Gama Aviation

# ANNUAL REPORT 2015

We are a multi-disciplinary, global aviation services company which specialise in providing support for individuals, corporations and government agencies; allowing them to deliver on the promises they make.

STRATEGIC REPORT



GOVERNANCE



FINANCIAL STATEMENTS

## / BUSINESS OVERVIEW

Gama Aviation Plc is a global business aviation services company offering our clients a wide portfolio of support services that optimise their time, investment and asset performance.

**Our Journey**
On 5 January 2015 Hangar8 Plc became the legal parent company of Gama Aviation Holdings (Jersey) Limited in a share for share transaction. Subsequent to the transaction, Hangar8 Plc changed its name to Gama Aviation Plc.

The substance of the combination was that Hangar8 Plc acquired Gama Aviation Holdings (Jersey) Limited in a reverse takeover. The results of the Group for the period ended 31 December 2015 comprise the results of Hangar8 Plc for the period from 5 January 2015 to 31 December 2015 and those of Gama Aviation Holdings (Jersey) Limited from 1 January 2015 to 31 December 2015. Except where stated otherwise, the comparative figures for the Group are those of Gama Aviation Holdings (Jersey) Limited for the year ended 31 December 2014.

**Our Business**
Gama Aviation Plc ("Gama Aviation", "Gama", the "Group"), is a global business aviation services company offering our clients a wide portfolio of support services that optimise their time, investment and asset performance.

The business focuses on those sectors where such support is fundamental. From large multinational corporations to small enterprises, to high net worth individuals, to the military, police forces and healthcare providers, all are connected by the need to optimise their time, investments and asset performance.

Our service portfolio has been designed to achieve this. Our 'Air' business supports flight operations; while 'Ground' provides critical infrastructure and maintenance support. This allows our clients to outsource non-core competencies and receive the benefits of doing so through the greater productivity of our scale, breadth of coverage and experience and depth of capability and that our knowhow can bring. Our service portfolio can be summarised as:

### Air

**Aircraft & fleet management**
Provides the operational management and control of the asset(s) for clients wishing to outsource their flight departments.

**Special mission support**
Provides the operational management and control of the assets for specialist fleet users such as the emergency services, critical infrastructure providers, civil intelligence agencies and civil/military partnerships.

**Logistics support**
Manages the transport of critical skills, components and support areas poorly served by the commercial airlines.

**Charter**
Provides 'on demand' tailored air transportation to charter clients utilising the spare capacity on our managed aircraft. This allows our charter clients to optimise their time, avoiding airport and scheduled carrier delays whilst allowing our management clients to defer costs and optimise asset performance.

### Ground

**Maintenance**
Provides base and line maintenance support for aircraft. Focused on optimising asset performance and reducing aircraft downtime.

**Design & modification**
Enhances the use and mission capability of aircraft, extending asset life and utility.

**Fixed base operations (FBO)**
Enhances airport utility by providing business aviation infrastructure and operational management.

**Software**
Enhances third party FBO and flight management departments by improving the efficiency, accuracy and the speed of response to their clients.

# / 2015 HIGHLIGHTS

**Financial Results:**
Gama Aviation Plc is pleased to report the highlights of its maiden financial results for the 12 months ended 31 December 2015.

When Gama Aviation was admitted to AIM on 5 January 2015, the admission documents and stock market research generally applied a rate of exchange of $1.6 to £1 in determining Gama Aviation's anticipated financial performance. Accordingly, and in order to provide stakeholders with both consistency and an appropriate analysis of its results, the Board has included below highlights of both its audited financials for the 12 months ended 31 December 2015 together with those derived from applying a constant currency rate of $1.6 to £1.

**Financial Highlights:**

**Revenue[2]**
**$413.1m**

**Gross Profit[2]**
**$62.4m**

**Adjusted EBITDA[3]**
**$20.9m**

| ***Constant currency*** | December 2015 | December 2014 (Pro-forma basis)[1] | Change |
|---|---|---|---|
| Revenue[2] | $413.1m | $359.0m | 15.1% |
| Gross Profit[2] | $62.4m | $48.9m | 27.6% |
| Gross Profit Margin[2] | 15.1% | 13.6% | 10.9% |
| Adjusted EBITDA[3] | $20.9m | $9.8m | >100% |
| Adjusted EBITDA Margin[3] | 5.1% | 2.7% | 86% |
| Adjusted Profit before tax[4] | $7.2m | ($27.4m) | n/a |
| Adjusted EPS[5] | $41.75c | $14.88c | >100% |

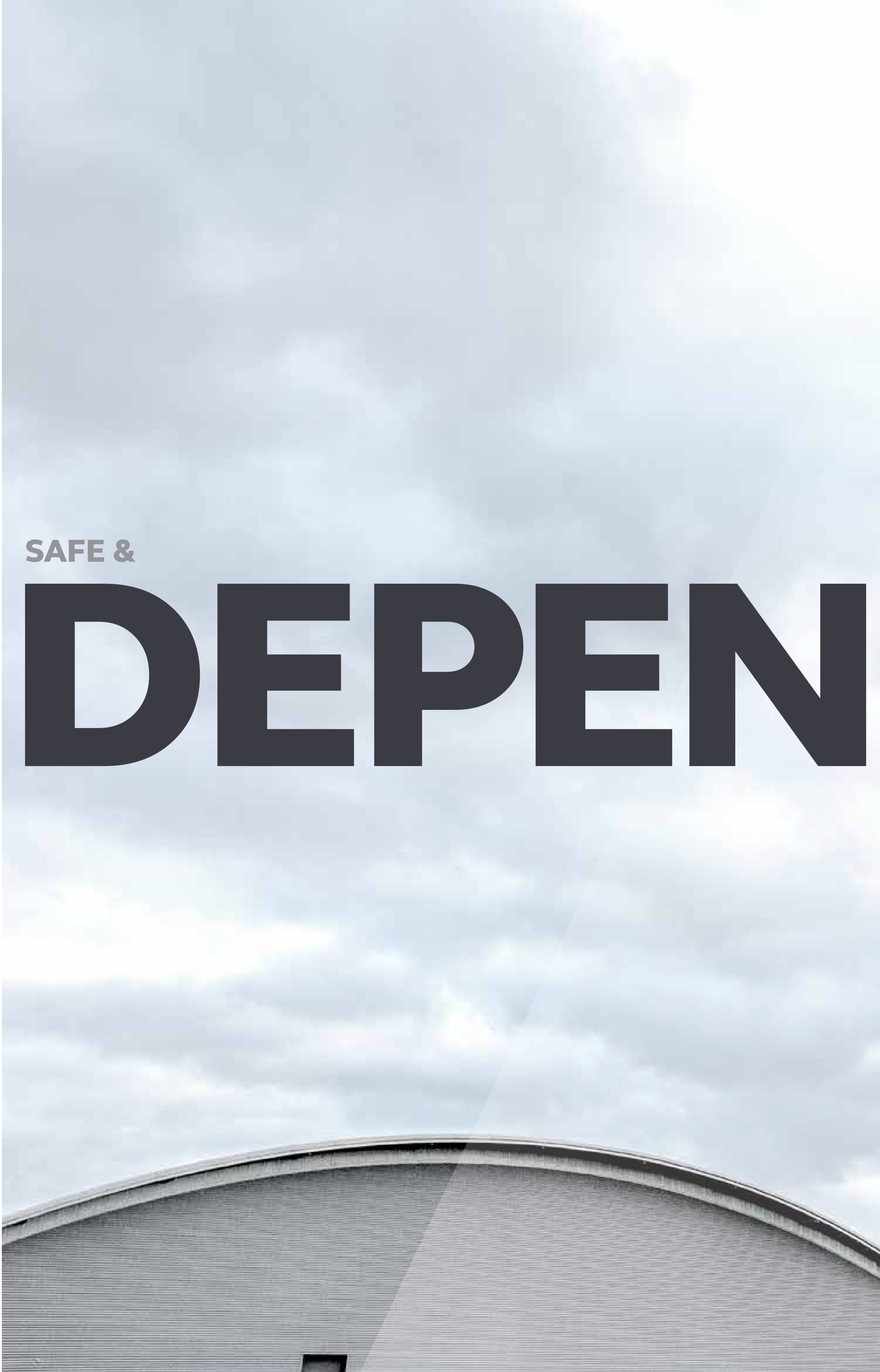
1 Calculated using the Hangar 8 figures for the twelve months ended 31 December 2014 and the Gama figures for the twelve months ended 31 December 2014.
2 Including 100% of the results of Gama Aviation's Associate in the US and Joint Venture in Hong Kong.
3 Adjusted EBITDA is arrived at by taking operating profit before depreciation, amortisation, and exceptional items.
4 Adjusted Profit before tax is arrived at before exceptional items.
5 Earnings used in the Adjusted EPS calculation are the profit attributable to ordinary shareholders adjusted for exceptional items and amortisation.
All results above are for continuing operations and calculated at a constant foreign exchange rate of $1.6 to £1.

The results below are the Gama Aviation Plc statutory numbers and therefore the revenue and gross profit figures exclude the results of Gama Aviation's associate in the US and the joint venture in Hong Kong and are not calculated on a constant currency basis.

| ***Statutory*** | December 2015 | December 2014 (Pro-forma basis) | December 2014 (Gama only) |
|---|---|---|---|
| Revenue | $236.0m | $285.7m | $168.6m |
| Gross Profit | $51.6m | $46.4m | $30.9m |
| Gross Profit Margin | 21.9% | 16.3% | 18.3% |
| Reported Operating Profit/(Loss) | $9.4m | ($23.5m) | ($7.7m) |
| Reported Profit/(Loss) before tax | $6.8m | ($27.1m) | ($11.3m) |
| Reported Profit/(Loss) after tax | $9.4m | ($27.6m) | ($11.3m) |
| Reported EPS | $21.28c | ($98.09c) | ($38.55c) |

**Operational Highlights:**

/ Merger integration complete and cost synergies delivered in line with expectations
/ Optimisation initiative under way and progressing well
/ Continued focus on driving efficiencies and margin improvements
/ Strong revenue and margin growth in our US operations
/ Sharjah hangar project launched following airport approval of our proposed development
/ Strategic acquisition opportunities identified for execution in 2016



SAFE &

# DEPEN


DABLE

## / OUR GROWTH STORY

Over 32 years, through changing economic times, we have created a scalable, resilient business that serves the aviation needs of individuals, corporations, the military, healthcare providers and other special mission entities around the world, every day.

**1983**

Gama Aviation is founded by Marwan Khalek & Stephen Wright

**1991**

Won the Scottish Air Ambulance contract for the first time

**1997**

Acquired Bond Aviation (the King Air operating division) from Bond Helicopters

**2004**

Won the Scottish Air Ambulance contract for the second time

**2008**

Acquired PrivatAir, starting our US operations

**2008**

Initial contract for the Ministry of Defence Shadow programme signed

**2008**

Acquired Airops Software Ltd

**2010**

AOC awarded in the UAE

**2011**

Full FAA maintenance approval granted in the US

**2012**

Acquired Ronaldson Airmotive Ltd expanding our engineering services

**2012**

Won the Scottish Air Ambulance contract for the third time

**2012**

Won the first of two major US maintenance contracts

**2013**

Wheels Up contract is signed

**2013**

A new FBO and hangar facility is opened in Glasgow

**2014**

A new FBO facility is opened in Sharjah, UAE

**2015**

Gama Aviation Plc is created from the merger with Hangar8 Plc, and listed on AIM

**2015**

A second hangar is opened for SCOTSTAR operations in Glasgow

**2015**

Joint venture agreement with Hutchison Whampoa

## / OUR VISION

To be demanded and trusted by our clients, valued by our shareholders, prized by our people and admired by our peers.

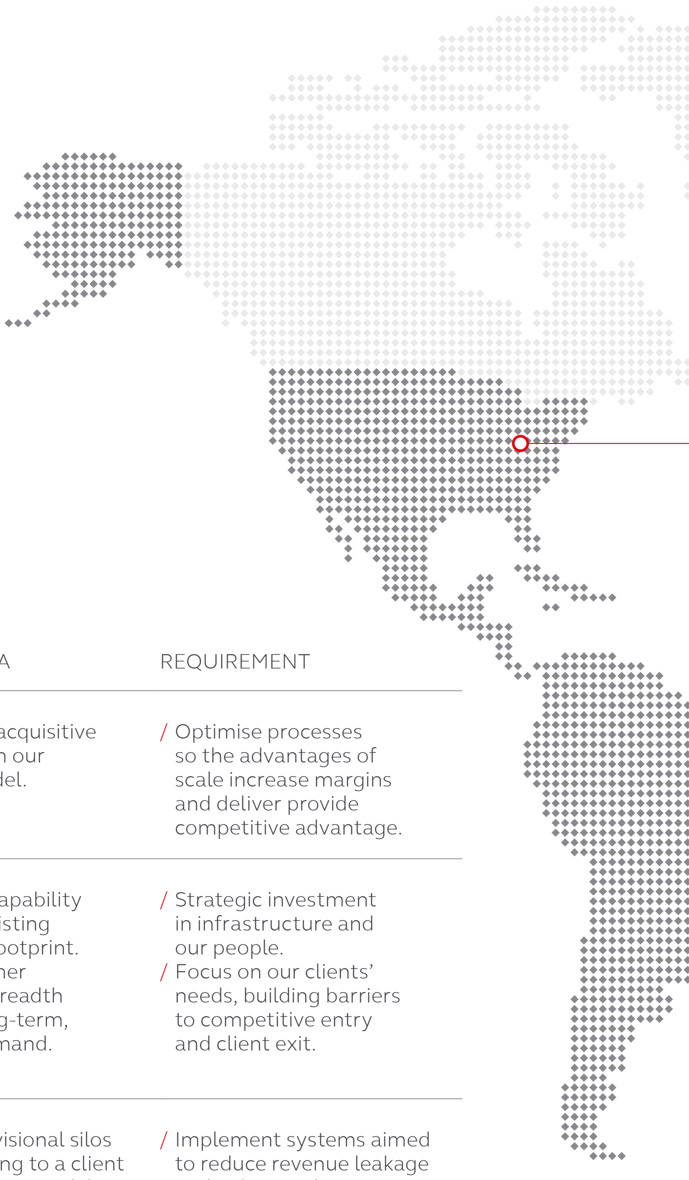
## / STRATEGY

Our strategy is to become a global leader in business aviation by:

/ Building organically. We will deliver sustainable and profitable organic growth using our scale, breadth and depth to grow the value of new and existing client relationship.

/ Consolidating the market. We will deliver sustainable and profitable growth via acquisition, deepening our service offer while leveraging our existing breadth & depth.

We will achieve this by focusing on three imperatives.



| STRATEGY | APPROACH | DELIVERED VIA | REQUIREMENT |
|---|---|---|---|
| **Imperative one:** SCALE | Grow our air & ground business to leverage scale for competitive advantage. | / Organic and acquisitive growth within our business model. | / Optimise processes so the advantages of scale increase margins and deliver provide competitive advantage. |
| **Imperative two:** BREADTH | Grow our capability to meet our clients' needs now and in the future. | / Developing capability within our existing geographic footprint.<br>/ Building further geographic breadth based on long-term, client-led demand. | / Strategic investment in infrastructure and our people.<br>/ Focus on our clients' needs, building barriers to competitive entry and client exit. |
| **Imperative three:** DEPTH | Maximise the potential value from every client engagement. | / Removing divisional silos by transitioning to a client centric business model.<br>/ Understanding each market segment's value chain.<br>/ Greater emphasis on life-time value and client relationship management. | / Implement systems aimed to reduce revenue leakage and enhance client life-time value.<br>/ Focus on client needs (unmet and met). |

## United States

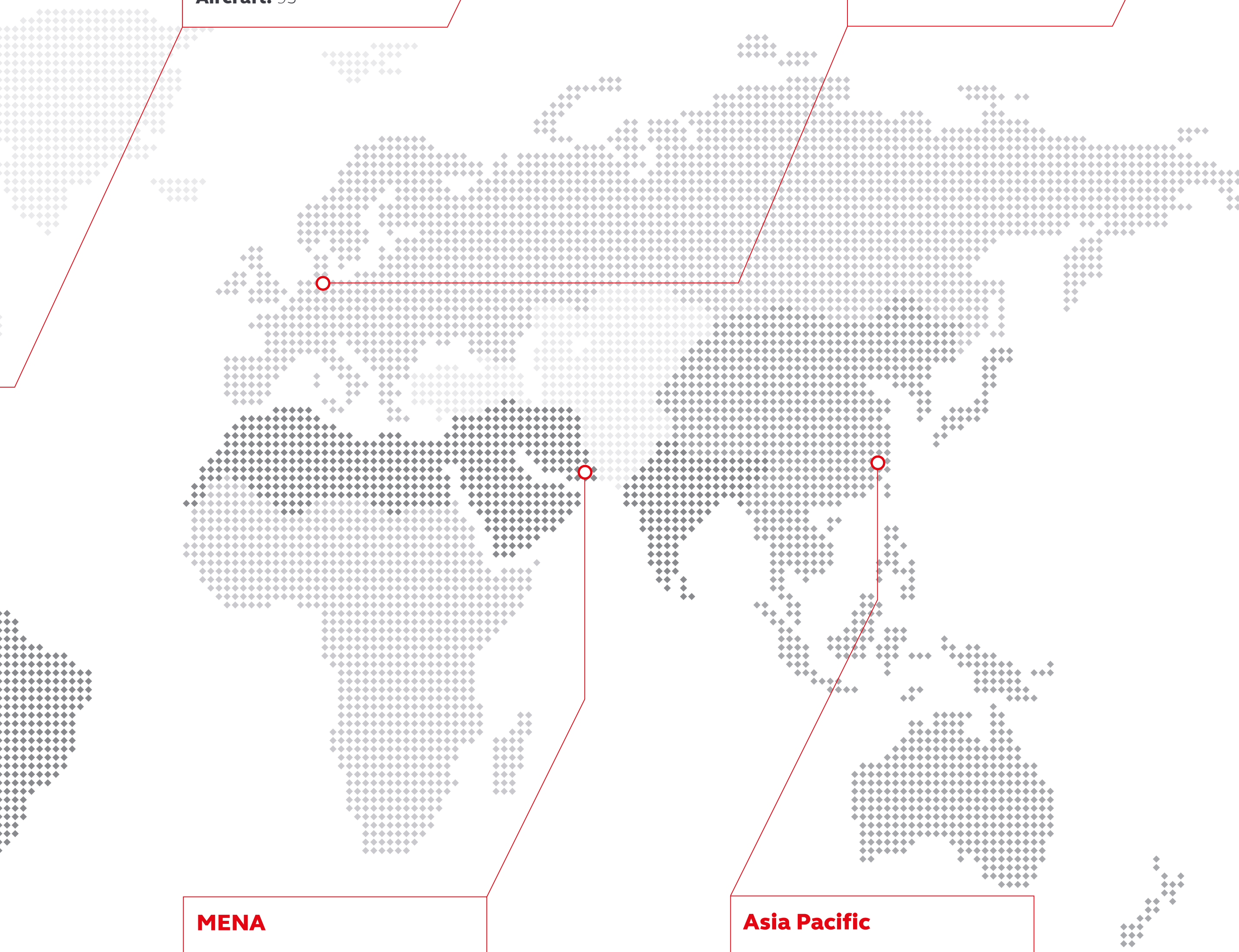
The world's largest business aviation market. We have built a comprehensive offer incorporating coast-to-coast maintenance cover as well as aircraft management and charter services. This ideally positions us to service large fleet owners and individual retail clients.

**Aircraft:** 93

## Europe & Africa

The world's second largest business aviation market. Our strength is our UK base coverage and maintenance disciplines serving a wide spectrum of clients from the military to weekend aviators.

**Aircraft:** 44



## MENA

Tourism, oil wealth, security concerns and the probable lifting of sanctions in Iran all present excellent opportunities in this dynamic market. Our established presence, strong partners and strategic approach point to growth in the main areas of our business.

**Aircraft:** 7

## Asia Pacific

The APAC region has become a driver of growth for the world economy. Our joint venture with Hutchison Whampoa positions us to capitalise on the long term growth opportunity the region presents. This is already evidenced in the successful start made by the Air business.

**Aircraft:** 3

## / OUR BUSINESS MODEL

Our business model has shown resilience and the ability to grow, internationally, across a wide variety of client sectors.

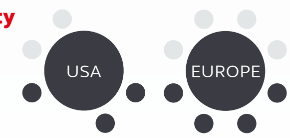

**Start-up**


/ Initial investment required to establish brand and initiate customer relationships.
/ Initial focus on air operations only.
/ Lower margins due to cost growth.

**Scaling**


/ Managed fleet starting to scale.
/ Expansion of ground operations.
/ Positive and increasing EBITDA margins as fixed costs are distributed across platform.
/ Ability to support larger and more comprehensive contracts.
/ Ability to begin cross selling air and ground services.

