Gama Aviation

ANNUAL REPORT 2016

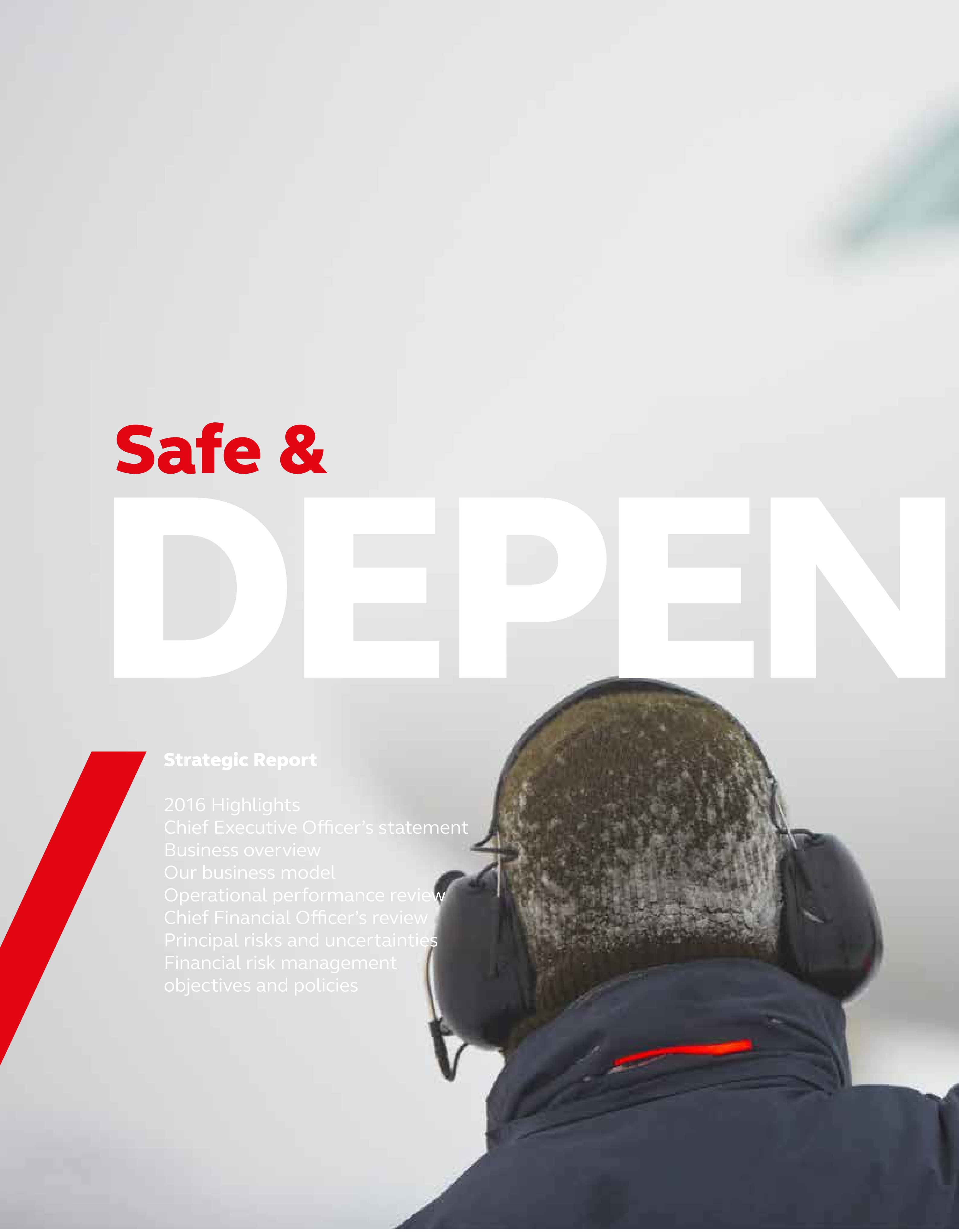
/ BUSINESS DESCRIPTION

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



Safe & DEPEN

Strategic Report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Gama Avi

/ 2016 HIGHLIGHTS:

Gama Aviation Plc, one of the world's largest business aviation service providers is pleased to announce the results for the year ended 31 December 2016.

