group has applied the following amendments for the first time for its annual reporting period commencing on 1 January 2024:

- Classification of Liabilities as Current or Non-Current and Non-current liabilities with covenants - Amendments to IAS 1
- Lease Liability in Sale and Leaseback - Amendments to IFRS 16
- Supplier finance Arrangements - Amendments to IAS 7 and IFRS 7

The adoption of these revisions to the requirements of IFRS as adopted by the EU did not result in changes to the Group's accounting policies impacting the financial performance and position.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2024. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1.2 Foreign currency translation

Functional and presentation currency

The financial statements are presented in United States Dollar (USD), which is the Group's functional currency.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life.

The rates of depreciation used for the current and comparative periods are as follows:

	Years
Aircraft body, engines and landing gear	7 - 18
Aircraft engines (spare)	1 - 6
Auxiliary power units (spare)	1 - 11

The rate of depreciation for the aircraft engines and the auxiliary power units is calculated based on the proportion of monthly flying hours to total flying hours.

Costs for aircraft and engine-related major overhaul events are capitalised and depreciated over the shorter of the period to the next major overhaul or the remaining useful life of the asset concerned.

All other costs relating to asset maintenance, if any, are charged to the income statement as incurred.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised in profit or loss.

1.4 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other comprehensive income (OCI).

Recognition and derecognition

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss, subject to materiality.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as a separate line item in the statement of profit or loss.

- **FVPL:** assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial assets that are subject to impairment under IFRS 9, the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit impaired on initial recognition is classified in stage 1.

Financial assets in stage 1, have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months, or until contractual maturity if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to stage 2 and its expected credit loss is measured on a lifetime basis, that is up until contractual maturity.

If the Group determines that a financial asset is credit impaired, the asset is transferred to stage 3 and the expected credit loss is measured on a lifetime credit loss basis.

1.4.1 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.4.2 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.6 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.7 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.8 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.9 Offsetting financial instruments

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

1.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.11 Revenue recognition

Revenues include all revenues from the ordinary business activities. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax.

Revenue from leasing agreements entered into by the Group is recognised over the term of the respective contracts.

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the Group recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before - irrespective of when payment is due - the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer was due before the Group fulfilled a contractual performance obligation and thus recognised revenue.

Interest income

Interest income is recognised using the effective interest method.

1.12 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Group's interest-bearing borrowings.

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective companies' financial performance. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Accordingly, the board of directors provides principles for overall Group risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

a) Market risk

i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency, which would be considered a foreign currency. The Group's revenues and purchases, financial assets and liabilities, including financing, are mainly denominated in USD. However, a portion of the Group's revenues and certain financing are denominated in euro. Accordingly, the Group is potentially exposed to foreign exchange risk from such transactions. As at year-end, out of the total borrowings, USD 45,944,214 (2023: USD 48,175,326) were denominated in euro.

A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period, was carried out, and a shift of +/- 10% in the foreign exchange rate would result in an increase of USD 4,594,421 (2023: USD 4,817,533) or a decrease of USD 4,594,421 (2023: USD 4,817,533) respectively, in the carrying amount of the borrowings.

ii) Cash flow and fair value interest rate risk

The interest rate profile of the the Group's interest-bearing financial instruments at the end of the reporting periods included the cash and cash equivalent balances (Note 8) and borrowings (Note 10).

Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments taking into consideration refinancing, renewal of existing positions and alternative financing.

Based on the analysis referred to above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period as a measure of cash flow interest rate risk to be insignificant. Accordingly, the Group's financial results are substantially independent of changes in market interest rates and the level of interest risk to the Group is deemed to be quite contained.

b) Credit risk

Credit risk principally arises from cash and cash equivalents comprising deposits with financial institutions, and balances with related parties, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group's principal exposures to credit risk as at the end of the reporting period are analysed as follows:

	2024 USD	2023 USD
Carrying amount		
Financial assets measured at amortised cost:		
Loans receivable (Note 6)	15,269,081	15,986,153
Trade and other receivables (Note 7)	44,891,686	36,593,996
Cash and cash equivalents (Note 8)	7,973,429	32,981,898
	68,134,196	85,562,047

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any significant collateral as security in this respect. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments.

Trade and other receivables (including contract assets)

The Group assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history.

The Group monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the Group's activities and the market in which it operates, the number of customers is minimal. These customers trade frequently with the Group and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The Group's trade and other receivables, which are not credit impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any significant losses from non-performance by these customers.

