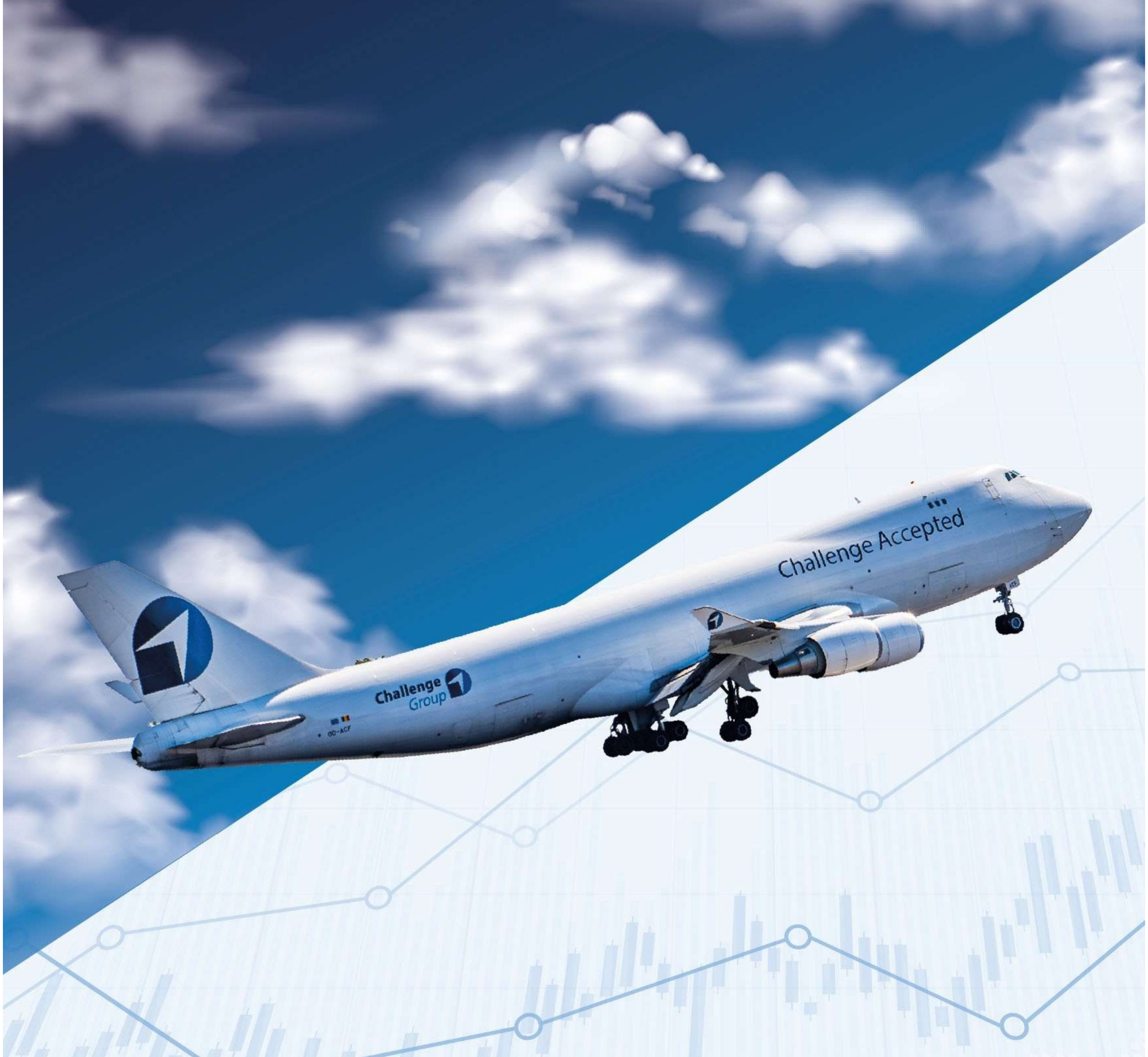
Challenge Group



NON-STATUTORY REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2025

CHALLENGE AVIATION HOLDING LIMITED

Contents

Directors' report

The directors present their report and the audited non-statutory consolidated financial statements for the year ended 31 December 2025. Challenge Aviation Holding Limited prepared a separate set of financial statements for the year ended 31 December 2025 for statutory purposes in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386).