**Maturity**




/ Each new aircraft adds to earnings.
/ Combination of management and engineering revenue.
/ Significant cross-selling of services between the air and ground offers.
/ Long-term contracts.

## Air operations

Our Air business is a classic outsourcing model where our clients benefit from the Group's accumulated expertise, a 24/7/52 service and economies of scale driven by over $2.5 billion in managed aviation assets.

The Air team, with the AIROPS software platform, is built to manage large numbers of fleet movements efficiently, globally, around the clock. Every client whether they have a single aircraft for business use, or operate a large fleet, or have specialist service needs such as the police or ambulance benefit from this platform.

Typical services offered by the Air team are:

**Aircraft management**
This is an asset management based service for aircraft (or fleet) owners, responsible for a wide cost base such as fuel and insurance, crew and maintenance.

**Aircraft charter**
If an owner wishes to charter their aircraft, the charter teams look to sell capacity. This provides the owner with extra revenue and defers some of the costs of ownership.

**Special mission**
As with aircraft management, this allows the outsourcing of the aviation component of the mission, benefiting government departments through our established systems and economies of scale.

**Logistics**
This provides contract air services to 'blue-chip' corporations with international subsidiaries or interests in countries poorly served by the major commercial airlines. This enhances the productivity of the company's senior executives and specialists, such as engineers.

## Ground operations

Our Ground business aim is simple; to ensure our clients' aircraft maximize their availability without compromising safety. This applies whether we are refuelling an aircraft or performing a maintenance task.

Typical services offered by the Ground team are:

**Phased or base maintenance**
This refers to the planned engineering required by the aircraft manufacturers and enforced by the local regulator. This work is highly technical and is location specific, requiring investment in tooling and training. We have several centres of excellence for particular types including piston engined aircraft, helicopters, turbo-prop and large business aircraft.

**Line maintenence**
By this we refer to irregular maintenance activities, component failure or simple wear and tear. In many cases these are enough to ground aircraft and need to be dealt with efficiently so the aircraft can complete its commitments. For private clients this can be a mere inconvenience. For the military or aero medical clients this can make a huge operational difference to the men and women on the ground.

**Design & modifications**
Due to safety and regulations any modifications to aircraft go through a rigorous series of processes. Our design and modifications team assist clients such as the UK Ministry of Defence to address their need for specialised adaptions, upgrades and modifications to existing aircraft. In addition they also provide the capability to upgrade or change the role of civil aircraft, increasing their utility and helping preserve their residual value.

**FBOs and other ground services**
The business has two dedicated FBOs; Glasgow and Sharjah. The FBOs cater for parking, hangarage and fuelling of aircraft and the processing of passengers. Uniquely, our facility in Glasgow combines this with the air operations (fixed wing and rotary) of NHS Scotland, a contract we have held for over 25 years with a private business aviation operation.

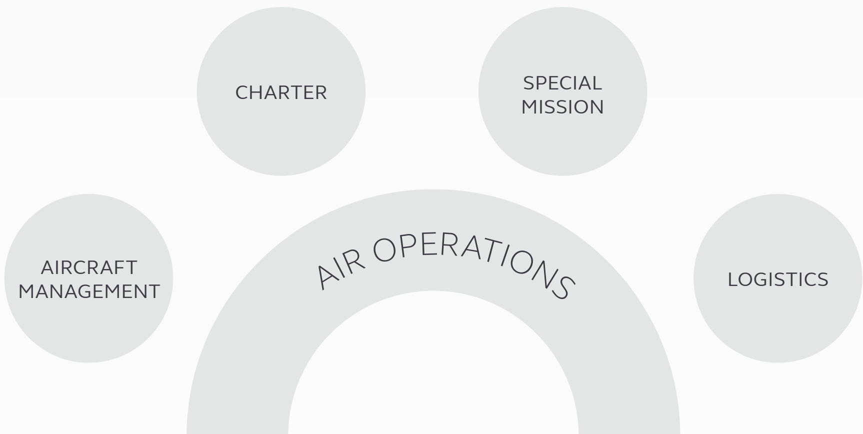
**Airops software**
For over two decades we have built software to run our own operations. Naturally, this has found a market with other operators seeking to improve revenue and optimise cash flow. Airops, through its two software products, powers the flight departments and operations of Dassault and TAG among others.

## Macro trends

**Growth**
Looking beyond any short-term economic ripples, the world's major economies are still destined for GDP growth; meaning demand for business aviation is likely to grow. In addition niche sectors such as special mission and military are providing good growth prospects; particularly with continued instability in parts of the world.

**Regulation**
Business aviation regulation follows that of the commercial operators. This places greater financial pressure on operators who are not large enough to amortise costs over multiple aircraft or lines of business. The regulatory burden to comply with new regulations are likely to put pressure on operations to seek the safe havens of the larger operators, who can implement these changes.

## Air operations




### AIRCRAFT MANAGEMENT

**Strengths**

/ Fleet size and wide diversity of types from the major manufacturers (OEMs).
/ Buying power in key areas such as fuel, insurance and training.
/ Highly skilled employees committed to achieving key performance measures.

**Opportunities**

/ Further consolidation as a consequence of M&A activity and regulatory changes in Europe.
/ Predicted fleet growth within the US, Europe and certain emerging markets.
/ Fleet replacements.

### CHARTER

**Strengths**

/ Wide range of aircraft types available for charter.
/ Ability to service clients globally through our regional network.
/ Ability to cross sell complementary services such as travel.

**Opportunities**

/ Gradual disintermediation of third parties.
/ Technology platforms enable low cost distribution.
/ Single engine operations opening up new volumes in Europe.

### SPECIAL MISSION

**Strengths**

/ Long-term contracts in the UK with a number of special mission operators including medical, police and military services.
/ One-stop-shop ability – from aircraft modifications to flight training.
/ Critical infrastructure funding and delivery from buildings to training aircraft.

**Opportunities**

/ Introduction of the services across multiple territories using the world-renowned reputation of the UK's special mission requirements.
/ Greater cross-selling of services from the design and modification business.

### LOGISTICS

**Strengths**

/ Long-term contracts.
/ Fleet size and make up that allows for sub-lease and long-term contracts.
/ Operational knowledge of working in particular countries.

**Opportunities**

/ Continued dispersion of the manufacturing supply chain to areas of the world poorly served by commercial carriers.
/ Just-in-time manufacturing requires the positioning of expertise and parts to areas of the world poorly served by commercial carriers.
/ Security, safety and crisis evacuation of employees is a covenant between large corporations and specialist employees, something that can be achieved more readily with private aviation.

**Fragmentation**
We are a top five global player but we operate just 0.5% of the US fleet and 1.6% of the European fleet. No single operator has more than a 4% share. 80% of fleet operators in Europe manage two to five aircraft and only nine fleet operators in Europe manage more than 20. This is a perfect market opportunity to create a global leader in business aviation services.

**Competitive position**
Barriers to entry continue to rise as the regulatory burden becomes increasingly costly. However the fragmented nature of the Air market has increased price pressure while lifestyle operators fight for share, offering services at near or below zero margin. Ground, similarly faces over-supply in non-specialist services. Adopting a policy of development (geographically or by specialising) where others are not increases our ability to defend against competitive pressure.

## Ground operations


### IT & AIROPS SOFTWARE

**Strengths**

/ Proprietary code-base developed over the past twenty five years.
/ Two products focused primarily on increasing operator cash flow and efficiency.
/ Integration into a wide variety of other business systems.

**Opportunities**

/ Increased penetration of the US, the largest business aviation market.
/ Industry consolidation will require appropriate systems for managing global fleets across multiple territories.
/ Emerging markets will require multi-lingual versions.

### DESIGN & MODIFICATIONS

**Strengths**

/ First-class pedigree of winning specialist contracts.
/ Holds the coveted DAOS certification, allowing modifications to military aircraft.
/ Retains the IP on a wide variety of modifications for EASA aircraft, all of which have ongoing license revenue streams.

**Opportunities**

/ Military budget cuts require aviation assets to be future-proofed for longer.
/ Increased requirement for specialised modifications for intelligence gathering.
/ Expanding the services across the EASA region based on the contracts won with the world renowned UK military.
/ Increased incidence of re-rolling of aviation assets to increase utility.

### MAINTENANCE SERVICES

**Strengths**

/ Good coverage with multiple types from the major aircraft manufacturers.
/ Multiple services created specifically to exploit the maintenance value chain as a one-stop-shop or best-of-breed model.

**Opportunities**

/ Growth potential across regions underserved by maintenance facilities, such as within APAC.
/ Possible retrenchment of the aircraft manufacturers from aspects of post-sale service.
/ Increased number of post-warranty aircraft coming onto the market as a consequence of aircraft replacements.
/ The need and ability to keep aircraft flying longer to offset lower residual prices to values.

### FBO OPERATIONS

**Strengths**

/ Largely monopoly positions at strategic, 2nd tier airports with excellent access to major cities and key financial centres.
/ Owned bases that provide critical infrastructure at certain locations to support major contracts.
/ Provides a platform for a range of air and ground services to be based from a location.

**Opportunities**

/ Growth potential across underserved by business aviation facilities, such as within airports.
/ Government budget cuts will rely on the private sector to add critical infrastructure to a range of services that require aviation facilities and private aviation.

As we build further scale, breadth and depth into our business, we will maintain our disciplined approach to optimising the growth opportunities we see.

**Chairman's statement**

Throughout my career in aviation, the sector has always been dynamic, with the forces of competition, technology and economic change driving the need to excel. It is a responsibility of the Board to ensure that the company is fit to succeed in this challenging environment.

In 2015 we successfully integrated the Hangar 8 business following a complex reverse takeover whilst continuing to run the existing business. I congratulate our CEO Marwan Khalek and his team for achieving this. In the year, we continued to deliver our organic growth promises whilst also successfully establishing a business aviation joint venture with Hutchison Whampoa to capitalise on the growth opportunities we see in the Asian market.

As we build further scale, breadth and depth into our business, we will maintain our disciplined approach to optimising the growth opportunities we see for the company whilst keeping our focus on meeting the diverse needs of our client base.

With the Board I believe we have the Leadership and Management team to be able to achieve this.

Finally it would be remiss of me not to pay tribute to my fellow Board Directors for their continued insight, engagement and contribution to the business.

The Board is pleased to propose a final dividend of 2.5p per share, subject to shareholder approval at the Annual General Meeting and proposes the approval of a capital reduction as explained in more detail in the financial review.

**Sir Ralph Robins**
**Chairman**


Gama Aviation

# It was a year in which we continued to deliver on our growth strategy, setting ourselves some strong growth targets and delivering against them.

Throughout our thirty two year history we have had many a defining year, none more so than 2015; a transformational year that has seen Gama Aviation make the transition from private to public ownership. It was a year in which we continued to deliver on our growth strategy, setting ourselves some strong growth targets and delivering against them.

I am very pleased to see growth delivered across all regions in a sustainable way, building on our well-established, resilient and balanced business model, thirty two years in the making. Our US business continues to mature whilst enjoying rapid expansion in both the Air and Ground operations. In our mature European business, the reverse takeover of Hangar 8 has allowed us to deliver some growth in our ground operations whilst the backdrop in our European air operations remains very challenging in a slow and flat market. Our Middle East business is making steady progress and our joint venture with Hutchison Whampoa provided the catalyst for the launch of our Asia Pacific operations.

We also delivered on our challenging targets, successfully integrating the Hangar 8 business within 6 months and achieving the anticipated cost synergies in the process. For this to have been done in parallel with delivering our growth and profit targets is particularly pleasing and is a testament to the strength of our senior management team, and I'm grateful to them for their efforts.

**Optimisation initiative**

With the integration of Hangar 8 complete, the focus has shifted to fine tuning and optimising our operational platform so as to drive efficiencies and enhance margins as we continue to scale up and grow our business.

We are also continuing to simplify and optimise our organisational structure so as to ensure that our leadership team continues to have the skills, expertise and bandwidth necessary to drive our growth ambitions in 2016 allowing us to deliver our strategy and vision.

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**Growth strategy**

As part of our well established growth strategy we will continue to pursue both organic and acquisitive growth opportunities.

Organic growth will result from our investment in increased capability and service offering and from rolling this out over a larger geographical footprint in a way that is both profitable and sustainable in the long term.

We have long positioned ourselves as a consolidator in a highly fragmented industry where consolidation is inevitable as evidenced by the increasing levels of M&A activity. With the financial platform we now have to complement our strong operational and business platform, sustainable growth will result from us not only continuing to expand organically but also continuing to make sensible strategic acquisitions that are both value accretive and earnings enhancing.

In 2015, the acquisitive growth was achieved through the reverse takeover of Hangar 8 which saw Gama Aviation's revenues grow by some 20%. The combined business then enjoyed a further 15% of organic growth. Whilst the focus on organic growth will continue into 2016, we expect to see more acquisition opportunity and activity across all regions. These may range from small 'bolt on' acquisitions to larger and more transformational ones. To this end, post year end we were delighted to announce and complete the acquisition of Aviation Beauport which provided us with a strong presence in the Channel Islands. This acquisition not only complemented our existing geographical footprint but also provided us with significant access to the high net worth local residents and aircraft owning business domiciled in Jersey both in respect of aircraft management and charter activities.

**Outlook**

In 2016 we will inevitably see differing challenges and opportunities for our business across the wide geographical footprint that we operate in.

In the US, the outlook is positive with both our Air and Ground operations trading and growing strongly. Our US Air operation continues to gain organic market share through new aircraft additions both in the core management fleet as well as through the Wheels Up contract. Our US Ground business is also set to expand the number of line maintenance locations that we operate from.

However, in Europe the outlook is very different. We expect the gradual softening of the market which has been evident over the past twelve months to continue well into 2016. With a cautious economic outlook and the various political uncertainties, the trading environment remains challenging and consequently, organic growth within our European operations will be at a premium, particularly in our Air operations. This may however be compensated by attractive acquisition opportunities and we will continue to actively pursue these. In the meantime, we are focused on yielding cost efficiencies and margin improvement from our existing business

Our Middle East operations continue to make steady but slow progress. The recent approval by Sharjah airport of our proposed development of a dedicated Business Aviation facility will, in time, deliver the additional scale that is currently lacking in this area.

In the Asia Pacific region, our operation is very much a start-up that continues to develop and perform in line with management expectations.

Overall we believe that 2016 will be a year with both significant opportunities for Gama Aviation but also one which presents certain challenges. We will seek to maximise the opportunities that our developing and growing markets present whilst being acutely aware of the challenges we face in Europe.

**Marwan Abdel-Khalek**
**Chief Executive Officer**

/ CHIEF FINANCIAL OFFICER'S REVIEW

## Adjusted EBITDA for 2015 was up over 100% to $20.9m, in 2014 it was $9.8m on a pro-forma and constant currency basis.

**Revenue**

# $413.1m

**Gross profit**

# $62.4m

**Adjusted EBITDA[3]**

# $20.9m

**Financial review**
Total revenue for the year was $413m (2014: $359m on a pro-forma basis) an increase of 15%, yielding a gross profit of $62m (2014: $49m on a pro-forma basis) at a gross profit margin up 11% to 15% (2014: 14%).

Adjusted EBITDA for 2015 was up over 100% to $20.9m (2014: $9.8m on a pro-forma and constant currency basis).

The revenue and gross profit figures above include 100% of the results of our associate company and our joint venture which are, in accordance with accounting convention, removed for statutory purposes. We have chosen to set out the full, consolidated revenues and gross profit of the Group as the Board believes this gives a more informed view of the underlying global Gama Aviation business. The basis of the EBITDA described above is the EBITDA, derived from statutory profit, adjusted for constant currency.

**Constant currency**
Gama Aviation's reported results are impacted by converting transactions from their natural currency to the Group's reporting currency of US Dollars. The Group's performance is impacted to the greatest extent by the fluctuation of the Pound Sterling and the US Dollar exchange rate.

In order to provide all stakeholders of the business with consistency the Board has included commentary both on its statutory results for the 12 months ended 31 December 2015 together with that derived from applying a constant currency, the latter of which allows the Board to illustrate the underlying performance on a consistent basis outside of exchange rate volatility. A constant currency exchange rate of $1.6 to £1 has been used which reflects the rate of exchange used in the documentation at the time of the admission to AIM.

**Statutory**
On a statutory basis, the revenue is down 17% to $236m (2014: $286m) due to a restructuring of the US region and a transfer of that revenue into the associate. However, the conversion to gross profit on this revenue in 2015 has significantly improved to $51.6m (2014: $46.4m), an increase of 11%.

Adjusted EBITDA generated was up over 100% to $20.4m (2014: $5.9m).

Adjusted PBT increased significantly to $14m, (2014: $3.2m) leading to a substantially improved adjusted EPS which was up over 100% to $39.19c (2014: $5.72c). Reported Profit before tax from continuing operations was $6.9m (2014: $27.1m loss).

**Exceptional costs**
Adjusted EBITDA is stated before exceptional costs of $7.1m, details of which are included within note 4. Of the total of $7.1m exceptional costs, half, $3.5m are transaction costs that were incurred in the first week of the 2015 financial period on the successful transaction with Hangar 8, with the remainder being the one-off costs associated with the integration of Hangar 8 and business re-organisation costs.

**Discontinued operations**
The operating losses incurred on the group's owned aircraft that are deployed on ad-hoc charter are also separated from the underlying EBITDA as this is a legacy element of the business model that the Group has classified as discontinued. The discontinued operations loss for the year was $1.1m.

During the course of 2015 the Group exited 3 of the 5 owned aircraft that were reclassified as held for sale with a $nil profit/(loss) on sale (2014: $nil). The two remaining aircraft are actively being marketed for sale and have a carrying value in the Balance sheet of $3.1m, details of which can be found in note 4.

**Overheads and synergies**
The Group continues to focus on its cost base and on a consolidated pro-forma basis, the underlying overheads, once the exceptional costs, depreciation and amortisation have been stripped out have decreased by 1% to $39m (2014: $40m). Against this, gross profit on a consolidated basis pro forma basis has risen 38%.

The Group has realised the anticipated synergies from the acquisition of Hangar 8 that were expected to flow through in the second half of 2015.

**Cash**
The cash position at the year-end is up 70% at $8.5m (2014: $5m). As disclosed in the half year numbers, the Directors have undertaken a review of the legacy Hangar 8 trade receivables on acquisition and made appropriate provisions according to our assessment of their recoverability and fair value. Based on a review of their payment history a provision for doubtful debts was made for $6.1m taken as fair value adjustments. No further impairments have been made in respect of trade receivables in the second half of the year. This impairment has had an impact on the Group's cash balance.

The Group had anticipated the sale of the two remaining assets held for sale in the second half of 2015 which should realise net $3m. We are expecting these sales to take place in the coming months.

**Dividend**
The Group retains its desire to maintain a progressive dividend policy and is in the process of a capital reduction exercise in conjunction with its advisers so as to enable the Group to be in a position to pay a dividend. The payment of dividends in the future will be determined by the Group's performance, the net cash balance, and investment plans for the development of the Group.

Shareholder approval will be sought at the next AGM on June 2, 2016. Subject to gaining the necessary approval from the shareholders and the Court, the directors recommend paying a dividend of 2.5p per share (For the year ending 30 June 2014, Hangar8 Plc paid a dividend of 2.3p per share on 19 January 2015).

**Fair value update**
Management performed a final review of the opening Hangar 8 balance sheet for the year end and have made a further $7.2m of fair value adjustments. Further details are provided in note 26. The result of this adjustment is an increase in the goodwill figure by a corresponding amount.

**Principal risks and uncertainties**
The directors consider the principal risks to the business are:

- Poor operational performance or air accident damaging the Group's reputation
- Changes in economic climate that make private air transport less attractive
- Increasing regulatory burden and costs of compliance
- Foreign exchange risk

**Damage to Group's reputation**
The Group's reputation for safety, reliability and high service standards is essential for maintaining customer loyalty and ensuring premium pricing levels. The Group has systems and monitoring processes in place to ensure that it maintains high standards across all aspects of the Group, including customer-facing crew as well as back-office operational staff. The Group carefully reviews any deviations from these standards and implements changes to prevent recurrence.

**Changes in economic climate**
The Group offers air transportation services that provide far greater flexibility, discretion and levels of service than is possible with general aviation services. The directors recognise that in a recessionary economic climate there may be pressure on customers to reduce their use of private aviation services. The directors mitigate this risk by regularly reviewing current and anticipated activity levels and reducing the Group's cost base accordingly.

**Regulatory burden and costs of compliance**
To ensure very high levels of safety, the aviation industry has significant and complex regulation to cover training, engineering, safety and operations. Breaches of regulations are likely to lead to sanctions such as suspension of operations or other restrictions. The directors believe that the regulatory burden is likely to increase over time and have members of staff dedicated to liaising with the various regulatory bodies. In addition, staff are regularly trained and appraised to ensure their understanding and compliance.