/ Financial Highlights:

Record total group revenues

$432.4m

up 12.6% (2015: $383.9m)

Underlying profit before tax

$13.7m

up 3.8% (2015: $13.2m)

Dividend per share up

4% to 2.6p

per share (2015: 2.5p)

Net debt of

$19.4m

Reflecting acquisitions & Aberdeen hangar development (2015: $9.0m)

Cash generation from operations improved to an inflow of

$2.2m

(2015: outflow of $14.1m)

Trading in line with management expectations for

2017

/ Financial summary:

USD millions (unless otherwise stated)	Underlying results[1]			Reported results	
	Dec 16	Dec 15	Constant currency[2] Dec 15	Dec 16	Dec 15
Revenue – Total Group[3]	432.4	403.8	383.9		
Associate & JV revenue	(247.8)	(183.2)	(183.2)		
Inter-group revenue (including branding fee)	18.4	15.4	15.3		
Revenue	203.0	236.0	216.0	203.0	236.0
Gross profit	44.2	51.6	47.4	44.2	51.6
Gross profit %	21.7%	21.9%	21.9%	21.7%	21.9%
EBITDA	17.3	20.4	18.7		
Total operating profit[4]	15.1	16.9	15.3	10.9	8.1
Profit before tax	13.7	14.6	13.2	19.3	6.9
Earnings per share (cents)	30.1	39.3	37.1	42.9	21.3

1 Underlying results exclude exceptional items, amortisation, and unrealised foreign exchange movements included in finance costs, where applicable.

2 Calculated at a constant foreign exchange rate of $1.36 to £1, being the rate that represented the average for the 2016 financial year.

3 Include 100% of the results of Gama Aviation's associate in the US and its joint venture in Hong Kong.

4 Total operating profit includes the share of results of equity accounted investments.

/ Operational Highlights:

/ Aircraft under management up 12.2% to 165 (2015: 147)
/ US Air revenue up 30% driven by contract wins
/ Transformative deal signed on 1 January 2017 with BBA Aviation Plc in the US Air division
/ Europe Air revenue down 5% due to exiting underperforming contracts
/ Europe Air restructuring successfully completed
/ US Ground revenue up 15% driven by 3 new line maintenance bases
/ Europe Ground revenue down 20% due to lower levels of discretionary spend
/ Europe Ground delivered 20% operating margin despite challenging market
/ Acquisitions fully integrated into the Air and Ground divisions in Europe
/ Recent multi-year contract wins in the Air and Ground divisions in Europe
/ Strong progress establishing Middle East and Asia platforms
/ Simplified corporate structure and strengthened management team

/ CHIEF EXECUTIVE OFFICER'S STATEMENT

"I am pleased to report on a busy year of strong progress. We delivered a robust financial performance reflecting strong markets in the US and more challenging conditions in Europe."

Cash generation has also improved significantly through 2016 to deliver an inflow of $2.2m compared to an outflow of $14.1m in 2015. Our Air and Ground divisions have, as expected, faced different opportunities and challenges regionally. By taking advantage of the opportunities and decisively addressing the challenges, we have delivered a credible performance.

The US remains our most buoyant region delivering the majority of the Group's revenue growth as well as improved EBITDA margins across both the Air and Ground divisions.

In Europe Air, the remedial actions taken early in the year to exit underperforming contracts and right size the cost base were successfully completed and delivered an improved performance through the second half of the year. Whilst the decline in revenues within Europe Ground, caused by lower levels of discretionary spend on aircraft improvement projects, was disappointing, the division continues to deliver healthy margins and remains the most profitable division within the Group.

The "bolt-on" acquisitions during the year of Aviation Beauport in Jersey and of FlyerTech have been integrated and are delivering on their strategic objectives.

Margin improvements in the Middle East region during 2016 saw both the Air and Ground divisions deliver their maiden EBITDA profit. We also saw good progress within our Asia start-up based in Hong Kong.

Growth strategy
Our growth strategy remains a simple one. By increasing the depth of our capability and expertise, we bring more products and service offerings to market across more locations, which together serve to increase the scale of our operations and presence. We leverage this to deliver benefits to our customers, enhancing our value proposition and maximising our cross selling opportunities. The combination of our scale presence and the benefits we provide to our customers enables us to deliver sustainable and profitable organic growth, which we supplement by strategic acquisitions that are value accretive. Strategically we are now positioned as a market leader and consolidator in the highly fragmented business aviation services sector.

2016 has seen us continue to deliver on this strategy with 10.3% organic Total Group revenue growth. We made two “bolt-on” acquisitions that added to the depth of our capability and breadth of our service offering and geographical coverage in Europe Air and Ground. At the start of 2017 we announced two further strategic developments. The merger of our US aircraft management and charter business with that of BBA Aviation Plc creates a market leading platform in the US that is transformational for our US business. The collaboration with CASL in Hong Kong is a significant first step in developing our ground business in the region. These transactions represent significant progress towards our stated objective of doubling the scale of our business.

Leadership team
We have made a number of appointments over the last year across all regions and divisions in a variety of roles including finance, operations, engineering and sales to strengthen our team and support our growth. In particular, Neil Medley joined in September as Chief Operating Officer to drive operational excellence worldwide. Neil brings a wealth of experience having previously fulfilled a similar role within a division of BAe Systems. We are also in the process of recruiting an additional non-executive director.