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 2025, 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 operating profit amounted to USD 10,026,266 (2024: USD 14,477,427), reflecting stable operational performance amid continued global air cargo demand.

Fleet and Operations

As at 31 December 2025, the Group's fleet comprised eleven wide-body freighters and eight 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 24% compared to the prior year;
- During the year, the Company reported EBITDA of USD 40 million (2024: USD 34 million), reflecting a 16% increase from previous year;
- Spare engine leasing contributed to 15% of total revenue, demonstrating a strong market demand for spare engine leasing;
- During 2025, investment in fleet expansion and modernization amounted to USD 89 million (2024: USD 122 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 is set out on page 6. During 2025, 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.

DocuSigned by:
6192E617EA014EC...
Colin Gregory
Director

Signé par :
Didier Henet
69D8076E80E74B8...
Didier Fernand P.Henet
Director

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

21 August 2026

Consolidated statement of financial position

		As at 31 December	
	Notes	**2025 USD**	2024 USD
ASSETS			
Non-current assets			
Property, plant and equipment	4	**329,022,651**	270,403,819
Other financial assets at amortised cost	5	**24,838,214**	15,190,727
Trade and other receivables	6	**17,997,446**	14,568,000
Total non-current assets		**371,858,311**	300,162,546
Current assets			
Other financial assets at amortised cost	5	**92,164**	78,354
Trade and other receivables	6	**73,675,506**	39,474,147
Cash and cash equivalents	7	**6,050,442**	7,973,429
Total current assets		**79,818,112**	47,525,930
Total assets		**451,676,423**	347,688,476

	Notes	As at 31 December **2025** **USD**	 2024 USD
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**1,338**	1,338
Shareholders transactions reserve	9	**24,979,290**	-
Retained earnings		**109,916,015**	110,925,343
Total equity		**134,896,643**	110,926,681
Non-current liabilities			
Borrowings	10	**207,560,422**	139,524,079
Deferred tax liability	11	**6,028,389**	7,218,729
Trade and other payables	12	**32,779,364**	19,554,160
Total non-current liabilities		**246,368,175**	166,296,968
Current liabilities			
Borrowings	10	**18,510,411**	14,471,066
Trade and other payables	12	**51,475,355**	54,786,597
Current tax liability		**425,839**	1,207,164
Total current liabilities		**70,411,605**	70,464,827
Total liabilities		**316,779,780**	236,761,795
Total equity and liabilities		**451,676,423**	347,688,476

The accompanying notes on pages 9 to 32 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 2025 was €1: USD 1.175 (2024: €1: USD 1.039). These financial statements were approved and authorised for issue by the board of directors on 21 August 2026 and signed on its behalf by:

DocuSigned by:
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Colin Gregory
Director

Signé par :
Didier Henet
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Didier Fernand P.Henet
Director

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2025 USD	2024 USD
Revenue	13	**44,887,542**	36,277,169
Cost of sales	14	**(31,340,454)**	(20,594,716)
Gross profit		**13,547,088**	15,682,453
Administrative expenses	14	**(3,520,822)**	(3,530,375)
Other (expenses)/income - net	15	**-**	2,325,349
Operating profit		**10,026,266**	14,477,427
Unwinding of discount - net		**(4,560,146)**	-
Realised foreign exchange differences		**773,851**	300,882
Unrealised foreign exchange differences		**(5,161,309)**	2,021,430
Other finance expenses - net	16	**(3,302,412)**	(3,574,818)
(Loss)/profit before tax		**(2,223,750)**	13,224,921
Tax credit/(expense)	17	**1,214,422**	(2,001,264)
(Loss)/profit for the year - other comprehensive income		**(1,009,328)**	11,223,657