**Foreign exchange risk**
Due to the nature of the financial instruments used by the Group there is no exposure to price risk. The Group's activities expose it to the financial risks of changes in foreign currency (primarily sterling, US Dollars and euro) and interest rate changes. The Group does not use derivative financial instruments to hedge these risks. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

**Financial risk management objectives and policies**
The Group's principal financial instruments comprise:

/ Bank balances;
/ Trade payables;
/ Trade receivables; and
/ Other borrowings.

The main purpose of these instruments is to raise and maintain sufficient funds to finance the Group's operations. Due to the nature of the financial instruments used by the company there is no exposure to price risk. Fuel price risk is passed to customers directly via their monthly recharges. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

**Bank balances**
The Group has a formal overdraft facility with its principal banker in the UK, RBS. Most of the trading entities within the group have multiple bank accounts to include Sterling, Euro and US Dollars, allowing them to invoice and receive funds in the same currency giving them an ability to be foreign currency neutral from a cash flow perspective.

General liquidity risk is managed by maintaining weekly cash forecasts to ensure positive cash balances.

**Trade payables**
Trade payables liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

**Trade receivables**
Trade receivables are managed in respect of credit and cash flow by regular review of aged receivables and our customers' credit rating. Cash flow risk is mitigated by requiring up-front payment for much of the Group's work and short credit terms for all other customers. Provisions are made against any amount for which the recoverability is uncertain.

**Other borrowings**
Risks associated with borrowings relate principally to liquidity and interest rate risk. The Group manages the liquidity risk by ensuring there are sufficient funds to meet payments through the preparation of weekly cash forecasts. Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

**Kevin Godley**
**Chief Financial Officer**

## / **REGIONAL PERFORMANCE** / UNITED STATES

All of the regional performance information is shown on a constant currency basis and the numbers in brackets are reflective of their respective gross profit and EBITDA margins.

### Air

US Air enjoyed remarkable growth with the continued success of the core management business, the Wheels Up program and underlying market optimism for business aviation. Importantly this growth has been delivered whilst maintaining service delivery that our US clients have come to expect from the brand. New fleet additions on high-volume charter routes further enhanced the Division's performance and contributed to an overall year-on-year margin improvement.

**Services**
/ Aircraft management
/ Charter

**Constant currency**

**Revenue**
$179.5m

**Gross profit (7.9%)**
$14.2m

**Adjusted EBITDA (2.9%)**
$5.2m

**Trading outlook 2016**
Growth

### Ground

The Ground business continued to exploit a niche through its mobile team operating from seven fixed bases. In total the team flew and drove 1.5 million miles, fixing existing client and third party aircraft. Backed by two five-year contracts for providing this service, it is a stable platform for further growth, that fulfils a gap in the market left by the Original Equipment Manufacturers (OEM).

**Services**
/ Maintenance services
/ FBO operations

**Constant currency**

**Revenue**[1]
$10.7m

**Gross profit (45.8%)**
$4.9m

**Adjusted EBITDA (20.6%)**
$2.2m

**Trading outlook 2016**
Growth

1 The US ground business generated a revenue of $20.7m in the full year 2015. $9.9m of this revenue is removed on consolidation as this relates to intercompany trading between the US Air and Ground operations.

### Total performance

**Revenue**
$190.2m

**Gross profit (10%)**
$19.1m

**Adjusted EBITDA (3.9%)**
$7.4m

# Significant organic growth based on a proven, scalable platform

## / **REGIONAL PERFORMANCE** / EUROPE & AFRICA

All of the regional performance information is shown on a constant currency basis and the numbers in brackets are reflective of their respective gross profit and EBITDA margins.

**Air**
This Division was the one most affected by the integrations of the Hangar 8 business creating a demanding operating environment A robust review was carried out in late 2015 to reduce the number of underperforming inherited contracts and also to optimise the departmental structure within Europe Air. The market remains challenging.

**Services**
/ Aircraft management
/ Charter
/ Special mission
/ Logistics

**Ground**
EU Ground performed strongly, with little impact from the integration, having consolidated the UK engineering businesses the year before. Additional capabilities created from the acquisition utilising the Oxford maintenance base enhanced the services offered and our ability to increase earnings from contracts held elsewhere in the business.

**Services**
/ IT & Airops software
/ Design and modification
/ Maintenance services
/ FBO operations

| Constant currency | Constant currency | Total performance |
|---|---|---|
| Revenue $142.5m | Revenue $47.6m | Revenue $190.1m |
| Gross profit (9.9%) $14.1m | Gross profit (53.4%) $25.4m | Gross profit (20.8%) $39.5m |
| Adjusted EBITDA (1.5%) $2.1m | Adjusted EBITDA (31.7%) $15.1m | Adjusted EBITDA (9%) $17.2m |
| Trading outlook 2016 Challenging | Trading outlook 2016 Stable | |

# A positive overall performance despite challenges in the Air Division


BORLiT
FOR INDICATION ONLY

All of the regional performance information is shown on a constant currency basis and the numbers in brackets are reflective of their respective gross profit and EBITDA margins.

### Air

MENA Air remains in the scaling phase and has yet to reach maturity. However the indications are positive with a healthy pipeline developed for 2016. Charter traffic remains cyclical and there is a need to encourage more aircraft on to the AOC. There are also opportunities for special mission services (particularly aero-medical) given the socio-economics and geopolitics of the region.

**Services**

- Aircraft management
- Charter

### Ground

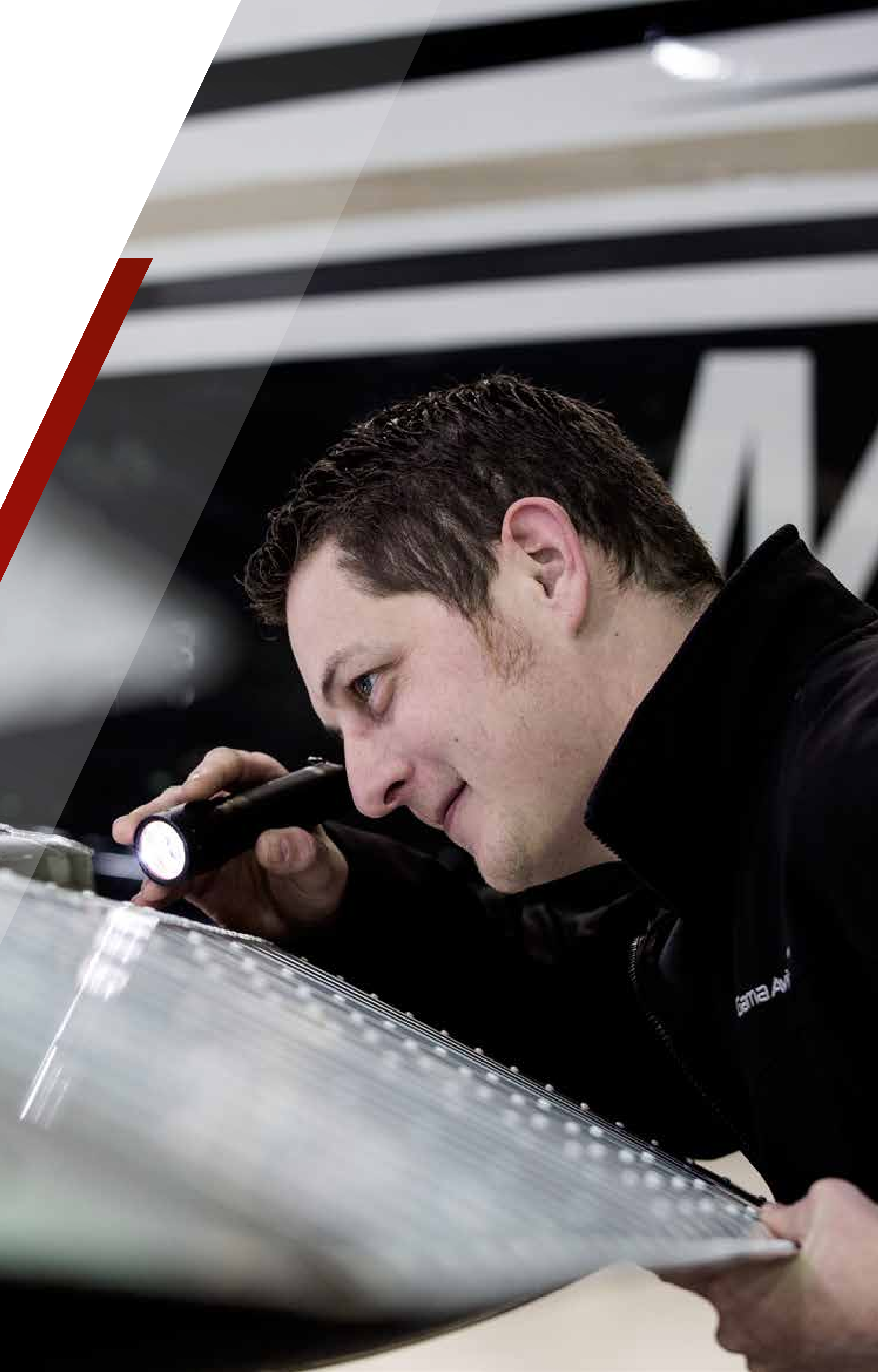
Although in the start-up phase, the Ground division provided signs of potential growth. An upgrade of the hangar facilities will provide the capability to capitalise fully on the opportunity.

**Services**

- Maintenance services
- FBO operations

| | Air – Constant currency | Ground – Constant currency | Total performance |
|---|---|---|---|
| Revenue | $21.4m | $3.7m | $25.1m |
| Gross profit | (6.5%) $1.4m | (32.4%) $1.2m | (10.4%) $2.6m |
| Adjusted EBITDA | (-0.1%) ($0.2m) | (-5.4%) ($0.2m) | (-1.6%) ($0.4m) |
| Trading outlook 2016 | Growth | Stable | |

# Well placed to scale up and drive towards profitable growth



## / REGIONAL PERFORMANCE / ASIA PACIFIC & CHINA

All of the regional performance information is shown on a constant currency basis and the numbers in brackets are reflective of their respective gross profit and EBITDA margins.

**Air**
A strong start from the Air Division as three aircraft were bought into the managed fleet within six months. This success required a focus on the operational side of the business; however a strong pipeline remains.

**Services**
/ Aircraft management
/ Charter

**Ground**
The Ground division is still at the exploratory stage with various opportunities under consideration. The Group expects the division to be revenue generative towards the end of 2016.

**Constant currency**

Revenue
**$6.5m**

Gross profit (4.6%)
**$0.3m**

Trading outlook 2016
**Growth**

**Constant currency**

Trading outlook 2015
**Start-up**

**Total performance**

Revenue
**$6.5m**

Gross profit (4.6%)
**$0.3m**

# A great start enhancing our brand; attracting prospective clients

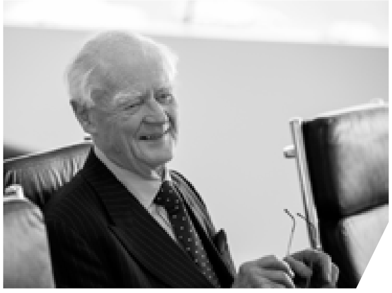

WARNING

# CONTINUALLY DEVELOPING OUR
# EXPE


RTISE

## / BOARD OF DIRECTORS

The right mix of expertise to support growth.



**Sir Ralph Robins**
**Chairman**

Sir Ralph graduated from Imperial College, London and joined Rolls-Royce as a graduate apprentice in 1955. He served on the Board of Rolls-Royce for 20 years as Managing Director from 1984, Deputy Chairman from 1989 and latterly as Executive Chairman from 1992-2003. He has also served as Chairman of Cable & Wireless plc and as a Director of Standard Chartered plc, Schroders plc and Marks & Spencer plc. Sir Ralph is a former Chairman of The Defence Industries Council and former President of The Society of British Aerospace Companies. He is a Fellow of The Royal Academy of Engineering, a Fellow of Imperial College, an Honorary Fellow of The Institute of Mechanical Engineers and an Honorary Fellow of the Royal Aeronautical Society.

**Marwan Abdel-Khalek**
**Chief Executive Officer**

Marwan is Chief Executive Officer of Gama Aviation Plc. He is a successful entrepreneur with a proven record of building value through organic and inorganic growth, as evidenced by the scale of Gama Aviation's development over the last three decades. Gama Aviation's growth, over a period marked by a number of profound economic recessions, has resulted in it becoming a leading global aviation services group. He graduated with a BEng in Civil Engineering from the University of London. Marwan is also Chairman of the BBGA.

**Captain Stephen Wright**
**Executive Director**

Stephen co-founded Gama Aviation together with Marwan Khalek in 1983. He has been fundamental to the institution of a number of process improvements that have been commended by regulators and industry auditors alike. Stephen retains a flying role both on the line and in training, regularly flying helicopters and fixed wing aircraft. His flying duties have placed him in regular contact with a wide variety of clients, allowing him to have a direct, qualitative understanding of their needs and requirements.

**Kevin Godley**
**Chief Financial Officer**

Kevin is a chartered accountant who qualified with Moore Stephens LLP and has been with Gama Aviation since January 2013. In his role as Group Financial Controller, he was a key member of the senior management team that worked towards the merger of Hangar 8 and Gama Aviation.

**Nigel Payne**
**Non-Executive Director**

Nigel has 30 years' experience at board level, covering a wide range of industries: advertising, manufacturing, distribution, retail, finance and e-commerce. Nigel has had wide-ranging exposure to various types of corporate activity including acquisitions, flotations and fundraising. Nigel was Chief Executive of Sportingbet UK plc between 2000 and 2006 and since 2006 has been a Non-Executive director of Hangar 8. Between 1995 and 2000 Nigel was group finance, business development and IT director of Polestar Magazines, the largest independent printer in Europe (operating in 19 countries). Between 1993 and 1995 Nigel was finance and IT director of Home Brewery plc, a subsidiary of Scottish & Newcastle plc.

**Peter Brown**
**Non-Executive Director**

Peter is a chartered accountant with 25 years' experience at board level in the leisure and travel industry. He adds complementary skills to Gama Aviation's founding directors, having been CEO of a major British leisure airline and managing the mergers, acquisitions and group finance functions of a variety of service companies. Peter graduated from University College Cardiff with a BSc in Economics.

**Michael Peagram**
**Non-Executive Director**

Michael qualified as a chemist at Oxford University and subsequently obtained an MBA from Manchester Business School. His initial industrial career in various management roles was at Pfizer and Croda, where he was Managing Director of the Chemical Division. He turned round and built up the Holliday Chemicals Group, which floated on the Main Market of the London Stock Exchange in 1993 and was subsequently sold to Yule Catto in 1998 where he was Deputy Chairman until 2007. He has experience as Chairman and Director of a number of other publicly listed and private SMEs. Michael also served on the Council for Management Studies at Oxford University (Said Business School) from 1991 to 2009.

**George Rolls**
**Non-Executive Director**

Over the last 28 years, George has been a director, manager and adviser to many private companies in a variety of sectors such as manufacturing, publishing and print media, technology and consumer products. Earlier in his career, George spent several years in Australia, primarily working in trading and insurance, before returning to the UK where he founded Beaufort Securities of which he was a director between 1992 and 2006. Since selling Beaufort Securities in 2008, George has acted as a consultant for private high net worth individuals and more recently has been involved with the launch of a software technology fund. George is a trustee of the Geoffrey de Havilland Flying Foundation and was formerly the Honorary Secretary of The Air Squadron. He holds a current helicopter pilot's license and has a keen interest in aviation.

The company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The Board of Gama Aviation complies with the provisions of the Financial Reporting Council's Corporate Governance code insofar as it considers them to be appropriate to a company of its size and nature. The company has not adopted the code and makes no statement of compliance with the code overall and does not explain in detail any aspect of the code which they do not comply with.

**Board of Directors**
The Board is responsible for guidance and direction, playing its role in reviewing strategy, monitoring performance, understanding risk and reviewing controls. It is collectively responsible for the success of the Group.

The Board is made up of three executive and five Non-Executive directors and has the appropriate balance of skills, experience independence and knowledge of the company to enable it to discharge its duties effectively.

The Non-Executive directors are independent of management and do not participate in the Group's bonus, pension or benefit schemes although they may hold shares.

The Board meets at least ten times a year and has a formal schedule of matters specifically referred to it for decision, as required by the Companies Act. In addition to these matters, the Board will also consider strategy and policy, acquisition and divestment proposals, approval of major capital investments, risk management policy, significant financing matters and statutory shareholder reporting. During the year, all Board meetings were convened with a formal agenda, relevant documentation and documented minutes and were attended by Board members in office at the time of the meetings. To enable the Board to discharge its duties, all directors receive appropriate and timely information and the Chairman ensures all directors, including the Non-Executive directors, may take independent professional advice at the Group's expense if required.

**Audit Committee**
The Audit Committee is chaired by Peter Brown, supported by Nigel Payne and Michael Peagram, who are deemed by the Board to have recent and relevant financial expertise. The meeting minutes are circulated to the Board at the next available Board meeting, at which the Audit Committee Chairman provides a verbal report of the committee's proceedings.

Under its terms of reference it must meet twice a year and is responsible for keeping under review the internal controls of the company, the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors. The Group currently has no internal audit function but the Audit Committee will keep this under review with a view to adding this function as the business grows. The Group's auditors may provide additional professional services and in line with its terms of reference, the Audit Committee continually assesses their objectivity and independence.

**Remuneration Committee**
The Remuneration Committee is chaired by Nigel Payne, supported by Peter Brown and Michael Peagram. The meeting minutes are circulated to the Board at the next available Board meeting, at which the Chairman provides a verbal report of its proceedings.

Under its terms of reference it must meet twice a year and is responsible for ensuring that the executive director and officers and other key employees are fairly rewarded (which extends to all aspects of remuneration) for their individual contribution to the overall performance of the Group. No director is involved in deciding their own remuneration. A detailed remuneration report is included on pages 35 to 37.

**Nomination Committee**
The Nomination Committee is chaired by Sir Ralph Robins, supported by George Rolls and Michael Peagram. The meeting minutes are circulated to the Board at the next available Board meeting, at which the Chairman provides a verbal report of its proceedings.

Under its terms of reference it must meet twice a year and is responsible for ensuring the composition of the Board, retirements and appointments of additional and replacement Directors and makes appropriate recommendations thereon to the Board.

**Corporate & Social Responsibility Committee**
The Corporate & Social Responsibility Committee is chaired by George Rolls, supported by Sir Ralph Robins and Peter Brown. The meeting minutes are circulated to the Board at the next available Board Meeting, at which the Chairman provides a verbal report of its proceedings.

Under its terms of reference it must meet twice a year and is responsible for ensuring that the company continues to meet its commitments as to how we conduct our business, how we look after our people, and how we connect with our community and the wider environment.

# / DIRECTORS' REMUNERATION REPORT
## / FOR THE YEAR ENDED 31 DECEMBER 2015

Below is set out the annual report of the Remuneration Committee ("the Committee"). The report comprises a description of how the Committee operates; a brief overview of the remuneration policy; and details of compensation paid to the Board of Directors within the financial year.

On Admission to AIM the Committee reviewed the remuneration of the Executive Directors in order to align their interests with shareholders in terms of value creation in the crucial post-listing period, with a broader review of remuneration policy to follow during the year. This review was undertaken during the Spring of 2015 with a view to ensure remuneration levels set were competitive, recognised the skills and experience of the Executive Directors and reflected the Company's status on AIM. The Committee further reviewed the operation of variable incentive plans to ensure they have the correct link between performance and reward.

As a result of this review the Committee proposed some changes to the operation of the policy for 2016, which are summarised below:

- Increases to certain base salary levels which set them in line with equivalent roles at companies of a similar size and complexity, recognising the capabilities and strong performance in role to date;
- Introduction of a market rate pension contribution;
- Setting of a broad framework for annual bonus targets to be set by reference to each individual's salary, with performance assessed against financial measures commensurate with shareholder value; and
- Re-basing the fees paid to Non-Executive Directors, in some cases reducing them, reflecting the time commitments as an established AIM-listed company.

The Committee is satisfied that the revised remuneration policy operates in such a way as to incentivise Company growth and development, and reward for strong performance. The first annual award of performance shares and bonus payments will be introduced in the 2016 financial year, and this will further serve to align Directors' interests with those of the Company and its shareholders.

**Remuneration Committee Report**

The Committee is appointed by the Board, and is formed solely of Non-Executive Directors. In the year the Committee was chaired by Nigel Payne; the other members of the Committee were Peter Brown and Michael Peagram. The Committee met three times during the year and all Committee members attended the meetings.

Other members of the Board of Directors are invited to attend meetings when appropriate, but no director is present when his or her remuneration is discussed. MM&K and New Bridge Street ("NBS"), provided advice to the Committee during the year. NBS is a signatory to the Remuneration Consultants' Group code of conduct and has no other connection with the Company other than in the provision of advice on remuneration.