Outlook
2017 has started well and our expectations for the year remain unchanged.

The US market remains very buoyant and with our enlarged US Air platform, as well as the contracted growth from Wheels Up, we expect the division to continue to grow strongly. Similarly, the roll out of new maintenance bases, coupled with the significant cross selling opportunities that arise from the enlarged fleet within US Air, give us confidence that the US Ground division should also continue to grow strongly.

In Europe, we expect to see a return to modest growth in Air and Ground. We are encouraged by the recent contract wins across both divisions and some early signs of a pick-up in discretionary spend in Europe Ground.

We expect the progress within our Asia and Middle East divisions to continue as these operations develop.

Overall, the Group is well positioned to deliver growth and performance in 2017 in line with our expectations.

Marwan Abdel-Khalek
Chief Executive Officer

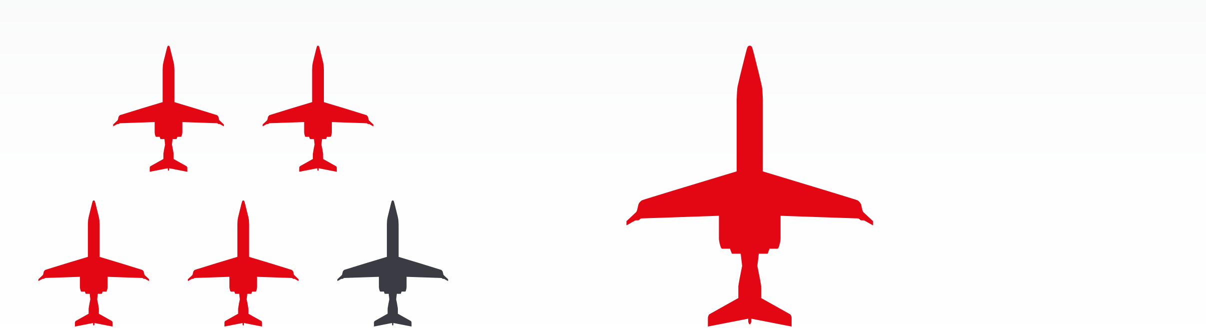
/ BUSINESS OVERVIEW

We are a multi-disciplinary, global aviation services group that specialises in providing solutions for individuals, corporations and Government agencies; allowing them to deliver on the promises they make.

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

/ Our mission
Our mission is simple – act responsibly to the people that matter: our clients, our shareholders and our people. This will be achieved by consistently improving; turning opportunity into reality, turning challenges into solutions, transforming normal to special. Fundamental to this will be continued, focused, strategic investment that increases our people's expertise, our operational footprint and our value to clients. This has been our history and will be our future.

/ The market opportunity



/ 80% of fleet operators manage 2-5 aircraft (Europe)

/ Only 9 fleet operators manage more than 20 (Europe)

We, the Board and our principal shareholders believe, that the fragmentation of the global business aviation market creates a substantial market opportunity as:

/ We are a top five industry player globally but operates 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 2-5 aircraft and only 9 fleet operators in Europe manage more than 20.

By acting as a consolidator we can remove inherent market inefficiencies and better serve:

/ Individuals desiring an efficient and transparent solution to support their travel needs.

/ Corporations requiring effective solutions to a variety of transportation needs which in turn allow them to deliver increased shareholder value.

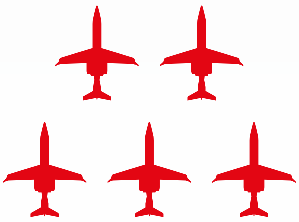
/ Government agencies requiring efficient solutions to critical mission support without placing further burden on tax payers.

(Source: EBAA, NBAA)

/ Our Strategy

We will grow the business organically and by acquisition acting as a market leading consolidator building a:

Scale



Breadth

Our global locations and fleet coverage

250+ managed aircraft in our global fleet

Depth

Cross selling opportunities

Scale of presence
We will identify, acquire and integrate earnings accretive opportunities that enhance our presence. This will create opportunities and economies that translate directly into tangible client benefits, direct competitive advantage and increased margins.

Breadth of geographies & services
We will increase our geographic breadth and services to meet our clients' demands for support solutions that enable them to deliver on the promises they make. Our aim is to become an indispensable, embedded component, of their day-to-day operations.

Depth of our capabilities & expertise
We will increase the depth of our capabilities and expertise such that we offer class leading solutions that mirror the current and future demands of our clients. In achieving this we will raise the bar competitively, create demand, protect margins and enhance our position as a 'go to' provider.

Cross selling opportunities
We will maximise the value of every client engagement, increasing loyalty to, and advocacy of, our business. This will drive mutual value, increase our retention rates and allow us to become an indispensable, embedded component, of their day-to-day operations.