The accompanying notes on pages 9 to 32 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Notes	Share capital USD	Shareholders Transactions Reserve USD	Retained earnings USD	Total USD
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**
Balance as at 1 January 2025		1,338	-	110,925,343	110,926,681
Comprehensive income					
Loss for the year		-	-	(1,009,328)	(1,009,328)
Transactions with owners					
Deemed capital contribution	5,10	-	24,979,290	-	24,979,290
Balance as at 31 December 2025		**1,338**	**24,979,290**	**109,916,015**	**134,896,643**

The accompanying notes on pages 9 to 32 form an integral part of these financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 December 2025 USD	2024 USD
Operating profit		**10,026,266**	14,477,429
Adjustments for:			
Unwinding of discount	5,10	**(4,560,146)**	-
Net foreign exchange difference on bank loans		**(4,387,458)**	2,322,312
Depreciation of property, plant and equipment	4	**30,309,873**	20,362,844
Changes in working capital			
Increase in Trade and other receivables		**(37,630,805)**	10,929,945
Increase in Trade and other payables		**10,301,925**	(1,626,280)
Cash generated from operations		**4,059,655**	46,466,250
Interest paid	16	**(3,461,443)**	(3,574,818)
Interest received	16	**159,031**	-
Tax paid		**(757,243)**	(1,237,926)
Net cash generated from operating activities		**8,727,079**	41,653,506
Cash flows from financing activities			
Proceeds from loans from group companies		**74,807,187**	67,892,163
Proceeds from bank loans		**36,352,584**	8,598,412
Repayments of loans from group companies		**(1,500,000)**	(6,493,559)
Repayments of bank loans		**(10,250,396)**	(10,829,525)
Repayments of third-party loans		**(7,762,010)**	(3,779,885)
Repayments of loan from related party		**(1,038,900)**	-
Net cash generated from financing activities		**90,608,465**	55,387,606
Cash flows from investing activities			
Amounts advanced to group companies		**(21,300,497)**	-
Repayment of amounts advanced to group companies		**8,970,670**	717,068
Payments to acquire property, plant and equipment	4	**(89,328,704)**	(122,766,649)
Disposals of property, plant and equipment	4	**400,000**	-
Net cash used in investing activities		**(101,258,531)**	(122,049,581)
Movement in cash and cash equivalents		**(1,922,987)**	(25,008,469)
Cash and cash equivalents at beginning of year		**7,973,429**	32,981,898
Cash and cash equivalents at end of year	7	**6,050,442**	7,973,429

The accompanying notes on pages 9 to 32 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 consolidated financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU. They have been prepared under the historical cost convention.

Challenge Aviation Holding Limited prepared a separate set of financial statements for the year ended 31 December 2025 for statutory purposes in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). The non-statutory report and consolidated financial statements are intended solely for the use of the directors and may not be suitable for another purpose. This report should therefore not be distributed to or used by any other party.

According to Article 174 of the Maltese Companies Act (Cap. 386), Challenge Aviation Holdings Limited is exempt from preparing consolidated financial statements. Nonetheless, the directors have chosen to prepare non-statutory consolidated financial statements for Challenge Aviation Holdings Limited and its subsidiaries (the "Group") (Note 21).

Standards, interpretations and amendments to published standards effective in 2025

In 2025, the Company adopted amendments to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2025.

The adoption of these revisions to the requirements of IFRS as adopted by the EU did not result in changes to the Company'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 Company's accounting periods beginning after 1 January 2025. The Company has not early adopted these revisions to the requirements of IFRS 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 Company's financial statements in the period of initial application.

IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 (issued on 9 April 2024) was endorsed for use in the European Union on 16 February 2026 and is set to replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, particularly those related to the statement of financial performance. IFRS 18 will also require the disclosure of management-defined performance measures within the financial statements.