The Committee's principal duties are as follows:

- To review and make recommendations in relation to the Company's senior executive remuneration policy;
- To apply these recommendations when setting the specific remuneration packages for each Executive Director, the Company Chairman and other selected members of senior management and to include annual bonuses, the eligibility requirements for long-term incentive schemes, pension rights, contracts of employment and any compensation payments;
- To ensure that the remuneration policy is aligned with the short- and long-term strategy of the Company;
- To manage performance measurement and make awards under the Company's annual bonus and long-term incentive plans;
- To consult with key shareholders with regards to remuneration where appropriate, and take their views into account; and
- To manage reporting and disclosure requirements relating to Executive remuneration.

**Pay Policy**

The remuneration policy is designed to provide an appropriate level of compensation to senior management such that they are sufficiently incentivised and rewarded for their strong performance, responsibility and experience. Using appropriate measures of performance as well as equity-based reward helps to align the interests of the Directors with those of the Company's shareholders.

The Committee has taken into account market data when setting remuneration levels – positioning Executives' pay at a broadly mid-market level relative to similar-sized AIM-listed companies. This provides a package which is both fair and competitive within the market.

**Base Salary**

Base salaries are reviewed on an annual basis, and any increases become effective from the start of the new fiscal year. From 1 April 2015, Marwan Khalek was entitled to a base salary of £325,000, Steve Wright £175,000 and Kevin Godley £150,000.

**Pension & Benefits**

Executive Directors are entitled to a pension contribution as follows: Marwan Khalek: 22.5%; Steve Wright: 18% of salary on a non-contributory basis in the form of a defined contribution to a pension plan and/or as a cash supplement; Kevin Godley is entitled up to a 5% pension contribution on a matching basis with his contribution. In addition, the Executives are entitled to benefits in kind including the provision of life assurance, group income protection, and private medical insurance.

**Annual Bonus**
The remuneration policy allows the Committee, at its discretion, to make annual cash bonus awards to the Executive Directors, which will normally be limited to a value of 100% of salary per annum.

A bonus pool equal to 50% of the amount by which the Company's Adjusted EBITDA exceeds market consensus may, at the Committee's discretion, be allocated to a bonus pool. The pool is then allocated by the Committee to the Executive Directors and senior management on a scale basis.

No such awards were made in the year.

**Long-Term Incentives**
The Company will be examining a long-term incentive award programme for the 2016 year and onwards. No long-term incentives were paid in the year.

**Non-Executive Director Fees**
Fees for Non-Executive Directors, which are approved by the remuneration committee, are set with reference to market data, time commitment, and chairmanship of Board committees. From 1 April 2015, the Chairman of the Board, Ralph Robins, is eligible for a fee of £50,000 per annum. The four other Non-Executive Directors, Nigel Payne, Peter Brown, George Rolls and Michael Peagram are eligible for annual fees of £42,000. Other than this fee, and appropriate travel expenses to and from Board meetings, no additional compensation is payable.

**Service Agreements**
The Executive Directors' Service Agreements provide that their employment with the Company is on a rolling basis, subject to written notice being served by either party of not less than 6 months. The current service contracts and letters of appointment include the following terms:

| Directors | Date of Contract | Notice Period |
|---|---|---|
| **Executive Directors** | | |
| Marwan Khalek | 6 January 2015 | 12 months |
| Steve Wright | 6 January 2015 | 12 months |
| Kevin Godley | 1 January 2013 | 3 months |
| **Non-Executive Directors** | | |
| Sir Ralph Robins | 8 December 2014 | 3 months |
| Nigel Payne | 8 December 2014 | 3 months |
| Peter Brown | 8 December 2014 | 3 months |
| George Rolls | 8 December 2014 | 3 months |
| Michael Peagram | 8 December 2014 | 3 months |

Under these service contracts, the Company may terminate an Executive Director's employment immediately by making a payment in lieu of base salary, benefits and statutory entitlements, and any bonus or commission payments pro-rated for the duration of the notice period. No bonus would be payable in the event of an Executive Director resignation.

STRATEGIC REPORT GOVERNANCE FINANCIALS

**Directors' Remuneration Report**
The Directors received the following remuneration for the financial year ended 31 December 2015:

| £'000 | Salary & Fees | Benefits in Kind[1] | Pension | **2015 Total** | 2014 Total |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Marwan Khalek | 282 | 26 | 64 | **372** | 254 |
| Steve Wright | 165 | 15 | 30 | **210** | 203 |
| Kevin Godley | 137 | 4 | 7 | **148** | 94 |
| **Non-Executive Directors** | | | | | |
| Sir Ralph Robins | 48 | – | – | **48** | 40 |
| Nigel Payne | 42 | – | – | **42** | – |
| Peter Brown | 42 | – | – | **42** | 30 |
| George Rolls | 42 | – | – | **42** | – |
| Michael Peagram | 42 | – | – | **42** | – |
| Aggregate Emoluments | 800 | 45 | 101 | **946** | 621 |

1 Including the provision of life assurance, group income protection, and private medical insurance.

**Statement of Directors' Interests**
The table below sets out the beneficial interests in shares and fully-vested share options of all Directors holding office as at 31 December 2015.

| | Ordinary Shares | | Unexercised Share Options | | Total Interests | |
|---|---|---|---|---|---|---|
| | On Admission and 31 December 2015 | At 31 December 2014 | On Admission and 31 December 2015 | At 31 December 2014 | On Admission and 31 December 2015 | At 31 December 2014 |
| Marwan Khalek[1] | 15,424,502 | – | – | – | 15,424,502 | – |
| Steve Wright | 238,188 | – | – | – | 238,188 | – |
| Kevin Godley | – | – | – | – | – | – |

1 Including 3,000,000 shares held in trust for the benefit of family members.

## / CORPORATE SOCIAL RESPONSIBILITY

All businesses have a responsibility to society and their local communities. We are no different. Our Corporate & Social Responsibility Committee oversees our activities in this area.

We recognise our commitment to society and the environment As such the Corporate & Social Responsibility Committee has approved the following structure which we are applying to our business. The structure broadly follows that suggested by ISO26000, the international standard for helping organisations address their social responsibilities, and we aim to evolve our corporate and social responsibilities practices to meet this standard.

**Our corporate governance**
As described by the Board and the committees that regularly convene on its behalf; our governance structure determines:

/ the expected conduct of our employees at all levels and how they represent the company.
/ the need to apply global best practice and comply with local legislation to prevent corruption, bribery and other such practices from taking place within the business.
/ the need to remain vigilant to the threat of cyber attack and have plans to minimise loss and maintain operations if one happens.

**Our people**
As a service business we fully understand the fundamental role of our people, and so we have a duty to inform, educate and protect them to the best of our ability. Therefore we will:

/ take a rigorous approach to health and safety, using our Safety Management System.
/ take a rigorous approach to doing business that favours understanding why incidents happen, and preventing them from happening.
/ continue to promote and develop diversity amongst our people, managers and leaders.
/ take a sensible approach to employee well-being during times of absence, as well as promoting a healthy work/life balance.
/ place a high priority on developing skills.
/ take a proactive approach to developing people's careers, allowing them to make best use of the opportunities available to them within the organisation.
/ take a proactive approach to vitality, providing regionally appropriate employee benefits that encourage our people to maintain their health.


**Our environment**
We will do our utmost to reduce the environmental impact of our services wherever possible. In this respect we:

- operate responsible flight procedures and operations to limit fuel burned, while maintaining the highest safety standards.
- engage in waste recycling schemes throughout our operations, limiting our environmental impact as best we can.
- review all areas of consumption particularly of paper through activities such as using Electronic Flight Bags (EFB), removing all marketing brochures, and using certified sustainable paper stocks.

**Our community**
As an employer, infrastructure owner and service provider we understand we have responsibilities to the communities we serve. We will therefore aim to:

- build infrastructure that conforms (where operationally and financially possible) to the highest prevailing energy and material conservation standards.
- invest socially in schemes that support the communities we serve or are present in.
- provide opportunities to local communities with internships, apprenticeships and full time employment.
- help our employees promote vitality and health within the community.

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

**Principal activities**
The Group is one of the world's largest business aviation service providers, providing management, charter, special missions, logistics, maintenance, design and FBO services to our business aviation customers.

**Acquisition**
On 5 January 2015 the Company became the legal parent company of Gama Aviation Holdings (Jersey) Limited in a share for share transaction The substance of the combination was that Hangar8 Plc acquired Gama Aviation Holdings (Jersey) Limited in a reverse takeover. Gama Aviation Holdings (Jersey) Limited was the accounting acquirer. As a consequence of applying reverse takeover accounting, the accounts have been presented in the name of Hangar8 Plc as the legal acquirer, but prepared as if they are a continuation of the financial statements of the Gama Aviation Holdings (Jersey) Limited (the accounting acquirer). This means the results of the Group for the period ended 31 December 2015 comprise the results of Hangar8 Plc for the period from 5 January 2015 to 31 December 2015 and those of Gama Aviation Holdings (Jersey) Limited from 1 January 2015 to 31 December 2015. The comparative figures for the Group are those of Gama Aviation Holdings (Jersey) Limited for the year ended 31 December 2014. Subsequent to the transaction, Hangar8 Plc changed its name to Gama Aviation Plc, with the new parent company raising £17.15m in cash with which it used to settle the M&G loan liability and provide working capital.

**Employment of disabled persons**
The Group gives full consideration to applications for employment from disabled persons where the requirements of the jobs can be adequately fulfilled by a handicapped or disabled person. Where an existing employee becomes disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

**Employee involvement**
During the year the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

**Matters included in the strategic report**
Financial risk management policies and objectives are covered in the strategic report.

**Qualifying third party indemnity provisions**
The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were in place during the year and to the date of this report.

**Directors**
The Directors who served the company throughout the period were as follows:

/ Sir R Robins
/ M Khalek
/ S Wright
/ N Payne
/ P Brown
/ G Rolls
/ M Peagram

During the year, the following changes were made to the Board of Directors:

| | |
|---|---|
| K Godley | appointed on 2 February 2015 |
| D Dryden | resigned on 30 September 2015 |
| K Callan | resigned on 2 February 2015 |

**Dividends**
The Group retains its desire to maintain a progressive dividend policy and is in the process of a capital reduction exercise in conjunction with its advisers so as to enable the Group to be in a position to pay a dividend. This process requires both shareholder and court approval and management are working towards completing the capital reduction by the end of July 2016. The payment of dividends in the future will be determined by the Group's performance, the net cash balance, and investment plans for the development of the Group.

Shareholder approval for the capital reduction will be sought at the next AGM on June 2, 2016. The Directors do not recommend paying a dividend for the year ended 31 December 2015. (For the year ended 30 June 2014, Hangar8 Plc paid a dividend of 2.3p per share on 19 January 2015.)

**Post balance sheet events**
These are detailed in note 34 to the financial statements

**Directors' responsibilities statement**
The Directors are responsible for preparing the Group strategic report, Directors' report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have elected to prepare company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

**Going concern**
The Directors have performed a detailed analysis of the cash flow projections for the Group as a whole covering the period through to the financial year ending 31 December 2016 and beyond. The key assumptions in this forecast include the profitable growth of the trading businesses and the knowledge that the Group has benefited from a significant reduction in risk after settling its corporate debt with M&G at the beginning of 2015.

The Directors are therefore of the opinion that in all reasonably foreseeable circumstances the company will remain a going concern for at least twelve months from the date on which these financial statements have been approved. Accordingly, the going concern basis has been adopted in the preparation of these financial statements.

**Disclosure of information to the auditor**
Each of the persons who is a Director at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

**Auditor**
Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006. A resolution to reappoint Grant Thornton UK LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

K Godley

**K Godley**
**Director**
20 April 2016

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**Independent auditor's report to the members of Gama Aviation Plc**
We have audited the group financial statements of Gama Aviation Plc for the year ended 31 December 2015 which comprise the consolidated balance sheet, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**
In our opinion the group financial statements:

/ give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit for the year then ended;
/ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
/ have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
/ In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

/ certain disclosures of directors' remuneration specified by law are not made; or
/ we have not received all the information and explanations we require for our audit.

**Other matter**
We have reported separately on the parent company financial statements of Gama Aviation Plc for the period ended 31 December 2015.

Grant Thornton UK LLP

**Nicholas Watson**
**Senior Statutory Auditor**
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Wokingham
20 April 2016

# / CONSOLIDATED INCOME STATEMENT
## / FOR THE YEAR ENDED 31 DECEMBER 2015



| | Note | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 5 | **236,017** | 168,648 |
| Cost of sales | | **(184,443)** | (137,710) |
| **Gross profit** | | **51,574** | 30,938 |
| Administrative expenses | | **(42,162)** | (38,602) |
| **Adjusted EBITDA** | | **20,400** | 5,911 |
| Exceptional Items | 7 | **(7,123)** | (11,753) |
| Depreciation and amortisation | 6 | **(3,865)** | (1,822) |
| **Operating profit/(loss)** | 6 | **9,412** | (7,664) |
| Finance income | 9 | **1,044** | 831 |
| Finance costs | 10 | **(2,256)** | (3,628) |
| Share of results from equity accounted investments | 17 | **(1,324)** | (827) |
| **Profit/(loss) before tax from continuing operations** | 6 | **6,876** | (11,288) |
| Taxation | 11 | **2,513** | (76) |
| **Profit/(loss) from continuing operations** | | **9,389** | (11,364) |
| **Discontinued operations** | | | |
| Loss after tax for the year from discontinued operations | 7 | **(1,102)** | (2,825) |
| **Profit/(loss) for the year** | | **8,287** | (14,189) |
| **Attributable to:** | | | |
| **Owners of the Company:** | | **8,049** | (13,366) |
| **Non-controlling interests** | | **238** | (823) |
| | | **8,287** | (14,189) |

## / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## / AS AT 31 DECEMBER 2015

| | Note | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **8,287** | (14,189) |
| Items that may be reclassified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | **(4,186)** | (1,060) |
| **Total comprehensive profit/(loss) for the year** | | **4,101** | (15,249) |
| Non-controlling interest | | **(238)** | 823 |
| Profit/(loss) and total comprehensive income for the year attributable to the owners of the company | | **3,863** | (14,426) |
| | | | |
| Earnings/(loss) per share attributable to the equity holders of the parent | 12 | | |
| – basic (cents) | | **18.72c** | (48.88c) |
| – diluted (cents) | | **18.72c** | (48.88c) |
| Earnings/(loss) per share attributable to the equity holders of the parent – continuing operations | 12 | | |
| – basic (cents) | | **21.28c** | (38.55c) |
| – diluted (cents) | | **21.28c** | (38.55c) |

# / CONSOLIDATED BALANCE SHEET
## / AS AT 31 DECEMBER 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 13 | **39,869** | 733 |
| Other intangible assets | 14 | **8,396** | 273 |
| Total intangible assets | | **48,265** | 1,006 |
| Property, plant and equipment | 15 | **14,806** | 15,863 |
| Deferred tax asset | 21 | **3,407** | 343 |
| | | **66,478** | 17,212 |
| **Current assets** | | | |
| Assets held for resale | 15 | **3,126** | 5,163 |
| Inventories | 18 | **7,353** | 4,961 |
| Trade and other receivables | 19 | **49,608** | 41,484 |
| Cash and cash equivalents | | **8,457** | 4,985 |
| | | **68,544** | 56,593 |
| **Total assets** | | **135,022** | 73,805 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **(53,956)** | (54,486) |
| Obligations under finance leases | 20, 22 | **(1,586)** | (1,515) |
| Provisions for liabilities | 29 | **(2,000)** | (2,202) |
| Borrowings | 20 | **(8,851)** | (16,935) |
| Deferred revenue | 32 | **(4,538)** | (10,710) |
| | | **(70,931)** | (85,848) |
| **Total assets less current liabilities** | | **64,091** | (12,043) |
| **Non-current liabilities** | | | |
| Borrowings | 20 | **(1,110)** | (1,168) |
| Obligations under finance leases | 20, 22 | **(5,932)** | (7,400) |
| Deferred tax liabilities | 21 | **(1,395)** | (983) |
| | | **(8,437)** | (9,551) |
| **Total liabilities** | | **(79,368)** | (95,399) |
| **Net assets/(liabilities)** | | **55,654** | (21,594) |
| **Equity** | | | |
| Share capital | 24 | **670** | 426 |
| Share premium | 24 | **35,458** | 8,846 |
| Other reserves | 24 | **57,228** | 10,937 |
| Foreign exchange reserve | | **(5,089)** | (903) |
| Accumulated losses | | **(33,304)** | (40,999) |
| **Non-controlling interest** | 25 | **691** | 99 |
| **Total equity/(deficit)** | | **56,654** | (21,594) |

The financial statements were approved and authorised for issue on 20 April 2016 on behalf of the board of directors by:

K Godley

**K Godley**
**Director**

## / CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## / FOR THE YEAR ENDED 31 DECEMBER 2015

| | Share Capital (Note 24) $'000 | Share Premium (Note 24) $'000 | Other reserves (Note 24) $'000 | Foreign exchange reserve $'000 | Accumulated losses $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interest (Note 25) $'000 | Total (deficit)/ equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 426 | 8,846 | 10,937 | 157 | (27,633) | (7,267) | 922 | (6,345) |
| Loss for the year | – | – | – | – | (13,366) | (13,366) | (823) | (14,189) |
| Other comprehensive income | – | – | – | (1,060) | – | (1,060) | – | (1,060) |
| Total comprehensive income | – | – | – | (1,060) | (13,366) | (14,426) | (823) | (15,249) |
| **Balance at 31 December 2014** | 426 | 8,846 | 10,937 | (903) | (40,999) | (21,693) | 99 | (21,594) |
| Issuance of shares | 244 | 26,612 | – | – | – | 26,856 | – | 26,856 |
| Acquisition of Gama Aviation | – | – | 46,291 | – | – | 46,291 | – | 46,291 |
| Non-controlling interest acquisition | – | – | – | – | 1,146 | 1,146 | (1,146) | – |
| Non-controlling interest disposal | – | – | – | – | (1,500) | (1,500) | 1,500 | – |
| **Transactions with owners** | 244 | 26,612 | 46,291 | – | (354) | 72,793 | 354 | 73,147 |
| Profit for the year | – | – | – | – | 8,049 | 8,049 | 238 | 8,287 |
| Other comprehensive income | – | – | – | (4,186) | – | (4,186) | – | (4,186) |
| Total comprehensive income | – | – | – | (4,186) | 8,049 | 3,863 | 238 | 4,101 |
| **Balance at 31 December 2015** | 670 | 35,458 | 57,228 | (5,089) | (33,304) | 54,963 | 691 | 55,654 |

## / CONSOLIDATED CASH FLOW STATEMENT
## / FOR THE YEAR ENDED 31 DECEMBER 2015



| | Note | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|---|
| **Net cash expended on operating activities** | 27 | **(16,619)** | (1,700) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(1,685)** | (2,511) |
| Purchases of intangibles | | **(30)** | – |
| Proceeds on disposal of property, plant and equipment | | **436** | 95 |
| Proceeds on disposal of assets held for sale | | **2,037** | – |
| Investment in joint venture | | **(50)** | – |
| Investment in intangibles | | **–** | (55) |
| Acquisition of subsidiary, net of cash acquired | | **3,213** | – |
| **Net cash received/(used) by investing activities** | | **3,921** | (2,471) |
| | | | |
| **Cash flows from financing activities** | | | |
| Issuance of shares (net of share issue costs) | | **26,856** | – |
| Consideration for disposal of non-controlling interest | | **(1,142)** | – |
| Repayments of obligations under finance leases | | **(1,390)** | (1,459) |
| Proceeds from borrowings | | **7,725** | 3,558 |
| Repayment of borrowings | | **(15,767)** | – |
| **Net cash from financing activities** | | **16,282** | 2,099 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **3,584** | (2,072) |
| **Cash and cash equivalents at the beginning of year** | | **4,985** | 6,815 |
| Effect of foreign exchange rates | | **(112)** | 242 |
| **Cash and cash equivalents at the end of year** | | **8,457** | 4,985 |

**Cash and cash equivalents**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Cash and bank balances | **8,457** | 4,985 |

Cash and cash equivalents comprise cash and bank balances. The carrying amount of these assets is approximately equal to their fair value.

**1. General information**

Gama Aviation Plc (previously Hangar8 Plc) is incorporated in the United Kingdom. The address of the registered office is the Business Aviation Centre, Farnborough Airport, Hampshire, GU14 6XA. The nature of the Group's operations and its principal activities are set out in the directors' report.