/ OUR BUSINESS MODEL

Our business model has been continually enhanced over the last 33 years, creating a well proven, economically resilient platform of best of breed services. Services can then be utilised individually or as part of a turnkey solution.

/ Our business model

/ OPERATIONAL PERFORMANCE REVIEW

/ Basis of presentation of financials

The analysis of Gama Aviation's operational performance by division and geography, is shown on a Total Division basis (for revenue, gross profit, underlying EBITDA and underlying total operating profit) reflecting 100% of the performance of associates and joint ventures. The analysis also includes inter-segment revenues, which represent the revenues that arise between divisions, in order to present the underlying performance of each division.

Gama Aviation receives a fee in return for allowing its associates and joint ventures the use of the Gama Aviation brand. Such branding fees are excluded from the results on a Total Division basis but are recognised within Gama Aviation's Group reported performance.

Under IFRS, the trading results of associates are not consolidated and are instead shown as a single line in the profit and loss account under 'share of results from equity accounted investments'.

/ Air division

Our air division specialises in the provision of complex, high touch, time critical, solutions for individuals, corporations and Government agencies. Our most commonly offered air solutions are:

Aircraft management.
A high touch, outsource solution for individual aircraft or commercial fleet owners looking to receive impeccable service, financial transparency and an unrelenting approach to safety. Services are comprised of flight training, cost management, flight planning and scheduling, crew management, maintenance oversight and regulatory compliance. Services are contract based with costs such as fuel, insurance, crew and maintenance being recharged to the client.

Special mission.
A turnkey, outsource solution for Government agencies looking to cost effectively manage aviation operations for a variety of complex, time critical services such as air ambulance provision and infrastructure monitoring. Our services include cost management, flight planning and scheduling, crew management, maintenance oversight and regulatory compliance. Services are provided on a contract basis.

Aircraft charter and contract charter.
A time critical, high touch solution aimed at individuals and corporations wishing to maximise the productive time of their aircraft and/or executives. Services include long term charter contracts, provision of charter within the managed fleet and sub-charter on audited operators. Services are provided on a commission or contract basis.

Regional deployment of the Air division business model

	US	Europe	Middle East	Asia
Aircraft management	Adding further scale	Recovering	Developing	Start-up
Special mission	Future opportunity	Adding further scale	Future opportunity	Evaluate market potential
Charter	Adding further scale	Adding further scale	Developing	Start-up

The Air division had a good year overall with strong revenue growth in the US offsetting a decline in Europe. Total Division revenue was up 16.8% to $387.5m (2015: $331.8m). The conversion to EBITDA improved in every region with a total EBITDA margin of 2.2% (2015: 1.2%) which delivered an increase in EBITDA of 123.6% to $8.5m (2015: $3.8m).

				Constant Currency	
December USD thousands	2016 Air	2015 Air	Change Air	2015 Air	Change Air
Total Division Revenue	387,513	346,886	11.7%	331,768	16.8%
Total Division Gross Profit	25,407	24,521	3.5%	23,199	9.5%
Gross Profit %	6.6%	7.1%	0.5ppt	7.1%	0.5ppt
Total Division Underlying EBITDA	8,505	4,070	>100%	3,836	>100%
Underlying EBITDA %	2.2%	1.2%	1.0ppt	1.2%	1.0ppt
Total Division Underlying Total Operating Profit	7,545	2,806	>100%	2,662	>100%
Underlying Total Operating Profit %	1.9%	0.8%	(1.1ppt)	0.8%	(1.1ppt)

/ US Air (Associate)

December USD thousands	2016 Air	2015 Air	Change Air
Revenue	233,721	179,525	30.2%
Gross Profit	14,114	9,301	51.7%
Gross Profit %	6.0%	5.2%	0.8ppt
Underlying EBITDA	6,407	2,990	>100%
Underlying EBITDA %	2.7%	1.7%	1.0ppt
Underlying Total Operating Profit	6,089	2,693	>100%
Underlying Total Operating Profit %	2.6%	1.5%	1.1ppt

US Air division performance reconciliation to reported performance

USD thousands	Revenue	Gross Profit	Underlying EBITDA	Underlying Total Operating Profit
December 2016				
US Air division	233,721	14,114	6,407	6,089
Associate	(231,560)	(13,742)	(6,268)	(5,904)
Branding fee	5,788	5,788	5,788	5,788
Reported	7,949	6,160	5,927	5,973
December 2015				
US Air division	179,525	9,301	2,990	2,693
Associate	(176,630)	(8,846)	(2,725)	(3,438)
Branding fee	4,920	4,920	4,920	4,920
Reported	7,815	5,375	5,185	4,175

The US operations have continued to perform strongly in 2016, delivering both significant top line revenue growth, up 30.2% to $234.7m (2015: $179.5m) and margin improvement at gross profit, EBITDA and total operating profit level.