Management is currently assessing the implications of applying IFRS 18 on the Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, with retrospective application, meaning that comparative information will be restated to reflect the new presentation and disclosure requirements introduced.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures '(effective for annual periods beginning on or after 1 January 2027)

IFRS 19 (issued on 9 May 2024), which is yet to be endorsed for use in the EU, will allow eligible entities to voluntarily elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary, as defined in IFRS 10, that does not have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use that comply with IFRS accounting standards.

As the Company's equity is not publicly traded, it will likely be eligible to apply IFRS 19 however Management is currently assessing the implications of voluntarily applying IFRS 19 on the Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, subject to endorsement for use in the EU, with retrospective 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 eniges and the auxilliary 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 Interest-free related party funding arrangements

Interest-free loans with related parties are financial instruments within the scope of IFRS 9 and are initially recognised at fair value, net of directly attributable transaction costs, where applicable.

Where related party funding arrangements are not entered into at market rates, fair value at initial recognition is determined using discounted cash flow techniques based on a market rate of interest applicable to an instrument with similar terms and characteristics, including the credit risk profile of the borrower, tenor, repayment structure, currency and seniority.

The difference between the nominal amount and the fair value at initial recognition is accounted for in accordance with the substance of the arrangement. Where management concludes that the arrangement represents a transaction directed by the common parent acting in its capacity as ultimate owner, the difference is recognised directly in equity as a shareholder contribution, distribution or within another appropriate equity reserve, as applicable.

Following initial recognition, the loans are measured at amortised cost using the effective interest method. Finance income and finance expense arising from the unwinding of discounting are recognised in profit or loss over the contractual term of the instrument, such that the carrying amount accretes to the contractual repayment amount at maturity.

The carrying amounts and related movements of material interest-free related party funding arrangements are disclosed in Notes 5 and 10.

1.10 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.

1.11 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.

1.12 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.

1.13 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 77,953,826 (2024: USD 45,944,214) 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 7,795,382 (2024: USD 4,594,421) or a decrease of USD 7,795,382 (2024: USD 4,594,421) 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 7) 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:

	2025	2024
	USD	USD
Carrying amount		
Financial assets measured at amortised cost:		
Loans receivable (Note 5)	**24,930,378**	15,269,081
Trade and other receivables (Note 6)	**49,283,793**	30,691,386
Cash and cash equivalents (Note 7)	**6,050,442**	7,973,429
	80,264,613	53,933,896

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 5 and 6). 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.

	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	148,117,006	172,564,498	-	172,564,498	-	-
- third parties	77,953,827	102,833,708	21,824,559	39,208,388	41,800,761	-
Trade and other payables	84,254,717	84,254,717	51,475,352	24,253,289	5,893,899	2,632,177
31 December 2025	**310,325,550**	**359,652,923**	**73,299,911**	**236,026,175**	**47,694,660**	**2,632,177**
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	74,340,757	74,340,757	54,786,597	12,295,922	4,708,238	2,550,000
31 December 2024	**228,335,902**	**235,730,141**	**72,292,274**	**127,659,079**	**33,228,788**	**2,550,000**

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 2025 and 2024, 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.

4. Property, plant and equipment

	Aircrafts USD	Aircraft engines USD	Auxiliary power units USD	Total USD
At 1 January 2024				
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
Year ended 31 December 2025				
Opening net book amount	252,831,029	15,913,092	1,659,698	270,403,819
Additions	71,021,501	15,457,204	2,850,000	89,328,705
Disposals	-	-	(400,000)	(400,000)
Depreciation charge	(22,132,966)	(7,837,572)	(339,335)	(30,309,873)
Closing net book amount	**301,719,564**	**23,532,724**	**3,770,363**	**329,022,651**
At 31 December 2025				
Cost	351,185,145	40,523,262	4,280,000	395,988,407
Accumulated depreciation	(49,465,581)	(16,990,538)	(509,637)	(66,965,756)
Net book amount	**301,719,564**	**23,532,724**	**3,770,363**	**329,022,651**

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

5. Other financial assets at amortised cost

	2025 USD	2024 USD
Non-current		
Loans receivable from fellow subsidiaries	**3,445,612**	3,948,479
Loans receivable from group companies	**21,348,844**	11,242,248
Loans receivable from ultimate parent	**43,758**	-
	24,838,214	15,190,727
Current		
Loans receivable from group company	**92,164**	78,354
	92,164	78,354

Non-current loans from group companies include loans which bear accrued interest at 1.5% and 2% per annum and which were unsecured and repayable in 2026. These loans were repaid during the year.