The group financial statements consolidate the financial statements of Gama Aviation Plc and all its subsidiary undertakings drawn up to 31 December each year. On 5 January 2015 the Company became the legal parent company of Gama Aviation Holdings (Jersey) Limited in a share for share transaction. The substance of the combination was that Hangar8 Plc acquired Gama Aviation Holdings (Jersey) Limited in a reverse takeover. Gama Aviation Holdings (Jersey) Limited was the accounting acquirer. As a consequence of applying reverse takeover accounting, the accounts have been presented in the name of Hangar8 Plc as the legal acquirer, but prepared as if they are continuation of the financial statements of the Gama Aviation Holdings (Jersey) Limited (the accounting acquirer). This means the results of the Group for the period ended 31 December 2015 comprise the results of Hangar8 Plc for the period from 5 January 2015 to 31 December 2015 and those of Gama Aviation Holdings (Jersey) Limited from 1 January 2015 to 31 December 2015. The comparative figures for the Group are those of Gama Aviation Holdings (Jersey) Limited for the year ended 31 December 2014. Subsequent to the transaction, Hangar8 Plc changed its name to Gama Aviation Plc.

**2. Changes in accounting policies**

**Adoption of new and revised standards**

No amendments to these financial statements have been made as a result of adopting new and revised standards and interpretations.

**Standards and Interpretations in issue but not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

/ IFRS 9 Financial Instruments
/ IAS 36 (amendments) Recoverable Amount Disclosures for Non-Financial Assets
/ IFRS 15 Revenue from contracts with customers
/ IFRS 16 Leases

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

**3. Significant accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the E.U.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired. The principal accounting policies adopted are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Group is exposed, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the total of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners, the equity issued by the Group and the amount of any non-controlling interest in the acquiree either at fair value or at the proportional share of the acquiree's identifiable net assets. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction, being a disposal or acquisition of non-controlling interest.

STRATEGIC REPORT GOVERNANCE FINANCIALS

**Going concern**
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Strategic Report. The strategic report also describes the financial risk management objectives of the Group and its exposure to credit risk and liquidity risk.

The directors have performed a detailed analysis of the cash flow projections for the Group as a whole covering the period through to the financial year ended 31 December 2016 and beyond. The key assumptions in this forecast include the profitable growth of the trading businesses and the knowledge that the group has benefitted from a significant reduction in risk after settling its corporate debt with M&G at the beginning of 2015.

The directors are therefore of the opinion that in all reasonably foreseeable circumstances the company will remain a going concern for at least twelve months from the date on which these financial statements have been approved. Accordingly, the going concern basis has been adopted in the preparation of these financial statements.

**Cash and cash equivalents**
The Group's cash and cash equivalents in the statements of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less from inception, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**Assets held for sale**
The Group classifies assets as held for sale if their carrying value will be recovered principally through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense. The criteria for assets held for sale is regarded as only met when the sale is highly probable and the asset is available for immediate sale in its present condition. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

**Business combinations**
On 5 January 2015 Hangar8 Plc (now Gama Aviation Plc) became the legal parent of Gama Aviation Holdings (Jersey) Limited via a share-for-share exchange transaction. To acquire 100% of Gama Aviation Holdings (Jersey) Limited 's issued share capital, Hangar8 Plc (now Gama Aviation Plc) issued 27,341,960 shares in exchange for each ordinary shares of Gama Aviation Holdings (Jersey) Limited. The newly combined entity is now owned by shareholders of Gama Aviation Holdings (Jersey) Limited and Hangar8 Plc (now Gama Aviation Plc), with each ordinary share holding equal share of the profits and returns from the newly combined entity. However, due to the relative values of the companies, the shareholders of Gama Aviation Holdings (Jersey) Limited became the majority shareholder with 60% of the combined share capital following the share for share transaction. The allocation of the key roles and the Board composition has been driven by Gama Aviation Holdings (Jersey) Limited and the majority of the company's continuing operations and executive management are those of Gama Aviation Holdings (Jersey) Limited. It was therefore concluded that Gama Aviation Holdings (Jersey) Limited obtained control of Gama Aviation Plc. Accordingly, the transaction has been accounted for in accordance with IFRS 3 as a reverse takeover. The consolidated financial statements present the substance of the transaction with Hangar8 Plc as the legal parent but Gama Aviation Holdings (Jersey) Limited as the accounting acquirer. The comparative results to 31 December 2014 represent the consolidated position of Gama Aviation Holdings (Jersey) Limited prior to the reverse takeover.

**Investments in associate and joint venture**
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method of accounting. The investment is carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the investment, less any impairment in the value of the investment. Losses in excess of the Group's interest in the investment (which includes any long-term interests that, in substance, form part of the Group's net investment) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investment.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment. The Group's share of the changes in the carrying value of the investments in associates is recognised in the income statement.

**3. Significant accounting policies (continued)**

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the amount of any non-controlling interests in the acquiree and the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Revenue recognition**

The Group measures revenue as the fair value of consideration received or receivable and represents amounts received for goods and services provided in the normal course of business, net of discounts, estimated customer returns, VAT and other sales-related taxes.

Revenue is recognised when the amount can be reliably estimated, collection is probable, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold, and the inherent risks and rewards of ownership of the goods have been transferred to the other party.

Where contracts include provisions for adjustments, including yearly increases based on external benchmarks, these are not taken into consideration until they are known.

Rendering of services

Revenue from services is primarily derived from the management or provision of aircraft which includes the revenues generated by special mission support, logistics support and charter. These services are referred to within the group as "Air". Revenue includes fixed contract fees and variable fees such as revenue earned with reference to flying hours. Revenue also includes the recharges for costs incurred relating to the management or provision of the aircraft. We record revenue relating to services rendered using an accrual method and in accordance with the terms of the contracts pursuant to which such services are rendered. Revenue from aircraft services is recognised based on contractual rates as the related services are performed.

"Ground" Revenues are materially associated with engineering activity which represents amounts derived from the provision of services to customers during the year, including aircraft maintenance and overhauls. The amount of profit attributable to the stage of completion of an engine and maintenance overhaul contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at the cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. The stage of completion is measured by reference to costs (mainly hours and materials) incurred to date as a percentage of total estimated costs for each contract. Provision is made for any losses as soon as they are foreseen. Other services within "Ground" include design and modification work with revenue recognised on the same basis as that of the engineering and FBO operations and software. Revenues for FBO operations and software are recognised at the point of service delivery.

Sale of goods

Revenues associated with the sale of goods represent amounts derived from sales activity whereby the Group procures aircraft, parts or components on behalf of customers for their use. Revenue is recognised when all the following conditions are satisfied:

/ the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
/ the amount of revenue can be measured reliably;
/ it is probable that the economic benefits associated with the transaction will flow to the entity;
/ the costs incurred or to be in incurred in respect of the transaction can be measured reliably; and
/ the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

**Foreign currencies**
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Group operates.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate for each year end.

**Operating profit/(loss)**
Operating profit/(loss) is stated after the share of results of associates but before investment income and finance costs.

**Retirement benefit costs**
Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

**Intangible assets**
Internally generated intangible assets are recognised only if they satisfy the IAS 38 criteria in that a separately identifiable asset is created from which future economic benefits are expected to flow and the cost can be measured reliably. The life of each asset is assessed individually. Where the life is considered to be indefinite no amortisation is charged. Included in intangible assets are internally generated assets relating to the costs incurred to commence operations in the United Arab Emirates in the process of gaining an AOC (Air Operators Certificate). The certificate has an indefinite life and without the certificate the operation cannot perform legally and as such amortisation is not charged.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Included in intangible assets acquired are Part 145 approvals, licences and brand, customer relations and workforce, and computer software.

/ Part 145 Approvals – These relate to the recognised regulatory approvals required by a business to perform maintenance in the EU Ground business.
/ Brand – The acquired brands of Hangar 8 and International JetClub.
/ Customer relations – the acquired existing customer relationships of Hangar 8 and International JetClub.
/ Software – the acquired software of Hangar 8.

A summary of the policies applied to the Group's acquired intangible assets is as follows:

| | |
|---|---|
| Part 145 approvals | indefinite useful life, no amortisation charged, annual impairment review |
| Licences | 10% per annum, straight line method |
| Brand | amortised over 18 months, straight line method |
| Customer relations | 10% per annum, straight line method |
| Software | 33% per annum, straight line method |

**Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax.

**3. Significant accounting policies (continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

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

Deferred tax is calculated at the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

a) Raw materials and consumables: purchase cost on a first in, first out basis

b) Work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

| | |
|---|---|
| Leasehold property | Life of lease |
| Aircraft hull and refurbishments | Remaining life of the aircraft, various rates between 5% and 20% per annum |
| Furniture, fixtures and equipment | 20% per annum |
| Motor vehicles | 20% per annum |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

**Financial instruments**
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
Trade receivables and other receivables are measured at amortised cost less provision for doubtful debts, determined as set out below in "impairment of financial assets". Any write-down of these assets is expensed to the income statement.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities
Other financial liabilities, including borrowings and payables, are initially measured at fair value and subsequently at amortised cost, net of transaction costs.

Derecognition of financial assets and financial liabilities
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Provisions**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**4. Key accounting estimates and judgements**

Preparing financial statements in conformity with IFRS as adopted by the E.U. requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in applying the accounting policies that could have a significant effect on the amounts recognised in the financial statements set out below:

/ The Group financial statements consolidate the financial statements of Gama Aviation Plc and all its subsidiary undertakings drawn up to 31 December each year. On 5 January 2015, Hangar8 Plc (now Gama Aviation Plc) became the legal parent of Gama Aviation Holdings (Jersey) Limited via a share-for-share exchange transaction. To acquire 100% of Gama Aviation Holdings (Jersey) Limited's issued share capital, Hangar8 Plc (now Gama Aviation Plc) issued 27,341,960 shares in exchange for each ordinary shares of Gama Aviation Holdings (Jersey) Limited. The newly combined entity is now owned by shareholders of Gama Aviation Holdings (Jersey) Limited and Hangar8 Plc (now Gama Aviation Plc), with each ordinary share holding equal share of the profits and returns from the newly combined entity. However, due to the relative values of the companies, the shareholders of Gama Aviation Holdings (Jersey) Limited became the majority shareholder with 60% of the combined share capital following the share for share transaction. The allocation of the key roles and the Board composition has been driven by Gama Aviation Holdings (Jersey) Limited and the majority of the company's continuing operations and executive management are those of Gama Aviation Holdings (Jersey) Limited. It was therefore concluded that Gama Aviation Holdings (Jersey) Limited obtained control of Gama Aviation Plc. Accordingly, the transaction has been accounted for in accordance with IFRS 3 as a reverse takeover. The consolidated financial statements present the substance of the transaction with Hangar8 Plc as the legal parent but Gama Aviation Holdings (Jersey) Limited as the accounting acquirer. The comparative results to 31 December 2014 represent the consolidated position of Gama Aviation Holdings (Jersey) Limited prior to the reverse takeover.

/ The Group considers that it controls Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder with 49% equity interest and it enjoys power over the day to day operations of the business. This gives the Group the ability to direct the relevant activities and therefore is able to use these powers to affect the amount of the investor returns. The results of Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE are therefore fully consolidated within the financial statements. The group owns 49% of Gama Aviation LLC, but it is classified as an associate because although it is has exposure to variable returns from its shareholding it only holds 25% of the shareholder voting rights and can only appoint one of the five Board Directors (20%). In addition, the group does not possess any contractual or special relationship with any of the Board members or shareholders and as such the group does not hold power over the Gama Aviation LLC business. The results Gama Aviation LLC are therefore treated as an associate. In addition, the Group enjoys joint control over the day to day running and ability to direct the relevant activities of Gama Aviation Hutchison Limited, our Hong Kong joint venture. There are a number of reserved matters which are prescriptive and require approval by both Gama Aviation and our Hutchison partners and as a result Gama Aviation does not have the ability on its own to use the powers to affect the investor's returns. As a result, the trading performance of Gama Aviation Hutchison Limited is treated as a Joint Venture in the financial statements.

/ The goodwill and intangibles impairment review requires the use of estimates related to future profitability and the cash generating ability of the related businesses. The estimates used may differ from the actual outcome. Details of the impairment review performed are set out in notes 13 and 14.

/ The allowance for doubtful debts is calculated based on management's best estimate of the amounts which will be recovered from trade receivables. A proportion of the trade receivables balance is with individuals, for whom it is more difficult to establish a credit rating. Management are in constant communication with all debtors and assess the likelihood of recoverability on a regular basis. The estimate of the allowance for doubtful debts may vary from the actual amounts recovered if an individual becomes unable to pay. An analysis of the trade receivables balance and indications of credit concentration are provided in note 19.

/ The directors undertake an annual assessment to determine if there is any indicator of impairment of the Group's aircraft. Where there is an indicator of impairment the directors undertake a full impairment review considering both the value in use and the recoverable amount of the aircraft. The value in use of aircraft is determined based on current levels of charter volumes and rates. The recoverable amount is assessed by reference to the aircraft's market value. The market values of business aircraft have been volatile since 2008 and the low number of transactions for some model types makes valuation difficult in some circumstances. Where there is a lack of recent data the directors have taken a prudent view of valuation based on recent sales of similar aircraft types when assessing recoverable amount. This determination is applied to all the Group's aircraft, including those held for sale within current assets.

/ The residual values of the owned aircraft are the directors' best estimate of their applicable values given the current market place for second hand aircraft using current data available and the expert aviation market experience of the senior management team. Three of the owned aircraft that were held for sale at 31 December 2014 were sold at no gain/(loss) during the course of 2015. Two owned aircraft still remain as at 31 December 2015.

/ The directors determined that the business model for the Group no longer includes the ownership of owned aircraft that are deployed on ad-hoc charter. As such, those aircraft to which this was applicable were reclassified as held for sale within current assets. These aircraft are actively marketed for sale and are held at values that the directors believe are realisable within the current second hand market place.

/ The directors have carried out their review of the accounting treatment of the various Group companies and ensuring that those that the Group exercises control, by virtue of the day to day control over the investee are deemed to be subsidiaries and for those where the Group is not able to exhibit day to day control, those entities are accounted for as associates or joint ventures under the equity method.

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### 5. Segment information
For management purposes, the Group is organised into business units, based on line of business and geographical location.

**Statutory**
An analysis of the Group's revenue, gross profit and adjusted EBITDA for the year ended 31 December 2015 is as follows:

| | Revenue | Gross profit | Gross profit % | Adjusted EBITDA | Adjusted EBITDA % |
|---|---|---|---|---|---|
| US: Air | 7,815 | 5,375 | 68.8 | 5,185 | 66.3 |
| US: Ground | 20,661 | 4,947 | 23.9 | 2,226 | 10.8 |
| Europe: Air | 135,662 | 13,542 | 10.0 | 2,124 | 1.6 |
| Europe: Ground | 45,702 | 24,311 | 53.2 | 14,449 | 31.6 |
| MENA: Air | 21,467 | 1,431 | 6.7 | (160) | (0.7) |
| MENA: Ground | 3,776 | 1,188 | 31.4 | (163) | (4.3) |
| Asia: Air | – | – | – | – | – |
| Other | 934 | 780 | 83.6 | (3,261) | (>100) |
| **Totals** | **236,017** | **51,574** | **21.9** | **20,400** | **8.6** |

| | |
|---|---|
| **Adjusted EBITDA** | **20,400** |
| Depreciation | (2,188) |
| Amortisation | (1,677) |
| Exceptional items | (7,123) |
| Operating profit | 9,412 |
| Finance income | 1,044 |
| Finance costs | (2,256) |
| Share of results of associate and joint ventures | (1,324) |
| **Profit before tax and discontinued operations** | **6,876** |

**Statutory**
An analysis of the Group's revenue, gross profit and adjusted EBITDA for the year ended 31 December 2014 is as follows:

| | Revenue | Gross profit | Gross profit % | Adjusted EBITDA | Adjusted EBITDA % |
|---|---|---|---|---|---|
| US: Air | 38,768 | 4,639 | 12.0 | 1,494 | 3.9 |
| US: Ground | 12,291 | 4,002 | 32.6 | 1,972 | 16.0 |
| Europe: Air | 58,237 | 8,066 | 13.9 | (504) | (0.9) |
| Europe: Ground | 33,978 | 13,400 | 39.4 | 3,407 | 10.0 |
| MENA: Air | 21,334 | 959 | 4.5 | (727) | (3.4) |
| MENA: Ground | 2,445 | 795 | 32.5 | (328) | (13.4) |
| Asia: Air | – | – | – | – | – |
| Other | 1,595 | (923) | (57.9) | 597 | 37.4 |
| Totals | 168,648 | 30,938 | 18.3 | 5,911 | 3.5 |

| | |
|---|---|
| **Adjusted EBITDA** | **5,911** |
| Depreciation | (1,822) |
| Exceptional items | (11,753) |
| Operating loss | (7,664) |
| Finance income | 893 |
| Finance costs | (3,690) |
| Share of results of associate and joint ventures | (827) |
| **Loss before tax and discontinued operations** | **(11,288)** |

**5. Segment information (continued)**
**Pro-forma basis**
An analysis of the Group's revenue, gross profit and adjusted EBITDA including the results of Gama Aviation Plc's associate in the US and joint venture in Hong Kong for the year ended 31 December 2015 is as follows:

| | Revenue | Gross profit | Gross profit % | Adjusted EBITDA | Adjusted EBITDA % |
|---|---|---|---|---|---|
| US: Air | 179,525 | 14,221 | 7.9 | 5,185 | 2.9 |
| US: Ground | 10,714 | 4,947 | 46.2 | 2,226 | 20.8 |
| Europe: Air | 135,662 | 13,542 | 10.0 | 2,124 | 1.6 |
| Europe: Ground | 45,290 | 24,312 | 53.7 | 14,449 | 31.9 |
| MENA: Air | 21,431 | 1,431 | 6.7 | (160) | (0.7) |
| MENA: Ground | 3,776 | 1,188 | 31.4 | (163) | (4.3) |
| Asia: Air | 6,539 | 267 | 4.1 | – | – |
| Other | 898 | 780 | 87.2 | (3,261) | (>100) |
| **Totals** | **403,835** | **60,688** | **15** | **20,400** | **5.1** |

An analysis of the Group's revenue, gross profit and adjusted EBITDA including the results of Gama Aviation Plc's associate in the US and joint venture in Hong Kong for the year ended 31 December 2014 is as follows:

| | Revenue | Gross profit | Gross profit % | Adjusted EBITDA | Adjusted EBITDA % |
|---|---|---|---|---|---|
| US: Air | 120,989 | 8,189 | 6.8 | 1,494 | 1.2 |
| US: Ground | 10,096 | 4,002 | 39.6 | 1,972 | 19.5 |
| Europe: Air | 57,885 | 8,066 | 13.9 | (504) | (0.9) |
| Europe: Ground | 33,978 | 13,400 | 39.4 | 3,407 | 10 |
| MENA: Air | 21,334 | 959 | 4.5 | (727) | (3.4) |
| MENA: Ground | 2,445 | 795 | 32.5 | (328) | (13.4) |
| Asia: Air | – | – | – | – | – |
| Other | 1,595 | (922) | (57.8) | 597 | 37.5 |
| Totals | 248,322 | 33,489 | 13.8 | 5,911 | 2.4 |

An analysis of the Group's assets and liabilities by segment is as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **Year ended 2015 $'000** | Year ended 2014 $'000 | **Year ended 2015 $'000** | Year ended 2014 $'000 |
| US: Air | **16,937** | 18,293 | **(1,491)** | (10,325) |
| US: Ground | **7,541** | 5,667 | **(1,882)** | (2,336) |
| Europe: Air | **42,515** | 32,408 | **(53,716)** | (38,478) |
| Europe: Ground | **16,705** | 11,230 | **(9,579)** | (17,248) |
| MENA: Air | **5,568** | 6,548 | **(5,529)** | (6,334) |
| MENA: Ground | **1,244** | 1,397 | **(921)** | (527) |
| Asia: Air | **198** | 23 | **(17)** | (16) |
| Other | **151,705** | 14,867 | **(13,070)** | (24,718) |
| Investment eliminations | **(94,735)** | (12,646) | **–** | – |
| Other Group adjustments and eliminations | **(12,656)** | (3,982) | **6,837** | 4,583 |
| | **135,022** | 73,805 | **(79,368)** | (95,399) |

An analysis of the Group's revenue is as follows:

| | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|
| **Continuing operations** | | |
| Sale of business aviation services | **230,292** | 163,810 |
| Sale of goods (engines and parts) | **1,289** | 2,778 |
| Branding fees | **4,436** | 2,060 |
| | **236,017** | 168,648 |

There is no revenue arising from any one customer accounting for more than 10% of revenue.

**Geographic information**

| | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|
| Non-current assets | | |
| US | **2,121** | 2,088 |
| Europe | **12,134** | 13,065 |
| MENA | **551** | 710 |
| | **14,806** | 15,863 |

Non-current assets for this purpose consist of property, plant and equipment.