The strength of this performance reflects a high contract win rate in our core management business adding a number of significant contracts. In addition, the growth in aircraft which we operate under our Wheels Up contract continued to progress well. US Air had 116 aircraft under management as at December 2016, up from 93 in December 2015, an increase of 24.7%.

Tender activity within our core management business remains high. Subject to the successful outcome of these tenders, together with the contracted growth under the Wheels Up contract, which will add a further 12 aircraft a year for the next two years, the division's growth prospects are strong.

US Air Total Group underlying EBITDA was $6.4m (2015: $3.0m), an increase of 113.3%, with the underlying EBITDA margin of 2.7% (2015: 1.7%). The US Air underlying EBITDA margins are expected to increase towards our target of 5.0% as the benefits of scale and operational gearing continue.

The reported underlying total operating profit (which includes the contribution of the associate) of the US Air Business for Gama Aviation is derived as follows:

USD thousands	December 2016	December 2015
Branding Fee	5,788	4,920
Other	193	182
Line of Associate	(8)	(927)
Reported Underlying Total Operating Profit	5,973	4,175

On 3 January 2017, we announced the merger of our US Air division with that of BBA Aviation Plc creating the US's largest aircraft management business. The merger took place on 1 January 2017 and we will provide a detailed operational review of its performance with the half year numbers later in the year.

/ Europe Air

Europe is the only region in the Group that is affected by any material foreign exchange movements, primarily between GBP and USD. The 2015 performance has been restated at the same average rate for USD to GBP as the reported 2016 financials. The average rate for 2016 was USD1.36 to GBP1.00. The commentary below is based on constant currency performance unless otherwise stated.

				Constant Currency	
December USD thousands	2016 Air	2015 Air	Change Air	2015 Air	Change Air
Revenue	117,736	139,224	(15.4%)	124,106	(5.1%)
Gross Profit	9,568	13,542	(29.3%)	12,200	(21.6%)
Gross Profit %	8.1%	9.7%	(1.6ppt)	9.7%	(1.7ppt)
Underlying EBITDA	2,607	2,124	22.7%	1,890	37.9%
Underlying EBITDA %	2.2%	1.5%	0.7ppt	1.5%	0.7ppt
Underlying Total Operating Profit	2,095	1,254	67.1%	1,110	88.7%
Underlying Total Operating Profit %	1.8%	0.9%	0.9ppt	0.9%	0.9ppt

Europe Air delivered a credible performance in 2016 despite the challenging market conditions. Revenue and gross profit were down 5.1% and 21.6% on a constant currency basis as the business exited underperforming contracts. These contracts on a fully-costed basis were loss-making at EBITDA level and presented an unattractive credit profile.

The EBITDA performance showed significant improvement in the year, up 37.9% to $2.6m (2015: $1.9m) due to exiting the underperforming contracts and the right-sizing of the cost base during the year.

The division also incurred trading foreign exchange losses of approximately $1m, as a result of currency volatility, which is included in EBITDA. Adjusting for this, the underlying business delivered an EBITDA of approximately $3.6m, an increase of 90.5%.

We are now confident that the division is well positioned to deliver modest growth and improve EBITDA margins towards our 5.0% target.

/ Middle East Air

December USD thousands	2016 Air	2015 Air	Change Air
Revenue	19,531	21,598	(9.6%)
Gross Profit	1,345	1,431	(6.0%)
Gross Profit %	6.9%	6.6%	0.3ppt
Underlying EBITDA	15	(160)	>100%
Underlying EBITDA %	0.1%	(0.7%)	0.8ppt
Underlying Total Operating Profit	(95)	(247)	61.5%
Underlying Total Operating Profit %	(0.5%)	(1.1%)	0.6ppt

Both gross profit and EBITDA margins have slightly improved despite the decline in top line revenue, which was largely pass through in nature. The division signed up three new aircraft in the final quarter of 2016 and, together with a healthy pipeline, we are optimistic about the division's prospects.

/ Asia Air

December USD thousands	2016 Air	2015 Air	Change Air
Revenue	16,525	6,539	>100%
Gross Profit	380	267	42.3%
Gross Profit %	2.3%	4.1%	(1.8ppt)
Underlying EBITDA	(524)	(884)	40.7%
Underlying EBITDA %	(3.2%)	(13.5%)	10.3ppt
Underlying Total Operating Profit	(544)	(894)	39.2%
Underlying Total Operating Profit %	(3.3%)	(13.7%)	10.4ppt

Asia Air division performance reconciliation to reported performance

USD thousands	Revenue	Gross Profit	Underlying EBITDA	Underlying Total Operating Profit
December 2016				
Asia Air division	16,525	380	(524)	(544)
Joint venture	(16,525)	(380)	524	222
Branding fee	80	80	80	80
Reported	80	80	80	(242)
December 2015				
Asia Air division	6,539	267	(884)	(894)
Joint venture	(6,539)	(267)	884	497
Branding fee	36	36	36	36
Reported	36	36	36	(361)

Asia continues to develop albeit from a low base. The division is still in a start-up phase but has a promising pipeline of managed aircraft contracts. We are expecting this division to steadily build towards making a positive contribution to the Group over the medium term.