The remaining non-current loans due to ultimate parent company, fellow subsidiaries and group companies are unsecured, interest-free and contractually repayable by 31 December 2029. The Company may request repayment earlier, subject to providing a minimum notice period of 12 months.

The loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The table below reflects the initial fair value measurement of the below-market loans and the subsequent accretion of the carrying amount over the contractual term.

	2025 USD	2024 USD
Nominal amount advanced	**28,465,287**	15,190,727
Unamortised discount	**(4,028,560)**	-
Foreign exchange differences	**401,487**	-
Carrying amount at amortised cost	**24,838,214**	15,190,727

Loans receivable from immediate parent, subsidiaries, fellow subsidiaries and group companies	2025 USD	2024 USD
Nominal amount advanced	**28,465,287**	15,190,727
Fair value	**(24,144,754)**	(15,190,727)
Day-one difference recognised in equity as shareholder transaction	**4,320,533**	-

On initial recognition, the loans advanced to ultimate parent, fellow subsidiaries and group companies were measured at fair value by discounting the contractual cash flows using a market rate for a comparable instrument. The difference between the transaction price and the fair value of the loan, being the "day-one difference", has been recognised directly in equity within the shareholder transactions reserve, as it arises from a below-market intra-group funding arrangement between entities under common control and is, in substance, an owner-related transaction directed by the common parent. The loan is subsequently measured at amortised cost using the effective interest method (refer to the Statement of changes in -equity).

	2025 **USD**	2024 USD
Movement during the year:		
Fair value	**24,144,754**	15,190,727
Unwinding of discounting	**291,973**	-
Foreign exchange differences	**401,487**	-
At end of year	**24,838,214**	15,190,727

Management considers that the carrying amount of the loans approximates their fair value at the reporting date due to the nature of the arrangements and the remaining contractual terms.

Current loans receivable from group company are unsecured, repayable on demand and include capitalised interest calculated at 4% per annum.

6. Trade and other receivables

	2025 **USD**	2024 USD
Non-current		
Prepayment for aircraft conversion	**5,959,000**	8,968,000
Prepayment for conversion related expenses and spare parts	**7,438,446**	-
Prepayment for aircraft bid	**4,600,000**	4,600,000
Deposit paid on aircraft bid	**-**	1,000,000
	17,997,446	14,568,000
Current		
Trade receivables	**511,866**	15,069,894
Amounts due from group companies	**32,774,548**	7,218,023
Amounts due from related companies	**6,453,494**	-
Amounts due from ultimate parent company	**9,492,683**	7,782,232
Prepayment for aircraft conversion	**16,813,331**	-
Prepayment for conversion related expenses and spare parts	**2,436,610**	-
Prepayment for engine and APU	**5,110,579**	-
Indirect tax receivable	**8,694**	119,746
Other receivables	**10,500**	133,791
Accrued income	**32,008**	367,701
Prepayments	**31,193**	8,782,760
	73,675,506	39,474,147

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

Non-current prepaid amounts of USD 5,959,000 and USD 7,438,446 represent money paid in advance in respect of conversions to be performed by a third party from passenger aircraft to cargo aircraft which is not expected to be finalised within twelve months from reporting date and related costs. As at year end, the Group had not yet acquired the aircraft, however, has already booked its conversion slots in advance.

Prepaid amounts of USD 4,600,000 were made for aircraft bids that represent money paid by the Group for a bid won to acquire three aircraft of which sale process was still ongoing as at year end. As at 31 December 2025, the Group had no certainty the sale will be finalised within one year from reporting date.