**6. Operating profit/(loss) for the year**
Operating profit/(loss) for the year has been arrived at after charging/(crediting):

| | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|
| Net foreign exchange loss | **420** | 470 |
| Depreciation of property, plant and equipment | **2,188** | 1,822 |
| Amortisation of intangibles | **1,677** | – |
| Impairment of property, plant and equipment(1) | **–** | 1,758 |
| Impairment of Goodwill(2) | **–** | 1,918 |
| Impairment of other intangible assets (see note 14) | **–** | 4,205 |
| Impairment of assets held for sale(1) | **–** | 1,714 |
| Loss on disposal of property, plant and equipment | **132** | 13 |
| Loss on disposal of intangibles | **150** | – |
| Cost of inventories recognised as expense | **9,288** | 8,731 |
| Write (back)/down of inventories recognised as an expense | **(687)** | 469 |
| Staff costs (see note 8) | **45,991** | 38,397 |
| Impairment loss recognised on trade receivables (see note 19) | **359** | 1,246 |
| Reversal of impairment losses recognised on trade receivables (see note 19) | **(825)** | (709) |
| Loan settlement discount(3) | **–** | (2,071) |
| Professional fees regarding litigation defence | **–** | 823 |
| Auditors' remuneration: | | |
| Audit of the company's annual accounts | **107** | 38 |
| Audit of the accounts of subsidiaries | **213** | 277 |
| Tax advisory services | **5** | – |
| Other assurance services | **35** | – |

(1) The directors observed in the year ended 31 December 2014, that as a result of the economic downturn market values for second hand aircraft had been difficult and the number of distress sales had lowered the resale value of small and medium sized business aircraft. As a result, the Group undertook a detailed impairment review and determined that an impairment of $3,472,000 was necessary and recorded within property, plant and equipment and assets held for sale. The directors carried out a similar review in the year ended 31 December 2015 and determined that no impairment was necessary.

(2) The directors have conducted an impairment test on Goodwill as described in note 3 to the financial statements and further analysed in note 13.

(3) The directors negotiated an early settlement discount with one of its lenders which allowed the company to recognise a loan discount during the prior year.

**7. Exceptional items and discontinued operations**
Operating profit/(loss) is stated after exceptional items and discontinued operations.

| | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|
| **Exceptional items** | | |
| Impairment of plant and machinery | **–** | 1,758 |
| Impairment of goodwill | **–** | 1,918 |
| Impairment of other intangibles | **–** | 4,205 |
| Impairment of assets held for sale | **–** | 1,714 |
| Transaction costs | **3,585** | 2,158 |
| Integration and business re-organisation costs | **3,538** | – |
| | **7,123** | 11,753 |

Discontinued operations relate to the losses generated by the owned aircraft within the group that are held for sale as part of the group strategy to exit the business model of owned aircraft that are deployed solely for the purposes of ad-hoc charter. Three aircraft that were held for sale at 31 December 2014 were sold at no gain/(loss) during the course of 2015. There are only two aircraft within the group that are now classified as held for sale. The results of these discontinued operations are presented below:

| | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|
| **Discontinued operations** | | |
| Revenue | **875** | 1,253 |
| Expenses (including depreciation charge of $7,000) | **(2,044)** | (4,141) |
| Operating loss | **(1,169)** | (2,888) |
| Finance income | **67** | 63 |
| Loss before tax from discontinued operations | **(1,102)** | (2,825) |
| Taxation | **–** | – |
| **Loss after tax for the year from discontinued operations** | **(1,102)** | **(2,825)** |
| **Earnings per share** | | |
| Basic – cents | **(2.56c)** | (10.33) |
| Diluted – cents | **(2.56c)** | (10.33) |
| The weighted average number of ordinary shares is included in Note 12. | | |
| The net cash flows incurred by discontinued operations are as follows: | | |
| Operating | **(1,731)** | (2,888) |
| Investing | **2,070** | – |
| **Net cash outflow** | **(339)** | **(2,888)** |

## 8. Staff costs

The average monthly number of employees (including executive directors) was:

| | **Year ended 2015 Number** | Year ended 2014 Number |
|---|---|---|
| Operations and administration | **255** | 189 |
| Pilots and cabin crew | **105** | 94 |
| Aircraft engineering | **183** | 159 |
| | **543** | 442 |

Their aggregate remuneration comprised:

| | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|
| Wages and salaries | **39,941** | 33,157 |
| Social security costs | **5,063** | 4,094 |
| Other pension costs (see note 31) | **987** | 1,146 |
| | **45,991** | 38,397 |

### 9. Finance income

| | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|
| Bank deposits | 5 | – |
| Foreign currency translation on intercompany balances | 1,039 | 831 |
| Total finance income | 1,044 | 831 |

### 10. Finance costs

| | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|
| Interest on bank overdrafts and loans | 1,888 | 3,225 |
| Interest on obligations under finance leases | 352 | 397 |
| Other similar charges payable | 16 | 6 |
| Total finance costs | 2,256 | 3,628 |

### 11. Taxation

| | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|
| Corporation tax: | | |
| Current year charge | 636 | – |
| Adjustments in respect of prior years | – | (83) |
| | 636 | (83) |
| Deferred tax (note 21) | (3,149) | 159 |
| Total tax (credit)/charge for the year | (2,513) | 76 |

The tax (credit)/charge for the year, based on the tax rate in the United Kingdom, can be reconciled to the profit/(loss) per the income statement as follows:

| | Year ended 2015 $'000 | Year ended 2014 $'000 |
|---|---|---|
| Profit/(loss) before tax | 6,876 | (14,113) |
| Tax at the corporation tax rate of 20% (2014: 20%) | 1,375 | (2,823) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,587 | 34 |
| Differences between capital allowances and depreciation | (322) | 350 |
| (Utilisation)/origination of tax losses | (5,478) | 2,077 |
| Effect of tax rates in different jurisdictions | 325 | 521 |
| Adjustment to tax charge in respect of previous periods | – | (83) |
| Total tax (credit)/charge for the year | (2,513) | 76 |

### 12. Earnings/(loss) per share ("EPS")

The calculation of earnings/(loss) per share is based on the earnings attributable to the ordinary shareholders divided by the weighted average number of shares in issue during the period.

| | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|
| **Numerator** | | |
| Profit/(loss) attributable to ordinary equity holders of the parent: | | |
| Continuing operations | **9,151** | (10,541) |
| Discontinued operations | **(1,102)** | (2,825) |
| **Profit/(loss) attributable to ordinary equity holders of the parent for basic earnings** | **8,049** | **(13,366)** |
| Add amortisation | **1,677** | – |
| Add exceptional items | **7,123** | 11,753 |
| **Profit/(loss) attributable to ordinary shareholders for adjusted earnings** | **16,849** | **(1,613)** |
| **Denominator** | | |
| Weighted average number of shares used in basic EPS | **42,994,442** | 27,341,960 |
| Weighted average number of shares used in diluted EPS | **42,994,442** | 27,341,960 |
| **Earnings/(loss) per share** | | |
| Basic – cents | **18.72c** | (48.88c) |
| Diluted – cents | **18.72c** | (48.88c) |
| Adjusted Basic – cents | **39.19c** | (5.90c) |
| Adjusted Diluted – cents | **39.19c** | (5.90c) |

To calculate the EPS for discontinued operations (note 7), the weighted average number of ordinary shares for both the basic and the diluted EPS is as per the table above. The following table provides the loss amount used.

| | **Year ended 2015 $'000** | Year ended 2014 $'000 |
|---|---|---|
| Loss from discontinued operations for the basic and diluted EPS calculations | **(1,102)** | (2,825) |

## 13. Goodwill

| | $'000 |
|---|---|
| **Cost** | |
| At 1 January 2014 | 4,640 |
| Exchange differences | (210) |
| | |
| At 1 January 2015 | 4,430 |
| Created upon reverse takeover | 41,204 |
| Exchange differences | (2,068) |
| At 31 December 2015 | 43,566 |
| | |
| **Accumulated impairment losses** | |
| At 1 January 2014 | 1,779 |
| Impairment | 1,918 |
| At 31 December 2014 and 31 December 2015 | 3,697 |
| | |
| **Carrying amount** | |
| At 31 December 2015 | 39,869 |
| At 31 December 2014 | 733 |

The recoverable amount of goodwill is allocated to the following cash generating units:

| | **2015 $'000** | 2014 $'000 |
|---|---|---|
| Airops Software Limited | **652** | 685 |
| Gama Aviation Limited/Gama Leasing Limited/Gama Support Services Limited | **45** | 48 |
| Hangar 8 Group | **39,172** | – |
| | **39,869** | 733 |

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of each business are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period.

At the year-end, the Directors carried out an impairment review of the carrying value of the goodwill recorded in the Balance Sheet. Discounted cash flows over a 5 year period based on approved budgets and forecasts, were carried out using a discount factor of 11.5% (independently calculated by a third party), revenue growth of 5% with direct costs growing at between 3-5% and overheads growing at 2%. The results showed that the carrying values could be supported by the future cash flows. Accordingly, the Directors have not recorded impairment in the period. In 2014 the investment held in Ronaldson Airmotive Limited was impaired after performing a discounted cash flow forecast for a period of 5 years. A growth rate of 2% was applied and the cash flows were discounted using a discount factor of 11.5%, which the directors believe to be a fair reflection for the Gama Aviation (Engineering) Limited business. After noting the deterioration in the business performance and after reviewing the resultant cash flows projections, the Directors made an impairment of $1,918,000.

### 14. Other intangible assets

| | Commence operations $'000 | Part 145 approvals $'000 | Licences and Brand $'000 | Customer relations $'000 | Computer Software $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2014 | 1,525 | 3,172 | – | – | – | 4,697 |
| Additions | 55 | – | – | – | – | 55 |
| Foreign exchange differences | (92) | (182) | – | – | – | (274) |
| At 31 December 2014 | 1,488 | 2,990 | – | – | – | 4,478 |
| Addition due to acquisition | – | – | – | – | 243 | 243 |
| Recognised upon reverse takeover | – | – | 1,194 | 8,937 | – | 10,131 |
| Additions | – | – | – | – | 30 | 30 |
| Disposals | – | – | – | – | (251) | (251) |
| Foreign exchange differences | (14) | (148) | (58) | (440) | (13) | (673) |
| At 31 December 2015 | 1,474 | 2,842 | 1,136 | 8,497 | 9 | 13,958 |
| **Amortisation and accumulated impairment losses** | | | | | | |
| At 1 January 2014 | – | – | – | – | – | – |
| Impairment | 1,215 | 2,990 | – | – | – | 4,205 |
| At 31 December 2014 | 1,215 | 2,990 | – | – | – | 4,205 |
| Amortisation | – | – | 686 | 878 | 113 | 1,677 |
| Disposals | – | – | – | – | (106) | (106) |
| Foreign exchange differences | (14) | (148) | (22) | (26) | (4) | (214) |
| At 31 December 2015 | 1,201 | 2,842 | 664 | 852 | 3 | 5,562 |
| **Carrying amount** | | | | | | |
| At 31 December 2015 | 273 | – | 472 | 7,645 | 6 | 8,396 |
| At 31 December 2014 | 273 | – | – | – | – | 273 |

The intangible assets relating to the commencement of operations were incurred in gaining an AOC (Air Operators Certificate) in the United Arab Emirates. These commencement costs meet the capitalisation requirements of IAS 38. This asset, the AOC, has not been amortised because the directors believe it has an indefinite life. In addition, there are other intangible assets that meet the capitalisation requirements within IAS38 which were acquired with the purchase of Hangar8 Plc. These include Licences and Brands, Customer relations and workforce and computer software. Further disclosure is made to these acquired intangibles in the acquisition note 26.

The recoverable amounts of each business are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. The rate used to discount the forecast cash flows is 11.5% (2014: 11.5%). The Directors have recorded impairments within these intangibles in the year ended 31 December 2014 as the value in use calculations did not supporting the carrying value of the assets. The Directors have determined that no such impairments are required in the year ended 31 December 2015.

### 15. Property, plant and equipment

| | Leasehold property $'000 | Aircraft hull and refurbish-ments $'000 | Fixtures, fittings and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2014 | 3,934 | 8,218 | 2,978 | 272 | 15,402 |
| Additions | 681 | 746 | 742 | 342 | 2,511 |
| Transfers | 21 | 43 | (118) | 54 | – |
| Disposals | – | – | (242) | (81) | (323) |
| Reclassified from held for resale | – | 5,854 | – | – | 5,854 |
| Exchange differences | (118) | (6) | (148) | (14) | (286) |
| At 1 January 2015 | 4,518 | 14,855 | 3,212 | 573 | 23,158 |
| Additions | 327 | – | 1,186 | 172 | 1,685 |
| Additions due to acquisition | – | – | 323 | – | 323 |
| Transfers | (27) | – | 27 | – | – |
| Disposals | – | (1,031) | (229) | (81) | (1,341) |
| Exchange differences | (99) | (295) | (132) | (10) | (536) |
| At 31 December 2015 | 4,719 | 13,529 | 4,387 | 654 | 23,289 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2014 | 1,458 | 628 | 1,716 | 173 | 3,975 |
| Charge for the year | 498 | 662 | 582 | 80 | 1,822 |
| Transfers | 13 | 12 | (40) | 15 | – |
| Impairment charge (note 6) | – | 1,758 | – | – | 1,758 |
| Eliminate on disposals | – | – | (219) | (60) | (279) |
| Reclassified from held for resale | – | 262 | – | – | 262 |
| Exchange differences | (64) | (77) | (93) | (9) | (243) |
| At 1 January 2015 | 1,905 | 3,245 | 1,946 | 199 | 7,295 |
| Charge for the year | 794 | 576 | 714 | 111 | 2,195 |
| Eliminated on disposals | – | (677) | (74) | (76) | (827) |
| Exchange differences | (61) | (38) | (76) | (5) | (180) |
| At 31 December 2015 | 2,638 | 3,106 | 2,510 | 229 | 8,483 |
| **Carrying amount** | | | | | |
| At 31 December 2015 | 2,081 | 10,423 | 1,877 | 425 | 14,806 |
| At 31 December 2014 | 2,613 | 11,610 | 1,266 | 374 | 15,863 |

The Group's obligations under finance leases (see note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of $10.7 million (2014: $11.4 million), being $10.4 million of aircraft and $0.3m of motor vehicles (2014: $11.2 million of aircraft and $0.2m of motor vehicles).

**Assets held for sale**

Aircraft with a carrying value of $5.1m were classified as assets held for resale under IFRS5 in 2014. At the beginning of the year 2015, the group had five aircraft that were held for sale. During the course of 2015, the group disposed of three of these aircraft directly to third parties. There are only two remaining aircraft held for sale at 31 December 2015. These aircraft are actively being marketed as held for sale and the directors believe that it is highly probable that these remaining aircraft will be disposed of in the near future.

| | Total<br>$'000 |
|---|---|
| **Cost** | |
| At 1 January 2014 | 35,600 |
| Reclassified to property plant and equipment | (5,854) |
| Exchange differences | (355) |
| At 1 January 2015 | 29,391 |
| Eliminated on disposals | (9,348) |
| At 31 December 2015 | 20,043 |
| | |
| **Provision for impairment** | |
| At 1 January 2014 | 22,738 |
| Impairment charge (note 6) | 1,714 |
| Reclassified to property, plant and equipment | (262) |
| Exchange differences | 38 |
| At 1 January 2015 | 24,228 |
| Eliminated on disposals | (7,311) |
| At 31 December 2015 | 16,917 |
| | |
| **Carrying amount** | |
| At 31 December 2015 | 3,126 |
| At 31 December 2014 | 5,163 |

**16. Subsidiaries**
Details of the Company's subsidiaries at 31 December 2015 are as follows:

| Name | Place of incorporation and operation | Proportion of voting and ownership interest | Nature of business |
|---|---|---|---|
| Gama Group Ltd | Great Britain | 100% | Holding company |
| Gama Aviation (UK) Ltd* | Great Britain | 100% | Aviation Management |
| Gama Aviation FZE | UAE | 49% | Aviation Management |
| Gama Support Services FZE | UAE | 49% | Aviation design & engineering |
| Gama Group Mena FZE | UAE | 49% | Holding company |
| Gama Holding FZC | UAE | 100% | Holding company |
| Gama Leasing Ltd* | Great Britain | 100% | Aviation Management |
| Gama Properties Ltd* | Great Britain | 100% | Dormant |
| Gama Support Services Ltd* | Great Britain | 100% | Aviation design & engineering |
| Gama Engineering Ltd* | Great Britain | 100% | Aviation design & engineering |
| Gama Aviation (Engineering) Ltd (formerly Gama Engineering Group Limited)* | Great Britain | 100% | Holding Company |
| Avialogistics Limited* | Great Britain | 100% | Aviation cleaning |
| Airops Software Ltd* | Great Britain | 100% | Aviation software |
| GA FM54 Limited | Great Britain | 100% | Aircraft leasing |
| Gama Aviation (Asset2) Limited | Great Britain | 100% | Aircraft operation |
| GA 259034 Limited | Great Britain | 100% | Aircraft leasing |
| Gama Aviation (Training) Limited | Great Britain | 100% | Aviation training |
| Gama Aviation SA* | Switzerland | 100% | Aviation Management |
| Gama Group Inc.* | USA | 100% | Holding company |
| Gama Aviation (Management) Inc (formerly Gama Aviation Inc)* | USA | 100% | Aviation Management |
| Ronaldson Airmotive Ltd* | Great Britain | 100% | Aircraft servicing and rebuilding |
| Gama Aviation (Engineering) Inc (formerly Gama Support Services Inc) | USA | 100% | Aviation design & engineering |
| Gama Group Asia Ltd | Hong Kong | 100% | Holding company |
| Gama Aviation Ltd* | Hong Kong | 100% | Aviation management |
| Gama Support Services Ltd* | Hong Kong | 100% | Aviation design & engineering |
| Hangar 8 Management Limited | Great Britain | 100% | Aviation Management |
| Hangar 8 AOC Limited | Great Britain | 100% | Aviation Charter |
| Star-Gate Aviation (Proprietary) Limited | South Africa | 100% | Holder of South African AOC |
| Infinity Flight Crew Academy Limited | Great Britain | 100% | Aviation training |
| Aviation Crewing Limited | Great Britain | 100% | Aviation crewing |
| Hangar 8 Engineering Limited | Great Britain | 100% | Aviation maintenance |
| Hangar 8 Nigeria Limited** | Nigeria | 100% | Applicant of Nigerian AOC |
| Hangar 8 Mauritius Limited | Mauritius | 100% | Holding company |
| International JetClub Limited | Great Britain | 100% | Aviation Management |
| Optimum Aviation Limited | Great Britain | 100% | Aviation Management and Charter |

| Name | Place of incorporation and operation | Proportion of voting and ownership interest | Nature of business |
|---|---|---|---|
| Aravco Limited | Great Britain | 100% | Aviation Management |
| Exclusiv Aviation Limited | Great Britain | 100% | Dormant |
| Oasis Flight Malta | Great Britain | 100% | Holder of AOC |

* Indicates indirect Holding.

**The consolidated financial statements include amounts relating to Hangar 8 Nigeria Limited, a company established in Lagos, Nigeria. The Group holds 11% of the share capital, of which 7% is owned through a wholly owned subsidiary, Hangar 8 Mauritius Limited. Whilst the Group therefore does not have legal control of this entity, the directors and officers comprise only of management from the Group who have the ability to adopt, amend and control the operating and financial policies of the entity. Local regulations prevent the Group holding a legally controlling shareholding and therefore 89% of the share capital is held on behalf of the Group by Tinubu Investment Company Limited. Accordingly, the entity has been treated as a wholly owned subsidiary in these financial statements.

Gama Aviation Plc holds a 49% shareholding in Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE. The results of Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE are fully consolidated within the financial statements because Gama Aviation Plc is exposed to variable returns from its involvement, and has the ability to affect the returns through its power over these companies.

Details of the Company's subsidiaries at 31 December 2014 are as follows:

| Name | Place of incorporation and operation | Proportion of voting and ownership interest | Nature of business |
|---|---|---|---|
| Gama Group Ltd | Great Britain | 100% | Holding company |
| Gama Aviation (UK) Ltd* | Great Britain | 100% | Aviation Management |
| Gama Aviation FZE | UAE | 49% | Aviation Management |
| Gama Support Services FZE | UAE | 49% | Aviation design & engineering |
| Gama Group Mena FZE | UAE | 49% | Holding company |
| Gama Holding FZC | UAE | 100% | Holding company |
| Gama Leasing Ltd* | Great Britain | 100% | Aviation Management |
| Gama Properties Ltd* | Great Britain | 100% | Dormant |
| Gama Support Services Ltd* | Great Britain | 100% | Aviation design & engineering |
| Gama Engineering Ltd* | Great Britain | 100% | Aviation design & engineering |
| Gama Aviation (Engineering) Ltd (formerly Gama Engineering Group Limited)* | Great Britain | 94% | Holding Company |
| Avialogistics Limited* | Great Britain | 100% | Aviation cleaning |
| Airops Software Ltd* | Great Britain | 100% | Aviation software |
| GA FM54 Limited | Great Britain | 100% | Aircraft leasing |
| Gama Aviation (Asset2) Limited | Great Britain | 100% | Aircraft operation |
| GA 259034 Limited | Great Britain | 100% | Aircraft leasing |
| Gama Aviation (Training) Limited | Great Britain | 100% | Aircraft training |
| Gama Aviation SA* | Switzerland | 100% | Aviation Management |
| Gama Group Inc.* | USA | 100% | Holding company |
| Gama Aviation (Management) Inc (formerly Gama Aviation Inc)* | USA | 100% | |
| Ronaldson Airmotive Ltd* | Great Britain | 100% | Aircraft servicing and rebuilding |
| Gama Aviation (Engineering) Inc (formerly Gama Support Services Inc) | USA | 100% | Aviation design & engineering |
| Gama Group Asia Ltd | Hong Kong | 100% | Holding company |
| Gama Aviation Ltd* | Hong Kong | 100% | Aviation management |
| Gama Support Services Ltd* | Hong Kong | 100% | Aviation design & engineering |

* Indicates indirect Holding.