Impairment of trade and other receivables (including contract assets)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The Group considers that there is evidence of impairment if any of the following indicators is present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

The Group considers an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. Individually credit impaired trade receivables would mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which would accordingly not meet repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Group does not hold any significant collateral as security in respect of the credit impaired assets.

As at year end, the Group had no past due or credit impaired balances with trade receivables. Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a prolonged period of time.

Impairment losses on trade receivables and contract assets are presented as net impairment losses in 'administrative expenses' within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Cash and cash equivalents

The Group principally banks with local and foreign financial institutions with high-quality standing or rating.

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

Loans receivable and other amounts owed by related parties

The Group's receivables include loans receivable and other amounts owed by group companies (Notes 6 and 7). The Group monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Loans receivable and non-current receivables from group companies are categorised as Stage 1 for IFRS 9 purposes (i.e. performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12-month probability of default, capturing 12-month expected losses and hence are considered insignificant.

Since the current balances owed by group companies are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 12) and borrowings (Note 10). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by reviewing expected cash flows through cash flow forecasts. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters.

The Group ensures that it has sufficient cash on demand, within pre-established benchmarks, to meet expected operational expenses and servicing of financial obligations over specific short-term periods, excluding the potential impact of extreme circumstances that cannot reasonably be predicted. The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed bank borrowing facilities and other financing that it can access to meet liquidity needs. In this respect, management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above. The tables below analyse the Group's financial liabilities, which expose the reporting entity to liquidity risk, into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

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	Carrying amount USD	Contractual cash flows USD	Within 1 year USD	1 to 2 years USD	2 to 5 years USD	After 5 years USD
Borrowings						
- group and related parties	100,288,920	100,288,920	1,038,900	99,250,020	-	-
- third parties	53,706,225	61,100,464	16,466,777	16,113,137	28,520,550	-
Trade and other payables	72,776,383	72,776,383	53,222,223	12,295,922	4,708,238	2,550,000
31 December 2024	226,771,528	234,165,767	70,727,900	127,659,079	33,228,788	2,550,000
Borrowings						
- group and related parties	38,890,318	38,890,318	70,720	38,819,598	-	-
- third parties	59,717,221	69,561,685	15,508,370	14,840,512	35,680,527	3,532,276
Trade and other payables	70,451,774	70,451,774	55,623,153	10,740,615	1,230,000	2,858,006
31 December 2023	169,059,313	178,903,777	71,202,243	64,400,725	36,910,527	6,390,282

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or adjust the amount of dividends paid to shareholders.

The Group monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt.

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the statement of financial position, is maintained by reference to the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the financial statements is deemed adequate by the directors.

2.3 Fair values of financial instruments

At 31 December 2024 and 2023, the carrying amounts of cash at bank, receivables, payables and borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

3.1 Estimation of useful life

The useful life used to depreciate property, plant and equipment relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The useful lives and residual values of the Group's property, plant and equipment are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Assessment of matters referred to above

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

The directors also draw attention to the fact that there are no assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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4. Property, plant and equipment

	Aircrafts USD	Aircraft engines USD	Auxiliary power units USD	Total USD (restated)
At 1 January 2023				
- as previously reported	77,946,454	17,002,927	420,000	95,369,381
- effect of restatements (Note 1)	66,401,631	-	-	66,401,631
Deemed cost on adoption of IFRS/Cost	144,348,085	17,002,927	420,000	161,771,012
Accumulated depreciation	-	(4,590,021)	(29,896)	(4,619,917)
Net book amount	144,348,085	12,412,906	390,104	157,151,095
Year ended 31 December 2023				
Opening net book amount	144,348,085	12,412,906	390,104	157,151,095
Additions	19,656,660	3,290,381	-	22,947,041
Depreciation charge	(10,054,525)	(1,576,230)	(42,367)	(11,673,122)
Closing net book amount	153,950,220	14,127,057	347,737	168,425,014
At 31 December 2023				
Cost	164,004,745	20,293,308	420,000	184,718,053
Accumulated depreciation	(10,054,525)	(6,166,251)	(72,263)	(16,293,039)
Net book amount	153,950,220	14,127,057	347,737	168,425,014
Year ended 31 December 2024				
Opening net book amount	153,950,220	14,127,057	347,737	168,425,014
Additions	116,158,899	4,772,750	1,410,000	122,341,649
Depreciation charge	(17,278,090)	(2,986,715)	(98,039)	(20,362,844)
Closing net book amount	252,831,029	15,913,092	1,659,698	270,403,819
At 31 December 2024				
Cost	280,163,644	25,066,058	1,830,000	307,059,702
Accumulated depreciation	(27,332,615)	(9,152,966)	(170,302)	(36,655,883)
Net book amount	252,831,029	15,913,092	1,659,698	270,403,819

Some of the Group's aircraft are secured as collateral for the Group's loan facilities (Note 10).