The reported underlying total operating profit (which includes the profit contribution of the joint venture) of the Asia Air division for Gama Aviation is derived as follows:

USD thousands	December 2016	December 2015
Branding Fee	80	36
Line of Joint Venture	(322)	(397)
Reported Underlying Total Operating Profit	(242)	(361)

/ Ground Division

Our Ground division provides solutions to maximise the availability of aircraft and uphold their airworthiness on behalf of individuals, corporations and Government agencies.

Base maintenance

'Base' refers to the planned maintenance required by the aircraft manufacturer or component supplier. This work is complex, highly regulated and location specific, requiring investment in tooling and training. Our centres of excellence cover a range of aircraft including business jets, helicopters, turbo-prop and piston engine aircraft. Services are provided on a fee or contract basis.

Line maintenance

Our line solutions assist owners with irregular maintenance activities, component failure or simple wear and tear. Depending on the fault, this may be sufficient to ground the aircraft. For private clients, this can be an inconvenience whilst for military or air ambulance clients, the aircraft's re-entry into service is time critical. In all cases it needs to be dealt with efficiently so the aircraft can complete its commitments. Services are provided on a fee or contract basis.

Design and modifications

Our design and modifications team provides solutions to civilian and military aircraft owners to increase the operating life of an aircraft. Typical services include: avionics updates, role or mission changes and cockpit upgrades. Services are provided on a fee or contract basis.

Fixed base operations (FBO)

Our FBO's provide infrastructure at airports that are underserved with business/special mission facilities. The business has three dedicated FBOs: Glasgow, Jersey and Sharjah, catering for parking, hangarage, line maintenance and other related ground handling tasks such as the fuelling of aircraft. Services are provided on a fee basis.

Regional deployment of the Ground division business model

	US	Europe	Middle East	Asia
Base maintenance	Future opportunity	Adding further scale	Future opportunity	Developing
Line maintenance	Adding further scale	Adding further scale	Developing	Developing
Design & modifications	Future opportunity	Developing	Future opportunity	Evaluate market potential
FBO services	Evaluate market potential	Developing	Developing	Evaluate market potential

The Ground division has delivered solid gross profit, EBITDA and operating profit margins despite some challenging market conditions. Significant progress made in the Ground division in both the US and the Middle East helped offset a significant decline in Europe, following a very strong year in 2015 and a reduction in discretionary spend in 2016.

				Constant Currency	
December USD thousands	2016 Ground	2015 Ground	Change Ground	2015 Ground	Change Ground
Total Division Revenue	67,621	79,629	(15.1%)	73,521	(8.0%)
Total Division Gross Profit	24,872	30,447	(18.3%)	27,697	(10.2%)
Gross Profit %	36.8%	38.2%	(1.4ppt)	37.7%	(0.9ppt)
Total Division Underlying EBITDA	11,434	16,512	(30.8%)	14,878	(23.1%)
Underlying EBITDA %	16.9%	20.7%	3.8ppt	20.2%	3.3ppt
Total Division Underlying Total Operating Profit	10,093	15,354	(34.3%)	13,787	(26.8%)
Underlying Total Operating Profit %	14.9%	19.3%	(4.4ppt)	18.8%	(3.9ppt)

/ US Ground

December USD thousands	2016 Ground	2015 Ground	Change Ground
Revenue	24,130	20,661	16.8%
Gross Profit	5,560	4,947	12.4%
Gross Profit %	23.0%	23.9%	(0.9ppt)
Underlying EBITDA	2,778	2,226	24.8%
Underlying EBITDA %	11.5%	10.8%	0.7ppt
Underlying Total Operating Profit	2,401	1,986	20.9%
Underlying Total Operating Profit %	10.0%	9.6%	0.4ppt

US Ground delivered a good performance with revenue up 16.8% to $24.1m (2015: $20.7m). As expected, the opening of new bases during the year marginally impacted gross profit margins but the benefits of operational leverage delivered improved EBITDA margin of 11.5% (2015: 10.8%).

US Ground has a network of nine regional bases which act as hubs from which 30 mobile units can provide extended coverage. US Ground is now able to service its customers' line maintenance requirements on a national basis.