**16. Subsidiaries (continued)**

Gama Aviation Plc holds a 49% shareholding in Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE. The results of Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE are fully consolidated within the financial statements because Gama Aviation Plc is exposed to variable returns from its involvement, and has the ability to affect the returns through its power over these companies.

**17. Investments accounted for using the equity method**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Results of associate** | | |
| Revenue | 176,814 | 82,426 |
| Expenditure | (178,688) | (84,125) |
| Loss before tax | (1,874) | (1,699) |
| Income tax expense | (17) | (19) |
| **Loss of associate** | (1,891) | (1,718) |
| **Group's share of net loss of associate** | (927) | (827) |
| | | |
| **Movements in carrying amount of investment in associate** | | |
| At 1 January | – | 260 |
| Share of net loss of associate | (927) | (827) |
| Included in provisions (note 29) | 927 | 567 |
| **At 31 December** | – | – |
| | | |
| **Summary financial position of associate** | | |
| Current assets | 13,802 | 8,089 |
| Non-current assets | 131 | 85 |
| Other assets (charter ticket) | 968 | 635 |
| **Total assets** | 14,901 | 8,809 |
| | | |
| Current liabilities | (17,703) | (9,800) |
| Non-current liabilities | (245) | (166) |
| **Total liabilities** | (17,948) | (9,966) |
| **Net liabilities** | (3,047) | (1,156) |
| | | |
| Group's share of net liabilities of associate | (1,494) | (567) |
| Included in provisions (note 29) | 1,494 | 567 |
| **Investment in associate accounted for using the equity method** | – | – |

Details of the Group's associate at 31 December 2015 are as follows:

| Name | Place of incorporation and operation | Proportion of ownership interest | Proportion of voting power held |
|---|---|---|---|
| Gama Aviation LLC | USA | 49% | 25% |

Gama Aviation LLC is an air carrier providing aircraft transportation for Gama Aviation Management Inc, managed clients as well as third party customers throughout the United States.

| | **2015 $'000** | 2014 $'000 |
|---|---|---|
| **Results of joint venture** | | |
| Revenue | **6,540** | – |
| Expenditure | **(7,434)** | – |
| Loss before tax | **(894)** | – |
| Income tax expense | **–** | – |
| **Loss of joint venture** | **(894)** | – |
| **Group's share of net loss of joint venture** | **(447)** | – |
| **Movements in carrying amount of investment in joint venture** | | |
| Investment in joint venture | **50** | – |
| Share of net loss of joint venture | **(447)** | – |
| Share of loans | **50** | – |
| Included in provisions (note 29) | **347** | – |
| **At 31 December** | **–** | – |
| **Summary financial position of joint venture** | | |
| Current assets | **3,618** | – |
| Non-current assets | **32** | – |
| **Total assets** | **3,650** | – |
| Current liabilities | **(4,445)** | – |
| **Total liabilities** | **(4,445)** | – |
| **Net liabilities** | **(795)** | – |
| Group's share of net liabilities of joint venture | **(397)** | – |
| Share of loans | **50** | – |
| Included in provisions (note 29) | **347** | – |
| **Investment in joint venture accounted for using the equity method** | **–** | – |

**17. Investments accounted for using the equity method (continued)**
Details of the Group's joint venture at 31 December 2015 are as follows:

| Name | Place of incorporation and operation | Proportion of ownership interest | Proportion of voting power held |
|---|---|---|---|
| Gama Aviation Hutchison Holdings | Hong Kong | 50% | 50% |

Gama Aviation Hutchison Holdings is the holding company of Gama Aviation Hutchison, a company incorporated in Hong Kong, and focused on providing management, charter, maintenance and repair, and fixed base operations in the Asia region.

**18. Inventories**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Raw materials and consumables | **5,843** | 3,520 |
| Work in progress | **1,510** | 1,441 |
| | **7,353** | 4,961 |

The directors consider that the carrying value of inventories is approximately equal to their fair value. The cost of inventories recognised as an expense was $9,288,000 (2014: $8,731,000).

**19. Other financial assets**
**Trade and other receivables**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Amount receivable for the sale of services | **28,909** | 22,707 |
| Allowance for doubtful debts | **(3,751)** | (2,306) |
| | **25,158** | 20,401 |
| Other debtors | **6,470** | 5,058 |
| Prepayments | **2,361** | 7,526 |
| Accrued income | **15,619** | 8,499 |
| | **49,608** | 41,484 |

**Trade receivables**
Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 28 days (2014: 28 days). No interest is charged on overdue receivables (2014 – nil). The Group recognises an allowance for doubtful debts on a customer by customer basis, based on an analysis of the counterparty's current financial position, against its current overdue debt.

Before accepting any new customer, the Group assesses the potential customer's credit quality and requests payments on account, where considered appropriate, as a means of mitigating the risk of financial loss from defaults.

Of the trade receivables balance at the end of the year, $2.7 million (2014: $1.4 million) is due from the Group's largest 5 customers who comprise 10% (2014: 7%) of the ledger value at the year end.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. Management have noted that most of the balance with ageing of more than 121 days past due but not impaired have been settled by the time the financial statements were prepared.

**Ageing of past due but not impaired receivables**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| 30-60 days | **2,240** | 1,671 |
| 61-90 days | **1,518** | 971 |
| 91-120 days | **657** | 432 |
| 121-360 days | **3,079** | 4,952 |
| 361+ days | **1,271** | 372 |
| Total | **8,765** | 8,398 |

**Movement in the allowance for doubtful debts**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Balance at the beginning of the year | **2,306** | 1,844 |
| Additions due to acquisition | **1,866** | – |
| Impairment losses recognised in income statement | **555** | 1,246 |
| Amounts written off as uncollectible | **(26)** | (2) |
| Amounts recovered during the year | **(825)** | (709) |
| Foreign exchange translation gains and losses | **(125)** | (73) |
| Balance at the end of the year | **3,751** | 2,306 |

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

**Ageing of impaired trade receivables**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| < 30 days | **199** | – |
| 30-60 days | **118** | 84 |
| 61-90 days | **162** | – |
| 91-120 days | **153** | 117 |
| 121+ days | **3,119** | 2,105 |
| Total | **3,751** | 2,306 |

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No security is taken on trade receivables.

## 20. Borrowings

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Secured borrowings at amortised cost** | | |
| Finance lease liabilities (note 22) | **7,518** | 8,915 |
| Other loans | **9,961** | 18,103 |
| | **17,479** | 27,018 |
| **Total borrowings** | | |
| Finance lease liabilities | **1,586** | 1,515 |
| Other loans | **8,851** | 16,935 |
| Amount due for settlement within 12 months | **10,437** | 18,450 |
| Finance lease liabilities | **5,932** | 7,400 |
| Other loans | **1,110** | 1,168 |
| Amount due for settlement after 12 months | **7,042** | 8,568 |

Analysis of borrowings by currency:

| | Sterling $'000 | US Dollars $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2015** | | | |
| Finance lease liabilities | 3,018 | 4,500 | 7,518 |
| Other loans | 5,921 | 4,040 | 9,961 |
| | 8,939 | 8,540 | 17,479 |
| **31 December 2014** | | | |
| Finance lease liabilities | 3,640 | 5,275 | 8,915 |
| Other loans | 2,336 | 15,767 | 18,103 |
| | 5,976 | 21,042 | 27,018 |

The other principal features of the Group's borrowings are as follows.

(i) Finance lease liabilities are secured by the assets leased. Interest arises at an average of 4% (2014: 6.5%) and the leases expire in 2020.

(ii) Other loans include:

/ £0.75 million (2014: £0.75 million), which has no fixed repayment term and carries an interest rate of 9.5% per annum (2014: 12%).
/ £3.7 million revolving credit facility with a repayment term of less than 1 year and carries an interest rate of LIBOR + 1.95%.
/ $4.04 million carrying an interest rate of 12% per annum and repayable on demand.

Loans amounting to $15.8 million were settled with the raising of new capital upon the reverse takeover by Hangar8 Plc. Hangar8 plc became Gama Aviation Plc.

**21. Deferred tax**

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

| | Fixed asset temporary differences $'000 | Short term temporary differences $'000 | Tax losses $'000 | Total $'000 |
|---|---|---|---|---|
| At 1 January 2014 | 954 | (10) | (463) | 481 |
| Movement in year | 7 | 10 | 120 | 137 |
| Exchange differences | 22 | – | – | 22 |
| At 1 January 2015 | 983 | – | (343) | 640 |
| Addition due to acquisition | 594 | – | (63) | 531 |
| Movement in year | – | – | (3,149) | (3,149) |
| Exchange differences | (182) | – | 148 | (34) |
| At 31 December 2015 | 1,395 | – | (3,407) | (2,012) |

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2015 $'000** | 2014 $'000 |
|---|---|---|
| Deferred tax liabilities | **1,395** | 983 |
| Deferred tax assets | **(3,407)** | (343) |
| Net deferred tax liability | **(2,012)** | 640 |

The Group has not recognised a deferred tax asset in respect of losses brought forward of $6.7 million (2014: $12.0 million) because the future recoverability of the asset is uncertain.

The Group are able to recognise the deferred tax asset and its expected utilisation in future periods based on future profitable projections for that entity in which the deferred tax asset arose.

**22. Obligations under finance leases**

| | Minimum lease payments | |
|---|---|---|
| | **2015 $'000** | 2014 $'000 |
| **Amounts payable under finance leases:** | | |
| Within one year | **1,877** | 1,864 |
| In the second to fifth years inclusive | **6,385** | 7,264 |
| After more than five years | **–** | 864 |
| | **8,262** | 9,992 |
| Less: future finance charges | **(744)** | (1,077) |
| Present value of lease obligations | **7,518** | 8,915 |

### 22. Obligations under finance leases (continued)

| | Present value of minimum lease payments | |
|---|---|---|
| | **2015 $'000** | 2014 $'000 |
| **Amounts payable under finance leases:** | | |
| Within one year | **1,586** | 1,515 |
| In the second to fifth years inclusive | **5,932** | 6,547 |
| After more than five years | **–** | 853 |
| Present value of lease obligations | **7,518** | 8,915 |

It is the Group's policy to lease aircraft and cars under finance leases. The average lease term is ten years for aircraft and five years for cars. For the year ended 31 December 2015, the average effective borrowing rate was 4% (2014: 6.5%). Interest rates are variable.

The fair value of the Group's lease obligations is different to their carrying amount as shown in note 35.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 15.

### 23. Other financial liabilities
**Trade and other payables**

| | **2015 $'000** | 2014 $'000 |
|---|---|---|
| Trade and other payables | **43,434** | 46,397 |
| Accruals | **10,522** | 8,089 |
| | **53,956** | 54,486 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 (2014: 50) days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

### 24. Issued capital and reserves

| | Number | GBP | $'000 |
|---|---|---|---|
| **Ordinary shares: authorised, issued and fully paid:** | | | |
| At 1 January 2014 and 31 December 2014 | 27,341,960 | 273,420 | 426 |
| Introduction of Hangar8 Plc share capital on reverse takeover | 9,527,103 | 95,270 | 148 |
| Issuance of share capital | 6,125,379 | 61,254 | 96 |
| At 31 December 2015 | 42,994,442 | 429,944 | 670 |

Share capital represents the amount subscribed for share capital at nominal value. The Company has one class of ordinary shares with a nominal value of GBP0.01 and no right to fixed income.

On 5 January 2015, the group's parent company Gama Aviation Plc was acquired by Hangar8 Plc by way of a reverse takeover of its entire share capital. Hangar8 Plc changed its name to Gama Aviation Plc. During the year, the issued share capital was increased by £61,254 by the issue of 6,125,379 shares of £0.01 each.

| | $'000 |
|---|---|
| **Share premium** | |
| At 1 January 2014 and 31 December 2014 | 8,846 |
| Issuance of share capital | 26,612 |
| Balance at 31 December 2015 | 35,458 |

Share premium represents the amount subscribed for share capital in excess of nominal value. The share premium was increased by £17,089,807 (US$26,612,000) through the issuance of share capital described above.

**Other reserves**

| | Merger relief reserve $'000 | Reverse takeover reserve $'000 | Other reserve $'000 | Total $'000 |
|---|---|---|---|---|
| At 1 January 2014 and 31 December 2014 | – | (9,272) | 20,209 | 10,937 |
| Reverse takeover transaction | 132,847 | (86,556) | – | 46,291 |
| Balance at 31 December 2015 | 132,847 | (95,828) | 20,209 | 57,228 |

The merger relief reserve and the reverse takeover reserve occur as a result of the reverse takeover that took place on 5 January 2015, as described above. The merger relief reserve represents differences between the fair value of the consideration transferred and the nominal value of the shares. The reverse takeover reserve represents the balance of the amount attributable to equity after adjusting the accounting acquirer's capital to reflect the capital structure of the legal parent in a reverse takeover.

Other reserve is the result of the application of merger accounting to reflect the combination of the results of the Gama Aviation (Holdings) Jersey Limited with those of Gama Holding FZC, following the share for share exchange transacted on 16 December 2014.

## 25. Non-controlling interest

| | $'000 |
|---|---|
| Balance at 1 January 2014 | 922 |
| Total comprehensive loss attributable to minority interests | (823) |
| Balance at 31 December 2014 | 99 |
| Non-controlling interest acquisition | (1,146) |
| Non-controlling interest movement | 1,500 |
| Total comprehensive loss attributable to minority interests | 238 |
| Balance at 31 December 2015 | 691 |

On 28 March 2012, Gama Aviation Engineering Limited, a subsidiary of Gama Aviation Plc, acquired the entire ordinary share capital of Ronaldson Airmotive Limited. Under the terms of the deal, part of the consideration included a 6% shareholding of Gama Aviation Engineering Limited, the immediate parent company. In June 2015, the Group bought back the 6% shareholding of Gama Aviation Engineering Limited and this is represented by the non-controlling interest acquisition movement of $1,146,000.

The non-controlling interest movement reflects a movement in the position after a review of the shareholding in Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE.

**26. Acquisitions**

On 5 January 2015, Hangar8 Plc acquired, by way of a reverse takeover the entire issued share capital of Gama Aviation Holdings (Jersey) Limited, a privately owned global business aviation services group that focuses on air and ground operations. Hangar8 Plc was deemed the legal acquirer whilst Gama Aviation Holdings (Jersey) Limited was deemed the accounting acquirer. Hangar8 Plc became Gama Aviation Plc on that date.

As a result of the acquisition, the Enlarged Group is considered to be one of the five largest operators globally giving the Group the strong platform for expansion. It also expects to reduce costs through economies of scale and synergies. Goodwill of $41,204,000 and identifiable intangible assets of $10,131,000 arose on acquisition. The following table summarises the consideration paid for the Hangar 8 Group, the provisional fair value of the assets acquired and the liabilities assumed at the acquisition date.

| **Consideration at 5 January 2015** | $'000 |
|---|---|
| Equity instruments (9,527,103 ordinary shares) | 46,438 |
| Total consideration transferred | 46,438 |

| **Recognised amounts of identifiable assets acquired and liabilities assumed** | $'000 |
|---|---|
| Software | 243 |
| Property, plant and equipment | 323 |
| Licences (included within intangibles) | 171 |
| Brand (included within intangibles) | 1,023 |
| Customer relationships (included within intangibles) | 8,937 |
| Inventories | 956 |
| Trade and other receivables | 38,504 |
| Trade and other payables | (47,605) |
| Deferred tax liabilities | (531) |
| Goodwill | 41,204 |
| | 43,225 |
| Cash | 3,213 |
| **Total** | **46,438** |

Acquisition related costs of $3,585,000 have been charged to the administrative costs in the consolidated income statement.

The fair value of the 9,527,103 ordinary shares as part of the consideration paid for the Hangar8 Plc Group was based on the published price on 4 January 2015.

The book value of licences and brand included within intangibles amounted to $5,468,000. The book value of trade and other receivables was $47,374,000 and book value of trade and other payables amounted to $47,404,000.

### 27. Net cash expended on operating activities

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Profit/(loss) before tax from continuing operations | **6,876** | (11,288) |
| Loss before tax from discontinued operations | **(1,102)** | (2,825) |
| Profit/(loss) before tax | **5,774** | (14,113) |
| Adjustments for: | | |
| Finance income | **(1,044)** | – |
| Finance costs | **2,256** | 3,628 |
| Depreciation of property, plant and equipment | **2,195** | 1,822 |
| Amortisation of intangible assets | **1,677** | – |
| Impairment of goodwill and other intangibles | **–** | 6,123 |
| Impairment of property, plant and equipment and assets held for sale | **–** | 3,472 |
| Loss on disposal of property, plant and equipment | **132** | 13 |
| Loss on disposal of intangibles | **150** | – |
| Unrealised foreign exchange movements | **(256)** | 172 |
| Share of loss of associate and joint venture | **1,324** | 260 |
| Operating cash inflow before movements in working capital | **12,208** | 1,377 |
| (Increase)/decrease in inventories | **(1,128)** | 93 |
| Decrease in receivables | **31,568** | 1,164 |
| (Decrease)/increase in payables | **(41,896)** | 1,051 |
| Decrease in deferred revenue | **(14,558)** | (1,673) |
| Decrease in provisions | **(309)** | (148) |
| Cash (expended on)/generated by operations | **(14,115)** | 1,864 |
| Taxes paid | **(253)** | 64 |
| Interest received | **5** | – |
| Interest paid | **(2,256)** | (3,628) |
| Net cash expended on operating activities | **(16,619)** | (1,700) |

### 28. Contingent assets
At 31 December 2015 the company had a reserve balance of $1,214,000 existing with one of its major suppliers. This credit is only usable against future specific maintenance services and there are inherent uncertainties over the consumption of the credit which are not wholly within the control of the Group. Therefore the credit is not recognised in these financial statements.

### Contingent liabilities
The banking facilities of Gama Aviation Plc and its subsidiary undertakings are secured by a fixed and floating charge over the assets of that company and its subsidiaries. The directors consider it highly improbable that any liability will crystalise as a result of this composite company multilateral guarantee.

### 29. Provisions for liabilities

| | Losses of associate $'000 | Losses of joint venture $'000 | Consideration for subsidiary acquisition $'000 | Total $'000 |
|---|---|---|---|---|
| Provision brought forward | 567 | – | 1,635 | 2,202 |
| Utilised | – | – | (1,142) | (1,142) |
| Charged/(released) to income statement | 927 | 347 | (309) | 965 |
| Foreign exchange movement | – | – | (25) | (25) |
| Provision carried forward | 1,494 | 347 | 159 | 2,000 |

On 28 March 2012, Gama Aviation Engineering Limited, a subsidiary of Gama Aviation Plc, acquired the entire ordinary share capital of Ronaldson Airmotive Limited, an Oxford-based company specialising in the overhaul, maintenance and inspection of piston engines and components. Under the terms of the deal, part of the consideration included a 6% shareholding of Gama Aviation Engineering Limited, the immediate parent company of Gama Support Services Limited, Gama Engineering Limited and Ronaldson Airmotive Limited.

**29. Provisions for liabilities (continued)**
An independent valuation was carried out in June 2015 to value the 6% shareholding for the minority shareholders after the shareholders exercised their call option for the Group to buy back the 6% holding on the third anniversary of the acquisition. The value ascribed to these shares was $1,142,000.

**30. Operating lease arrangements**
**The Group as lessee**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Lease payments under operating leases recognised as an expense in the year | **6,479** | 4,502 |

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Within one year | **5,997** | 2,825 |
| In the second to fifth years inclusive | **13,000** | 7,009 |
| After five years | **9,006** | 4,380 |
| | **28,003** | 14,214 |

Operating lease payments represent rentals payable by the Group for leasing of aircraft. Leases are negotiated for an average term of 5 years.

**31. Retirement benefit schemes**
The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to the income statement of $987,000 (2014: $1,146,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2015, contributions of $nil (2014: $nil) due in respect of the current reporting period had not been paid over to the schemes.

**32. Deferred revenue**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Deferred revenue | **4,538** | 10,710 |

The deferred revenue arises in respect of management fees invoiced in advance.