The deposit of USD 1,000,000 paid on aircraft bid represents the money paid by the Group for another two aircraft for which sale is delayed and the Group had no indication as at year end if it will be finalised within one year from reporting date. The deposit paid on aircraft bid represented the money paid by the Company for another two aircraft. Such deposit was returned to the Company during the year ended 31 December 2025.

Prepayment for aircraft conversion of USD 16,813,331 represents money paid in advance, in respect of a conversion performed by a third party from a passenger aircraft to a cargo aircraft acquired by one of the subsidiaries during the year and which is expected to be completed in 2026.

Prepayment for conversion related expenses and spare parts of USD 2,436,610 relate to other expenses related to the abovementioned conversion which is expected to be completed in 2026.

7. Cash and cash equivalents

	2025 USD	2024 USD
Cash at bank and in hand	**6,050,442**	7,973,429

8. Share capital

	2025 USD	2024 USD
Authorised, issued and fully paid		
9,999 ordinary A shares 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.

9. Shareholder transactions reserve

The shareholder transactions reserve represents the “day-one fair value differences” recognised directly in equity arising from below-market intra-group funding arrangements between entities under common control. Although the related loans are legally between fellow group companies, the immediate and ultimate parent company, the off-market element has been accounted for as an equity transaction, as it is considered, in substance, to arise from group funding arrangements directed by the common parent acting in its capacity as ultimate owner (refer to Note 5 and Note 10).

10. Borrowings

	2025 USD	2024 USD
Non-current		
Loans due to group companies (note i)	**145,133,317**	99,183,530
Loans due to parent (note i)	**2,983,689**	66,490
Loans due to banks and third party (note ii)	**59,443,416**	40,274,059
	207,560,422	139,524,079
Current		
Loans due to related party (iii)	**-**	1,038,900
Loans due to banks and third party (note ii)	**18,510,411**	13,432,166
	18,510,411	14,471,066
Total borrowings	**226,070,833**	153,995,145

(i) The loans due to group company and parent are unsecured, interest-free and contractually repayable by 31 December 2029. The lender may request repayment earlier, subject to providing a minimum notice period of 12 months.

The loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The table below reflects the initial fair value measurement of the loans and the subsequent accretion of the carrying amount over the contractual term.

	2025 USD	2024 USD
Loans due to group company and parent		
Nominal amount advanced	**174,057,207**	99,250,020
Unamortised discount	**(24,447,492)**	-
Repayments	**(1,500,000)**	-
Foreign exchange differences	**7,291**	-
Carrying amount at amortised cost	**148,117,006**	99,250,020
Nominal amount advanced	**174,057,207**	99,250,020
Fair value at initial recognition	**(144,757,384)**	(99,250,020)
Day-one difference recognised in equity as shareholder transaction	**29,299,823**	-

On initial recognition, the loans due to group company and fellow subsidiary were measured at fair value by discounting the contractual cash flows using a market rate for a comparable instrument. The difference between the transaction price and the fair value of the loan, being the "day-one difference", has been recognised directly in equity within the shareholder transactions reserve, as it arises from a below-market intra-group funding arrangement between entities under common control and is, in substance, an owner-related transaction directed by the common parent. The loan is subsequently measured at amortised cost using the effective interest method (refer to the Statement of changes in equity).

	2025 USD	2024 USD
Movement during the year:		
Fair value	**144,757,384**	99,250,020
Unwinding of discounting	**4,852,331**	-
Repayments	**(1,500,000)**	-
Foreign exchange differences	**7,291**	-
At 31 December	**148,117,006**	99,250,020

Management considers that the carrying amount of the loans approximates their fair value at the reporting date due to the nature of the arrangements and the remaining contractual terms.

(ii) The bank loans are from reputable banking institutions and are denominated in Euro.

ACE Aviation V Limited and ACE Aviation VII Limited obtained facilities amounting to EUR 60,450,000 covering the refinancing, acquisition, maintenance and conversion costs of the aircraft owned by them.