The US Air merger with the aircraft management and charter business of BBA Aviation Plc has brought a material increase in the number of aircraft into the US Air division which can be cross sold US Ground services.

/ Europe Ground

Europe is the only region in the group that is affected by any material foreign exchange movements, primarily between GBP and USD. The commentary below is based on constant currency performance unless otherwise stated.

				Constant Currency	
December USD thousands	2016 Ground	2015 Ground	Change Ground	2015 Ground	Change Ground
Revenue	38,321	54,003	(29.0%)	47,895	(20.0%)
Gross Profit	17,615	24,312	(27.5%)	21,562	(18.3%)
Gross Profit %	46.0%	45.0%	1.0ppt	45.0%	1.0ppt
Underlying EBITDA	8,383	14,449	(42.0%)	12,815	(34.6%)
Underlying EBITDA %	21.9%	26.8%	(4.9ppt)	26.8%	(4.9ppt)
Underlying Total Operating Profit	7,660	13,847	(44.7%)	12,280	(37.6%)
Underlying Total Operating Profit %	20.0%	25.6%	(5.6ppt)	25.6%	(5.6ppt)

There was a material decline in performance in 2016 after a very strong year in 2015. Europe Ground revenue decreased by 20.0% whilst gross profit decreased by 18.3% on a constant currency basis. The decline in revenue and associated gross profit was the result of lower levels of discretionary spend on modifications, improvements and refurbishment works. However, the division delivered robust gross profit and EBITDA margins of 46.0% and 21.9% respectively, despite this decline in revenues and remains the Group's most profitable division.

2017 has started well with the award of a new multi-year government contract and, together with some early signs of a pick-up in discretionary spend, we are now expecting Europe Ground to return to modest growth.

/ Middle East Ground

December USD thousands	2016 Ground	2015 Ground	Change Ground
Revenue	5,170	4,965	4.1%
Gross Profit	1,697	1,188	42.9%
Gross Profit %	32.8%	23.9%	8.9ppt
Underlying EBITDA	273	(163)	>100%
Underlying EBITDA %	5.3%	(3.3%)	8.6ppt
Underlying Total Operating Profit	32	(479)	>100%
Underlying Total Operating Profit %	0.6%	(9.6%)	10.2ppt

Middle East Ground has performed well in 2016. Revenue was up 4.1% to \$5.2m (2015: \$5.0m), gross profit up 42.8% to \$1.7m (2015: \$1.2m), and the gross profit margin up 8.9 basis points to 32.8% (2015: 23.9%).

Importantly, the division made a small first time EBITDA profit. Although the division is still in its infancy, new parking and hangarage contracts are coming on stream, and with movements through the FBO increasing, we are confident in the long-term prospects for this division.

Underlying profit before tax is up 3.8% at $13.7m (2015: $13.2m).

Total Group revenue*

$432.4m

Underlying EBITDA

$17.3m

Underlying Total Operating Profit

$15.1m

Underlying PBT

$13.7m

2016 dividend up 4% to:

2.6p

Total Group Performance
During the year the Total Group performance, which included 100% of the results of the associate and joint venture, delivered revenues of $432.4m. This excludes the divisional inter-segment revenue which is removed on a Total Group consolidated basis.

The Operational Performance Review illustrates the divisions and regions on an unconsolidated basis and therefore includes the divisional inter-segment revenue treating each division as a stand-alone business for comparative purposes in order to assess the underlying performance of each division.

The table below reconciles the Total Divisional performance to the Total Group performance.

				Constant Currency	
December USD thousands	2016 Total	2015 Total	Change Total	2015 Total	Change Total
Air	387,513	346,886	11.7%	331,768	16.8%
Ground	67,621	79,629	(15.1%)	73,521	(8.0%)
Other	2,327	935	>100%	829	>100%
Inter-segment eliminations	(25,036)	(23,615)	6.0%	(22,236)	12.6%
Total Group Revenue	432,425	403,835	7.1%	383,882	12.6%
Total Group Gross Profit	52,405	55,732	(6.0%)	51,544	1.7%
Gross Profit %	12.1%	13.8%	(1.7ppt)	13.4%	(1.3ppt)
Total Group Underlying EBITDA	17,170	17,286	(0.7%)	15,550	10.4%
Underlying EBITDA %	4.0%	4.3%	(0.3ppt)	4.1%	(0.1ppt)
Total Group Underlying Total Operating Profit	14,871	14,874	–	13,266	12.1%
Underlying Total Operating Profit %	3.4%	3.7%	(0.3ppt)	3.5%	(0.1ppt)

The table below reconciles the Total Group performance to the reported results.