**33. Financial instruments**
The Group's financial assets and liabilities, as defined under IAS 39, and their estimated fair values are as follows:

| At 31 December 2015 | Loans and receivables $'000 | Financial liabilities at amortised cost $'000 | Book Value total $'000 | Fair value total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 8,457 | – | 8,457 | 8,457 |
| Trade and other receivables | 31,628 | – | 31,628 | 31,628 |
| **Financial liabilities** | | | | |
| Trade and other payables | – | (53,956) | (53,956) | (53,956) |
| Borrowings | – | (9,961) | (9,961) | (16,443) |
| **Net financial assets/(liabilities)** | 40,085 | (63,917) | (28,832) | (30,314) |

| At 31 December 2014 | Loans and receivables $'000 | Financial liabilities at amortised cost $'000 | Book Value total $'000 | Fair value total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 4,985 | – | 4,985 | 4,985 |
| Trade and other receivables | 25,459 | – | 25,459 | 25,459 |
| **Financial liabilities** | | | | |
| Trade and other payables | – | (54,486) | (54,486) | (54,486) |
| Borrowings | – | (18,103) | (18,103) | (20,927) |
| **Net financial assets/(liabilities)** | 30,444 | (72,589) | (42,145) | (44,969) |

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments. The fair value of obligations under finance leases and borrowings are categorised within the level 3 hierarchy, and calculated using the DCF method based on the BAA corporate bond yield rate.

### 33.1 Capital risk management

The Group manages its capital to ensure that the company and its subsidiaries will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity and in note 24.

The board of directors reviews the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital, against the purpose for which the debt is intended.

A combination of finance leases and loans are taken out to fund aircraft which are owned by the group. Debt is also secured to support the on-going operations and future growth of the Group.

### 33.2 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments across the Group in each individual currency. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured. Interest rate risk is discussed further in section 33.2.2 Interest rate risk management.

#### 33.2.1 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 |
| Sterling | **25,857** | 21,707 | **35,105** | 37,110 |
| Euro | **4,423** | 785 | **6,188** | 2,183 |
| Swiss Franc | **601** | 1,002 | **993** | 1,485 |

**33. Financial instruments (continued)**

33.2.1 Foreign currency risk management (continued)

*Foreign currency sensitivity analysis*

The Group is exposed to Sterling, the Euro and the Swiss Franc exchange rate fluctuations.

The following table details the Group's sensitivity to a 10 per cent increase in the US Dollar against the relevant foreign currencies. This percentage has been determined based on the average market volatility in exchange rates in the previous 24 months. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

| | Sterling impact | | Euro impact | | CHF impact | |
|---|---|---|---|---|---|---|
| | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 |
| Loss | **(925)** | (1,540) | **(176)** | (140) | **(39)** | (48) |

33.2.2 Interest rate risk management

The Group is exposed to interest rate risk as it finances fixed asset purchases using both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rates on financial liabilities is detailed in section 33.4 Liquidity risk management section. The Group's exposure to interest rates on financial assets has been assessed by management as insignificant.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared based on the average liability held by the Group over the year. A 1 per cent increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% basis points higher and all other variables were held constant, the Group's:

/ profit for the year ended 31 December 2015 would decrease by $175,000 (2014: $247,000); and
/ other comprehensive income would not be impacted (2014: nil).

The Company's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the value of finance leases held.

**33.3 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and requesting payments on account, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored.

Trade receivables consist of a large number of customers, coming from diverse backgrounds and geographical areas. On-going review of the financial condition of accounts receivable is performed. Further details can be located in note 19.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. There has been no change to the Group's exposure to credit risk or the manner in which these risks are managed and measured during the year.

**33.4 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities wherever possible. There has been no change to the Group's exposure to liquidity risks or the manner in which these risks are managed and measured during the year. Further details are provided in the Strategic Report.

Liquidity and interest risk table

The maturity profile of the financial liabilities is summarised below. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| | Weighted average effective interest rate % | Less than 1 year $'000 | 2 -5 years $'000 | After more than 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **31 December 2015** | | | | | |
| Trade & other payables | n/a | 53,956 | – | – | 53,956 |
| Finance lease creditors | 4.0% | 1,877 | 6,385 | – | 8,262 |
| Loans | 8.0% | 9,513 | 1,217 | – | 10,729 |
| **31 December 2014** | | | | | |
| Trade & other payables | n/a | 54,486 | – | – | 54,486 |
| Finance lease creditors | 6.5% | 1,864 | 7,264 | 864 | 9,992 |
| Loans | 13.9% | 17,676 | 3,282 | – | 20,958 |

The directors consider that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair values.

**34. Events after the balance sheet date**
On 1 March 2016, Gama Aviation Engineering Limited (a subsidiary of Gama Aviation Plc) acquired Aviation Beauport Limited; a privately owned Jersey based business offering a range of business aviation services, including aircraft charter, FBO services (handling, parking and hangarage services) as well as having four aircraft currently under management.

The acquisition comprised a consideration of £2.6m in cash and the issue of 1m ordinary shares. It is expected that the fair value of the net assets acquired will be in the region of £1.9m. However, since the acquisition completed so recently, management have not had sufficient time to complete a provisional fair value analysis.

**35. Related party transactions**
Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

**Trading transactions**
During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

| | Sale of services | | Purchase of services | |
|---|---|---|---|---|
| | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 |
| Gama Charters LLC | **15,190** | 178 | **184** | – |
| Saudi Bin Laddin | **8,012** | 8,378 | **–** | – |
| Crescent Investment LLC | **2,918** | 3,671 | **805** | 591 |
| Caskie | **884** | 3,845 | **68** | 500 |
| Air Arabia, UAE | **280** | 83 | **–** | – |
| Gama Aviation Hutchison Holdings | **162** | – | **–** | – |
| King Salman | **–** | 603 | **–** | – |
| M Sukkar and Co | **–** | 256 | **–** | – |
| Zulu X-Ray Services Limited | **–** | – | **338** | 955 |
| Offshore Jets Ltd | **3,875** | – | **18** | – |
| Skye Holdings Limited | **3,270** | – | **–** | – |
| Harrier Trust | **1,083** | – | **–** | – |
| Volare Aviation Ltd | **633** | – | **–** | – |
| Oxfordshire Estates Ltd | **52** | – | **–** | – |
| Valentia Properties Limited | **–** | – | **19** | – |
| Merlin Financial Advisors | **–** | – | **16** | – |
| Merlin Consultancy Limited | **–** | – | **18** | – |
| Gebu Partners Limited | **–** | – | **44** | – |
| Growthgate Capital Corporation | **–** | – | **6** | – |

**35. Related party transactions (continued)**
The following amounts were outstanding at the balance sheet date:

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 |
| Gama Charters LLC | **–** | 178 | **1,392** | – |
| Gama Aviation Hutchison Holdings | **1,247** | – | **–** | – |
| Biston Holdings Corporation | **–** | – | **4,040** | – |
| Crescent Investment LLC | **–** | – | **466** | 1,191 |
| Caskie | **50** | 414 | **100** | – |
| Saudi Bin Laddin | **232** | 295 | **300** | – |
| Air Arabia, UAE | **–** | 50 | **–** | – |
| Offshore Jets Ltd | **219** | – | **–** | – |
| Oxfordshire Estates limited | **77** | – | **7** | – |
| Harrier Trust | **155** | – | **–** | – |

Mr M A Khalek, a director and shareholder of the company, controls 24% of the voting rights of Zulu X-Ray Services Limited.

The Group controls 25% of the voting rights of Gama Charters LLC, a company registered in the USA, indirectly through Operator Holdings LLC.

The Group controls 50% of the voting rights of Gama Aviation Hutchison Holdings, a company registered in Hong Kong.

Crescent Investment LLC is an investor in Growthgate Capital, a director and shareholder of the company.

Biston Holdings Corporation is owned by Mr M A Khalek, a shareholder of the company.

Caskie, King Salman, Saudi Bin Laddin, Air Arabie and M Sukkar and Co are entities under common management and control with the Group.

Merlin Financial Advisors and Merlin Consultancy Limited are owned by Mr N Payne, a non-executive director of the Group.

Gebu Partners Limited is owned by Mr G Rolls, a non-executive director of the Group.

Valentia Limited is owned by Mr M Peagram, a non-executive director of the Group.

Offshore Jets Ltd, Skye Holdings Limited, Harrier Trust, Volare Aviation Ltd and Oxfordshire Estates Limited are owned by and or associated with Mr D Dryden, a former executive director of the Group.

All sales and purchases of services are made at market price.

**Remuneration of key management personnel**
The remuneration of the directors and other key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Short-term employee benefits | **2,728** | 2,169 |
| Post-employment benefits | **217** | 151 |
| Termination benefits | **33** | – |
| | **2,978** | 2,320 |

Details of directors' remuneration are given in the Remuneration Report on pages 35 to 37.

**Ultimate controlling party**
The Company's ordinary shares are publically traded on the Alternative Investment Market (AIM) of the London Stock Exchange. There is no single controlling party.

**36. Provision for employees end of service indemnity**
Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| At 1 January | **217** | 164 |
| Amounts charged for the year | **88** | 91 |
| Paid during the year | **(41)** | (38) |
| At 31 December | **264** | 217 |

# / PARENT COMPANY INDEPENDENT AUDITOR'S REPORT
## / FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

**Independent auditor's report to the members of Gama Aviation Plc**
We have audited the parent financial statements of Gama Aviation Plc for the period ended 31 December 2015 which comprise the parent company statement of financial position, the parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

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

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**
In our opinion the parent company financial statements:

/ give a true and fair view of the state of the company's affairs as at 31 December 2015;
/ have been prepared in accordance with applicable law and United Kingdom Accounting standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework;' and
/ have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the parent company financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

/ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
/ the parent company financial statements are not in agreement with the accounting records and returns; or
/ certain disclosures of directors' remuneration specified by law are not made; or
/ we have not received all the information and explanations we require for our audit.

**Other matter**
We have reported separately on the group financial statements of Gama Aviation Plc for the period ended 31 December 2015.

Grant Thornton UK LLP

**Nicholas Watson**
**Senior Statutory Auditor**
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Wokingham
20 April 2016

# / PARENT COMPANY STATEMENT OF FINANCIAL POSITION
## / FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015



| | Note | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 3 | – | 24 |
| Investments | 4 | 85,676 | 5,417 |
| | | 85,676 | 5,441 |
| **Current assets** | | | |
| Debtors due within one year | 5 | 17,403 | 4,065 |
| Cash at bank and in hand | | 100 | 100 |
| | | 17,503 | 4,165 |
| **Creditors: amounts falling due within one year** | 6 | (2,995) | (5,247) |
| **Net current assets/(liabilities)** | | 14,508 | (1,082) |
| **Total assets less current liabilities** | | 100,184 | 4,359 |
| **Provision for liabilities** | | | |
| Deferred tax liability | | – | (5) |
| **Net assets/(liabilities)** | | 100,184 | 4,354 |
| **Capital and reserves** | | | |
| Called up equity share capital | 7 | 430 | 95 |
| Share premium | | 22,770 | 5,680 |
| Merger reserve | | 86,506 | 1,199 |
| Profit and loss account | | (9,522) | (2,620) |
| **Equity shareholder funds** | | 100,184 | 4,354 |

The financial statements were approved by the Board of Directors and authorised for issue on 20 April 2016, and are signed on their behalf by:

**K Godley**
**Director**

The notes on pages 89 to 92 form part of these parent company financial statements.

# / PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
## / FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2015

| | Share capital £'000 | Share premium £'000 | Shares to be issued £'000 | Share based payment reserve £'000 | Merger reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2013 | 94 | 5,593 | 25 | 21 | 1,174 | (2,287) | 4,620 |
| Loss for the year | – | – | – | – | – | (354) | (354) |
| Total comprehensive income for the year | – | – | – | – | – | (354) | (354) |
| Share options exercised | 1 | 87 | – | – | – | – | 88 |
| Share based payment | – | – | – | (21) | – | 21 | – |
| Deferred consideration | – | – | (25) | – | 25 | – | – |
| At 30 June 2014 | 95 | 5,680 | – | – | 1,199 | (2,620) | 4,354 |
| Loss for the year | – | – | – | – | – | (6,683) | (6,683) |
| Total comprehensive income for the year | – | – | – | – | – | (6,683) | (6,683) |
| Share placing | 61 | 17,090 | – | – | – | – | 17,151 |
| Issued in settlement of acquisition consideration | 274 | – | – | – | 85,307 | – | 85,581 |
| Dividend paid | – | – | – | – | – | (219) | (219) |
| At 31 December 2015 | 430 | 22,770 | – | – | 86,506 | (9,522) | 100,184 |

## 1. Accounting policies

### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The company has elected to adopt the standard for the 18 months ended 31 December 2015 for the first time.

### Basis of preparation

The financial statements have been prepared and in accordance with the Companies Act 2006 and the principal accounting policies as summarised below. They have all been applied consistently throughout the period. Due to the fact that the previous financial year ended on 30 June 2014, these financial statements have been prepared for the 18 month period ended 31 December 2015.

### Changes in accounting policies

The company has adopted FRS 101 for the first time this year. The company has elected to adopt the transition provisions as per IFRS 1 'First-time Adoption of International Financial Reporting Standards' with a transition date of 1 July 2014.

### Disclosure exemptions adopted

The following disclosure exemptions have been adopted:

- Preparation of a cash flow statement
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned within the group.
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Disclosures in respect of standards in issue not yet effective

The following disclosure exemption has also been adopted as equivalent disclosures are provided in the parent consolidated financial statements:

- Reduced financial instruments disclosures relating to IFRS 7 as equivalent disclosures are provided by the parent entity.

### Going concern

The financial statements have been prepared on a going concern basis. The company recorded a loss of £6,683k for the 18 months (2014: £354k loss), had net current assets of £14,508k (2014: £1,082k net current liabilities), and had net assets of £100,184k (2014: £4,354k).

The directors have considered the cash flow requirement for the Group for a period including twelve months from the date of approval of these financial statements. Based on these projections the directors consider that the company and the Group will have sufficient cash resources during this period to pay it liabilities as they fall due.

### Debtors

Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when probability of recovery is assessed as being remote.

### Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying temporary differences. Deferred tax balances are not discounted.

### Valuation of investments

Investments are stated at cost less any provision for impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities. At each balance sheet date Gama Aviation Plc reviews the carrying amount of its investment to determine whether there is any indication that this asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use.
In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the investment asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

**1. Accounting policies (continued)**
**Fixed assets**
Fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight line method over 3 – 8 years.

**2. Loss attributable to shareholders**
As permitted by Section 408 of the Companies Act 2006, no separate Company profit and loss account has been included in these financial statements. The Group profit for the year includes a loss after tax of £6,683k (2014: £354k loss) which is dealt with in the financial statements of the Company. The total fees of the Group's auditor, Grant Thornton LLP, for services provided are analysed in note 6 to the consolidated financial statements.

**3. Tangible fixed assets**

| | Total £'000 |
|---|---|
| **Cost** | |
| Balance at 1 July 2014 and 31 December 2015 | 53 |
| **Accumulated depreciation** | |
| Balance at 1 July 2014 | 29 |
| Depreciation | 24 |
| Balance at 31 December 2015 | 53 |
| **Carrying amount** | |
| At 31 December 2015 | – |
| At 31 December 2014 | 24 |

**4. Investments**

| | Total £'000 |
|---|---|
| Opening balance at 1 July 2014 | 5,417 |
| Impairment of investment in International JetClub Limited | (5,011) |
| Impairment of investment in Star Gate Aviation (Proprietary) Limited | (310) |
| Acquisition consideration | 85,580 |
| Closing balance at 31 December 2015 | 85,676 |

The impairment of the investment in International JetClub is in relation to the legacy brought forward position before the reverse merger acquisition. We impaired this balance down to zero but then gave the International JetClub business a value within the new acquisition consideration of £85,580,000.

Details of the Company's subsidiaries at 31 December 2015 are as follows:

| Name | Place of incorporation and operation | Proportion of voting and ownership interest | Nature of business |
|---|---|---|---|
| Gama Group Ltd | Great Britain | 100% | Holding company |
| Gama Aviation (UK) Ltd* | Great Britain | 100% | Aviation Management |
| Gama Aviation FZE | UAE | 49% | Aviation Management |
| Gama Support Services FZE | UAE | 49% | Aviation design & engineering |
| Gama Group Mena FZE | UAE | 49% | Holding company |
| Gama Holding FZC | UAE | 100% | Holding company |
| Gama Leasing Ltd* | Great Britain | 100% | Aviation Management |
| Gama Properties Ltd* | Great Britain | 100% | Dormant |
| Gama Support Services Ltd* | Great Britain | 100% | Aviation design & engineering |
| Gama Engineering Ltd* | Great Britain | 100% | Aviation design & engineering |
| Gama Aviation (Engineering) Ltd (formerly Gama Engineering Group Limited)* | Great Britain | 100% | Holding Company |
| Avialogistics Limited* | Great Britain | 100% | Aviation cleaning |
| Airops Software Ltd* | Great Britain | 100% | Aviation software |
| GA FM54 Limited | Great Britain | 100% | Aircraft leasing |
| Gama Aviation (Asset2) Limited | Great Britain | 100% | Aircraft operation |
| GA 259034 Limited | Great Britain | 100% | Aircraft leasing |
| Gama Aviation (Training) Limited | Great Britain | 100% | Aviation training |
| Gama Aviation SA* | Switzerland | 100% | Aviation Management |
| Gama Group Inc.* | USA | 100% | Holding company |
| Gama Aviation (Management) Inc (formerly Gama Aviation Inc)* | USA | 100% | Aviation Management |
| Ronaldson Airmotive Ltd* | Great Britain | 100% | Aircraft servicing and rebuilding |
| Gama Aviation (Engineering) Inc (formerly Gama Support Services Inc) | USA | 100% | Aviation design & engineering |
| Gama Group Asia Ltd | Hong Kong | 100% | Holding company |
| Gama Aviation Ltd* | Hong Kong | 100% | Aviation management |
| Gama Support Services Ltd* | Hong Kong | 100% | Aviation design & engineering |
| Hangar 8 Management Limited | Great Britain | 100% | Aviation Management |
| Hangar 8 AOC Limited | Great Britain | 100% | Aviation Charter |
| Star-Gate Aviation (Proprietary) Limited | South Africa | 100% | Holder of South African AOC |
| Infinity Flight Crew Academy Limited | Great Britain | 100% | Aviation training |
| Aviation Crewing Limited | Great Britain | 100% | Aviation crewing |
| Hangar 8 Engineering Limited | Great Britain | 100% | Aviation maintenance |
| Hangar 8 Nigeria Limited** | Nigeria | 100% | Applicant of Nigerian AOC |
| Hangar 8 Mauritius Limited | Mauritius | 100% | Holding company |
| International JetClub Limited | Great Britain | 100% | Aviation Management |
| Optimum Aviation Limited | Great Britain | 100% | Aviation Management and Charter |
| Aravco Limited | Great Britain | 100% | Aviation Management |
| Exclusiv Aviation Limited | Great Britain | 100% | Dormant |
| Oasis Flight Malta | Great Britain | 100% | Holder of AOC |

* indicates indirect Holding.

** See footnote ** on page 69.

### 5. Debtors

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Amounts owed from group companies | **16,617** | 3,247 |
| Other debtors | **115** | 236 |
| Tax and social security | **663** | 457 |
| Prepayments and accrued income | **8** | 125 |
| | **17,403** | 4,065 |

### 6. Creditors: amounts falling due within one year

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Amounts owed by related undertakings | **11** | – |
| Amounts owed by group undertakings | **–** | 5,190 |
| Other payables | **5** | (27) |
| Bank loan[1] | **2,500** | 0 |
| Accruals and deferred income | **479** | 84 |
| | **2,995** | 5,247 |

1 £3.7 million revolving credit facility with a repayment term of less than 1 year and carries an interest rate of LIBOR + 1.95%.

### 7. Share capital

| | Nominal value | 2015 number | 2015 £'000 | 2014 number | 2014 £'000 |
|---|---|---|---|---|---|
| **Issued and fully paid ordinary shares** | | | | | |
| At the beginning of the period | 1p | 9,527,103 | 95 | 9,437,087 | 94 |
| Issued in settlement of acquisition consideration | 1p | 27,341,960 | 274 | 10,016 | – |
| Other issues for cash during the year | 1p | 6,125,379 | 61 | – | – |
| Share options exercised | 1p | – | – | 80,000 | 1 |
| At the end of the period | 1p | 42,994,442 | 430 | 9,527,103 | 95 |

Further details of movements in the Company's authorised and issued share capital are given in note 24 to the consolidated financial statements.

### 8. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with 100% owned members of the Group headed by Gama Aviation Plc on the grounds that 100% of the voting rights of the Company are controlled within the Group, and the Company is included in the consolidated financial statements.

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