5. Right-of-use asset and lease liability

The Group leases aircraft engines, typically for a period of 2 to 5 years. Rental contracts have extension options, to renew the lease under the same terms after the original period. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants and the lease assets may not be used as security for borrowing purposes.

The movement in the carrying amount of the right-of-use asset is analysed as follows:

	2024 USD	2023 USD
At beginning of year	-	994,053
Depreciation	-	(994,053)
At end of year	-	-

The lease liabilities associated with the recognised right-of-use asset is analysed as follows:

	2024 USD	2023 USD
At beginning of year	-	1,571,400
Payment	-	(900,000)
Impact of derecognition of leased assets	-	(671,400)
At end of year	-	-

6. Other financial assets at amortised cost

	2024 USD	2023 USD
Non-current		
Loans receivable from fellow subsidiaries	3,948,479	-
Loans receivable from group companies	11,242,248	11,957,541
	15,190,727	11,957,541
Current		
Loans receivable from fellow subsidiaries	-	3,948,478
Loans receivable from group company	78,354	80,134
	78,354	4,028,612

The above current loans from fellow subsidiaries were unsecured, interest-free and repayable on demand up to 31 December 2023. As at 31 December 2024, the terms of payment were revised so that the amounts are repayable over a period of 10 years subject to a minimum notice of 12 months.

Non-current loans from group companies include loans which bear interest at 1.5% and 2% per annum and which are unsecured and repayable in 2026. The remainder of the non-current loans from group companies are unsecured, interest free and are repayable over a period of 10 years subject to a minimum notice of 12 months. The impact of discounting is not deemed significant as the Group of which the company forms part, is considering alternative sources of third-party funding in the foreseeable future. Current loans receivable from group company are unsecured, repayable on demand and include capitalised interest calculated at 4% per annum.

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7. Trade and other receivables

	2024 USD	2023 USD
Non-current		
Advances made on purchase of aircraft	14,568,000	14,568,000
	14,568,000	14,568,000
Current		
Trade receivables	15,069,894	10,539,954
Amounts due from parent	7,782,232	7,496,762
Amounts due from group companies	7,218,023	3,670,154
Indirect tax receivable	119,746	57,584
Other receivables	133,791	261,542
Prepayments and accrued income	9,150,461	27,953,096
	39,474,147	49,979,092

The amounts due from the parent company and group companies are unsecured, interest-free and repayable on demand.

8. Cash and cash equivalents

	2024 USD	2023 USD
Cash at bank and in hand	7,973,429	32,981,898
	7,973,429	32,981,898

9. Share capital

	2024 USD	2023 USD
Authorised, issued and fully paid		
9,999 ordinary A share of USD 0.133848 each	1,338	1,338
1 ordinary B share of USD 0.133848 each	-	-
	1,338	1,338

The holders of ordinary “A” shares shall have the right (i) to receive notice of and to attend all General Meetings of the Company and (ii) to vote on all Ordinary and Extraordinary Resolutions of the Company. The holders of ordinary “B” shares shall have the right to receive notice of and to attend all General Meetings of the Company but shall not have the right to vote on any resolutions.

The holders of ordinary “A” shares shall have the right to receive dividends and to participate in the profits of the Company. The holders of ordinary “B” shares shall not have the right to receive any dividend or to participate in the profits of the Company.

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10. Borrowings

	2024 USD	2023 USD
Non-current		
Loans due to group companies	99,183,530	38,819,598
Loans due to parent	66,490	-
Loans due to banks and other third parties	40,274,059	47,532,369
	<u>139,524,079</u>	<u>86,351,967</u>
Current		
Loans due to parent	-	70,720
Loans due to related party	1,038,900	-
Loans due to banks and other third parties	13,432,166	12,184,852
	<u>14,471,066</u>	<u>12,255,572</u>
Total borrowings	<u>153,995,145</u>	<u>98,607,539</u>

The current loans due to the parent company were unsecured, interest-free and repayable on demand up to 31 December 2023. As at 31 December 2024, the terms of payment were revised so that the amounts are repayable over a period of 10 years subject to a minimum notice of 12 months. The amounts due to group companies and parent are also repayable over a period of 10 years subject to a minimum notice of 12 months.