The security provided under this facility agreement comprises the following: share pledges over the shares of both ACE Aviation V and ACE Aviation VII Limited in favour of the lender, the aircraft owned by both subsidiaries are mortgaged in favour of the lender, the cash collateral and collection account held by both subsidiaries with the bank are charged in favour of the lender, both subsidiaries provided a security assignment to the lender whereby they assigned by way of security with full title guarantee all of their rights, title and interest, present and future, in and to the assigned property being the following: the lease agreement property, the insurance property, the conversion agreement property, the requisition proceeds property, the final disposition proceed property, and the warranty property; both subsidiaries entered into a deed of cross-collateralisation with each other in favour of the lender whereby both subsidiaries undertake that the aircraft they own as well as the other collateral provided to the lender will be cross-collateralised for the obligations undertaken by both ACE Aviation V Limited and ACE Aviation VII Limited. These bank loans bear a fixed interest rate varying between 6.39% and 6.89% and are repayable within 6 years.

In 2025, ACE Aviation IV Limited entered into a facility agreement with another bank whereby facilities of EUR 16,500,000 were granted to the Group. This loan bears an interest of 4.96% and is repayable within 5 years. The security provided to the lender under the facility agreement comprises the following: pledge of the aircraft owned by the respective company, pledge, charge and assignment by way of charge of all the present and future rights of the pledgor in the bank account held with the bank and a security assignment defined as follows: the lease agreement property, the insurance property, and the requisition proceeds property.

In 2025, ACE Aviation XII Limited entered into a facility agreement with another bank whereby facilities of EUR 15,050,000 were granted to the Group. This loan bears an interest of 4.854% and is repayable within 5 years. The security provided to the lender under the facility agreement comprises the following: pledge of the aircraft owned by the respective company, pledge, charge and assignment by way of charge of all the present and future rights of the pledgor in the bank account held with the lender and a security assignment defined as follows: the lease agreement property, the insurance property, and the requisition proceeds property.

The amount of interest payable is further disclosed under ‘Other Finance expenses – net’ in Note 16.

The third-party loan was secured by pledge on the aircraft, accrued interest a fixed interest at the rate of 4.721% per annum and was repayable in monthly instalments made up of the portion of the premium plus monthly interest, by 5 November 2026. The amount of the interest payable is further disclosed under ‘Other finance expenses - net’ in Note 16. This was fully repaid during the year ended 31 December 2025.

The bank loans and third party loan were classified between current and non-current.

(iii) During 2024, the Group entered into a rolling credit facility agreement with a related party at an interest rate of 5.5% per annum and was repayable within 12 months from initial draw. Said loan was secured against the aircraft owned by ACE Aviation II Limited. This facility was fully repaid during the year ended 31 December 2025.

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.

11. Deferred tax liability

	2025 USD	2024 USD
At 1 January	**7,218,729**	5,657,491
Deferred tax on movement for the year (Note 17)	**(1,190,340)**	1,561,238
At end of year	**6,028,389**	7,218,729

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:

	2025 USD	2024 USD
Depreciation of property, plant and equipment	**(9,281,728)**	(7,218,729)
Unabsorbed capital allowances	**3,253,343**	-

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

	2025 USD	2024 USD
Non-current		
Other payables	**20,921,714**	19,554,160
Security deposits	**11,857,650**	-
	32,779,364	19,554,160
Current		
Trade payables	**7,122,696**	39,951,477
Amounts due to group companies	**24,248,144**	13,034,699
Amounts due to ultimate parent	**1,131,798**	-
Amounts due to related parties	**13,552,439**	-
Accrued expenses	**5,150,541**	1,564,374
Other payables	**269,737**	236,047
	51,475,355	54,786,597

Amounts due to group companies, ultimate parent and related parties 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.

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

	2025 USD	2024 USD
Depreciation of property, plant and equipment (Note 4)	**30,309,873**	20,362,844
Legal and professional fees	**1,034,328**	1,050,141
Management and consultancy fee, including handling fee	**2,141,269**	2,097,472
Other expenses	**1,375,806**	614,634
	34,861,276	24,125,091

Auditor's fees	**2025 USD**	2024 USD
Annual statutory audit	**185,325**	170,336

15. Other (expenses)/income - net

	2025 USD	2024 USD
Release of maintenance reserve	**-**	2,325,349

16. Other finance expenses - net

	2025 USD	2024 USD
Interest income on loans receivable from group companies	**158,705**	143,629
Interest income on bank balances	**89**	440,318
Interest expense on loans	**(3,434,048)**	(4,158,765)
Other finance costs	**(27,158)**	-
	(3,302,412)	(3,574,818)

17. Tax credit/(expense)

The Group's tax credit/(expense) recognised in profit or loss is analysed below:

	2025 USD	2024 USD
Current tax credit/(expense)	**24,082**	(440,026)
Deferred tax credit/(expense) (Note 11)	**1,190,340**	(1,561,238)
	1,214,422	(2,001,264)

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

	2025 USD	2024 USD
(Loss)/profit before tax	**(2,223,750)**	13,224,921
Tax on profit at 5%	**(111,188)**	661,246
Tax effect of:		
Non-temporary differences	**451,749**	212,775
Over-provision of deferred tax in prior year	**(1,132,571)**	1,127,243
Over-provision of current tax in prior year	**(422,412)**	-
Tax (credit)/expense	**(1,214,422)**	2,001,264

18. 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.

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

	2025 USD	2024 USD
Ultimate parent		
Management and consultancy fees, including handling fees	**(2,047,566)**	(1,840,558)
Recharge of expenses	**(117,512)**	(239,500)
Group companies		
Revenue	**24,771,703**	23,678,211
Other income	**3,890,420**	2,325,349
Finance income	**142,030**	143,629
Recharge of expenses	**(431,148)**	(70,571)
Related parties		
Revenue	**15,118,967**	12,433,774

Related party balances

Year-end balances owed by/to related parties are disclosed in Notes 5, 6, 10 and 12 to the financial statements.

19. Events after the end of the reporting period

Subsequent to year end, the Group obtained a loan of EUR 21.675 million from an international financial institution. Further amounts were also obtained under the loans arrangements referred to in Note 10.

Furthermore, in 2026, the Group acquired three Boeing 777 aircraft and successfully closed a bid to acquire a further two.

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

20. Comparative information

Certain comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

21. Subsidiaries

The subsidiaries as at 31 December are shown below:

Name and registered office	Class of shares	% holding 2025	% holding 2024
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%
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%

Name and registered office	Class of shares	% holding 2025	% holding 2024
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%	99.99%
ACE Aviation XV Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation XVI Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation XVII Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
ACE Aviation XVIII Limited Level 5, Skyparks Business Centre, Malta International Airport Luqa, LQA 4000, Malta	Ordinary shares	99.99%	99.99%
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.

The financial statements of Challenge Aviation Holding Limited are included in the consolidated financial statements prepared by Challenge Aviation Holding Limited and Challenge Aviation Services Limited.

Independent auditor's report

To the Directors 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 2025, 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.

What we have audited

Challenge Aviation Holding Limited's financial statements, set out on pages 4 to 32, comprise:

- the Consolidated statement of financial position as at 31 December 2025;
- 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 statement, 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 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 audits of financial statements in Malta and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have also fulfilled our other ethical responsibilities in accordance with these Codes.

Restriction on distribution and use

We draw attention to Note 1.1 to these financial statements, which describes the basis of preparation. Challenge Aviation Holding Limited prepared a separate set of financial statements for the year ended 31 December 2025 for statutory purposes in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), on which we issued a separate auditor's report to the shareholders of Challenge Aviation Limited dated 26 June 2026.

These financial statements are intended solely for the use of the directors and may not be suitable for another purpose. This report should therefore not be distributed to or used by any other party.

Other information

The directors are responsible for the other information. The other information comprises *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.

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 and those charged with governance 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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.

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 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 those charged with governance 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.

Stephen Mamo

Principal

For and on behalf of

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

21 August 2026