The impact of discounting is not deemed significant as the directors are considering alternative sources of third-party funding in the foreseeable future.

The Group previously entered into a loan agreement which was secured against various aircraft owned by subsidiaries through the institution of aircraft mortgages as well as through shares pledges on the shares of ACE Aviation Limited and ACE Aviation II Limited. The loan had a floating interest rate of 90-day average secured overnight financing rate, 3% margin and was repayable within 72 months from the utilization date. The Group opted for an early repayment in full during 2023.

In 2024, the Group entered into a rolling credit facility agreement with another related party at an interest rate of 5.5% per annum and is repayable within 12 months from initial draw. Said loan is secured against the aircraft owned by ACE Aviation II Limited.

The Group obtained a facility from a reputable banking institution covering the refinancing, acquisition, maintenance and conversion costs of the aircrafts owned by two subsidiaries. Three drawdowns took place during the year 2023. In 2024, one of the two subsidiaries obtained additional bank loans of EUR 9,300,000. The security provided to the Lender under the facility agreement comprises the following:

- share pledges over the shares of the subsidiaries in favour of the Lender,
- the aircrafts owned by the subsidiaries are mortgaged in favour of the Lender,
- the cash collateral and collection account held by the subsidiaries with the Lender are charged in favour of the Lender, the subsidiaries provided a security assignment to the Lender whereby it assigned by way of security with full title guarantee all of its right, title and interest, present and future, to the assigned property being the following: the lease agreements property, the insurance property, the conversion agreements property, the requisition proceeds property, the final disposition proceed property, and the warranty property;

The loans bear interest at rates varying between 6.2% and 6.9%. USD 46 million of the loans are repayable by 2029, whereas the remaining bank loans are repayable by 2026.

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Included in loans due to banks and other third parties is an amount of USD 7,762,010 due to a third-party which is secured by pledges on one of the subsidiary's aircraft and by share pledges over the shares of the same subsidiary, bears interest at a fixed rate of 4.721% per annum and is repayable in monthly instalments by 5 November 2026.

11. Deferred tax liability

	2024 USD	2023 USD
At beginning of year		
as previously reported	623,614	221,709
effect of adoption of IFRS	5,033,877	5,303,525
as restated	5,657,491	5,525,234
Deferred tax on movement for the year (Note 17)	1,561,238	132,257
At end of year	7,218,729	5,657,491

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 5% (2023: 5%).

The balance at 31 December represents temporary differences attributable to:

	2024 USD	2023 USD
Depreciation of property, plant and equipment	7,218,729	5,657,491

Deferred taxation is principally composed of deferred tax liabilities which are to be mainly settled after more than twelve months.

12. Trade and other payables

	2024 USD	2023 USD
Non-current		
Other payables	19,554,160	14,828,621
Current		
Trade payables	39,951,477	34,260,725
Amounts due to group companies	13,034,699	21,130,256
Other payables	236,047	232,172
Accruals and deferred income	1,564,374	5,515,268
	54,786,597	61,138,421

Amounts due to group companies are unsecured, interest-free and repayable on demand.

Amounts included under non-current liabilities represent payments received from related parties under the terms of relevant aircraft engine lease agreements. Some of the amounts stand to be paid for specific qualified repairs or replacement engine events on behalf of the contract party in the instance of a qualified maintenance event of the aircraft or the aircraft parts, whereas other amounts represent refundable security deposits returnable on the expiration of the respective lease agreements.

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13. Revenue

Revenue represents income derived from leasing of aircraft, engines and auxiliary power units by the subsidiaries of the Company to customers based in Belgium, Israel and Malta.

14. Expenses by nature

	2024 USD	2023 USD
Depreciation of property, plant and equipment (Note 4)	20,362,844	11,673,122
Amortisation of right-of-use asset (Note 5)	-	994,053
Legal and professional fees	1,050,141	1,487,566
Management and consultancy fee, including handling fee	2,097,472	2,482,419
Impact of derecognition of leased assets	-	(671,400)
Other expenses	614,634	217,856
	24,125,091	16,183,616

	2024 USD	2023 USD
Auditor's fees		
Annual statutory audit	170,336	47,870

15. Other income

	2024 USD	2023 USD
Exchange differences	2,322,312	(88,120)
Release of maintenance reserve	2,325,349	10,046,746
	4,647,661	9,958,626

16. Net finance expenses

	2024 USD	2023 USD
Interest expense on loans	(4,158,765)	(3,025,412)
Interest expense on loans due to group companies	-	(1,813,239)
Interest income on loans receivable from group companies	143,629	152,875
Interest income on bank balances	440,318	426,666
	(3,574,818)	(4,259,110)

17. Tax expense

The Group's tax expense recognised in profit or loss is analysed below:

	2024 USD	2023 USD
Current tax expense	440,026	518,497
Deferred tax expense (Note 11)	1,561,238	132,257
	2,001,264	650,754

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using basic tax rate as follows:

	2024 USD	2023 USD
Profit before tax	13,224,921	19,613,534
Tax on profit at 35%	4,628,722	6,864,737
Tax effect of:		
Non-temporary differences	170,572	608,624
Temporary differences not recognised	8,749,285	107,629
Income subject to lower rate of tax	(11,118,019)	(6,930,236)
Income not subject to tax	(429,296)	-
Tax expense	2,001,264	650,754

18. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2024 USD	2023 USD
Operating profit	16,799,739	23,872,644
Depreciation of property, plant and equipment (Note 4)	20,362,844	11,673,122
Amortisation of right-of-use asset (Note 5)	-	994,053
Changes in working capital		
Trade and other receivables	10,929,945	23,244,925
Trade and other payables	(1,626,278)	(27,703,558)
Cash generated from operations	46,466,250	32,081,186

19. Related party disclosures

Relationships between parents and subsidiaries

The immediate and ultimate parent company of Challenge Aviation Holding Limited is Challenge Aviation Services Limited, a company registered in Malta, with its registered address at Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta (Note 22).

Related party transactions

Transactions entered into with group companies, with immediate and ultimate parent companies, with companies with common beneficial shareholders, as well as with the ultimate controlling parties are considered to be related party transactions.

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Transactions with related parties during the year consisted of the following:

	2024 USD	2023 USD
Ultimate parent		
Management and consultancy fees, including handling fees	(1,840,558)	(2,462,737)
Recharge of expenses	(239,500)	(778,483)
Group companies		
Revenue	23,678,211	21,389,741
Other income	2,325,349	10,046,746
Finance income	143,629	152,875
Recharge of expenses	(70,571)	(3,409)
Related parties		
Revenue	12,433,774	6,894,650

Related party balances

Year-end balances owed by/to related parties are disclosed in Notes 6, 7, 10 and 12 to the financial statements.

20. Events after the end of the reporting period

The Group finalised its acquisition of the passenger aircraft with serial number MSN 38284 in April 2025. During 2025, the conversion to a cargo aircraft was initiated.

There were no other significant events since the reporting date, which would otherwise have required adjustments to or disclosure in the financial statements.

21. Subsidiaries

The subsidiaries as at 31 December are shown below:

Name and registered office	Class of shares	% holding 2024	% holding 2023
ACE Aviation Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation II Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation III Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%

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Name and registered office	Class of shares	% holding 2024	% holding 2023
ACE Aviation IV Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation V Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation VI Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation VII Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation VIII Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation IX Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation X Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation XI Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation XII Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation XIV Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	-
ACE Aviation XV Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	-

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Name and registered office	Class of shares	% holding 2024	% holding 2023
ACE Aircraft Engines & Aviation Equipment Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%

22. Statutory information

The parent company of Challenge Aviation Holding Limited is Challenge Aviation Services Limited, a company registered at Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta. The ultimate beneficial owners of Challenge Aviation Services Limited are Offer Gilboa and Eshel Heffetz.



Independent auditor's report

To the Shareholders of Challenge Aviation Holding Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements (the “financial statements”) of Challenge Aviation Holding Limited give a true and fair view of the Group’s financial position as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Challenge Aviation Holding Limited’s financial statements, set out on pages 1 to 33, comprise:

- the Consolidated statement of financial position as at 31 December 2024;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.



Independent auditor's report - continued

To the Shareholders of Challenge Aviation Holding Limited

Other information

The directors are responsible for the other information. The other information comprises the *Directors' report* (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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'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 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 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.



Independent auditor's report - continued

To the Shareholders of Challenge Aviation Holding Limited

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent auditor's report - continued

To the Shareholders of Challenge Aviation Holding Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.


Area of the <i>Annual Report and Financial Statements 2024</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 3)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.• the financial statements are not in agreement with the accounting records and returns.• we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	<p>We have nothing to report to you in respect of these responsibilities.</p>
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Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.



Stephen Mamo
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

23 October 2025