USD thousands	Revenue	Gross Profit	Underlying EBITDA	Underlying Total Operating Profit
December 2016				
Total Group	432,425	52,405	17,170	14,871
Associate & joint venture	(247,770)	(14,122)	(5,744)	(5,682)
Branding fee & other intra-group revenue	18,382	5,868	5,868	5,868
Reported	203,037	44,151	17,294	15,057
December 2015				
Total Group	403,835	55,732	17,286	14,874
Associate & joint venture	(183,170)	(9,113)	(1,841)	(2,941)
Branding fee & other intra-group revenue	15,351	4,956	4,955	4,955
Reported	236,016	51,575	20,400	16,888

Basis of presentation of financials
In order to aid understanding of Gama Aviation's underlying business performance, all financial commentary below is provided on a constant currency basis unless otherwise stated. The 2015 performance has been restated to the same average rate for USD to GBP as the reported 2016 financials. The average rate for 2016 was USD1.36 to GBP1.00.

Revenue
The business delivered record Total Group revenues in 2016, up 12.6% to $432.4m (2015: $383.9m). The "bolt-on" acquisitions of Aviation Beauport and Flyertech contributed revenues of $8.9m following completion.

Reported revenue is down 6% on a constant currency basis to $203.0m (2015: $216.0m) predominantly as a result of Europe Air and Ground where trading has been muted and certain underperforming contracts have been exited.

	Pre-acquisitions	Acquisitions	Reported	Associates & JV	Total Group
Group Revenue ($'000)	194,102	8,935	203,037	229,388	432,425

Gross profit and EBITDA
Total Group gross profit is up 1.8% to $52.4m (2015: $51.5m), although the margin has slipped from 13.4% to 12.1% in 2016, a trend that has continued from the half year results. This is primarily as a result of the change of business mix with a greater proportion of the growth coming from the US Air business which attracts a lower gross profit margin of 6%.

Total Group underlying EBITDA is up 10.4% to $17.2m (2015: $15.6m) with the significant improvement in our Air and Ground divisions in the US helping to compensate for the decrease in performance in Europe Ground.

Reported gross profit is down 6.8% to $44.2m (2015: $47.4m). Pleasingly, our Air and Ground divisions in the regions outside Europe showed an upturn in gross profit. The decrease has come in Europe Air and Ground with the decrease in discretionary spend in Europe Ground and the exit of underperforming contracts in Europe Air.

Reported underlying EBITDA has dropped 7.5% to $17.3m (2015: $18.7m). Included within our Europe Air is $1m of trading foreign exchange losses borne in the year as a result of the volatile currency movements in the year, particularly the strengthening of USD to GBP. The reported EBITDA would be similar to the prior year if this were added back as part of the underlying performance.

	Pre-acquisitions	Acquisitions	Reported	Associates & JV	Total Group
Group Underlying EBITDA ($'000)	15,650	1,644	17,294	(124)	17,170

Exceptional costs
Underlying EBITDA is stated before exceptional costs of $2.5m, details of which are included within note 4. Of the total $2.5m exceptional costs, $1.4m are transaction costs with the remainder being the one-off costs associated with the subsequent integration and re-organisation of these transactions.

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 $2.1m, of which $1.8m were impairments to their residual values. During the course of the year, an owned aircraft that was not of the right specifications and therefore operationally inefficient, was classified as held for sale. After the year end, Gama Aviation sold one of the three remaining aircraft that was held for sale for $0.75m. The book value of the two remaining assets held for sale is $6.5m.

Total operating profit
Reported underlying total operating profit, which includes the operating profit attributable to Gama Aviation of the 100% owned group companies together with the results attributable to Gama Aviation from its associate and joint venture is in line with 2015 at $15.1m (2015: $15.3m).

	Pre-acquisitions	Acquisitions	Total	Associates & JV	Total Group
Underlying Total Operating Profit ($'000)	13,918	1,469	15,387	(330)	15,057

Profit before tax and earnings per share
The reported profit before tax of $19.3m (2015: $6.9m) and earnings per share of (EPS) of 42.9p (2015: 21.3p) both benefitted significantly from a material foreign exchange credit in the year which is explained in more detail in the foreign exchange section. This credit is excluded from our profit before tax and EPS numbers below to give a better understanding of the underlying performance of the Group.

Underlying profit before tax is up 3.8% at $13.7m (2015: $13.2m).

Underlying EPS is down 18.9% to 30.1 cents (2015: 37.1 cents). However, the EPS in 2015 benefitted from a tax credit of $2.5m against a tax charge of $0.6m in 2016. On a like-for-like basis, the underlying business produced an EPS of 31.5 cents in 2016 compared to 31.2 cents in 2015.

Taxation

There is a total tax charge for the year of $0.6m made up of a tax charge of $1.6m offset by a deferred tax credit of $1.0m. In 2015, there was a tax credit of $2.5m as a result of deferred tax movements in the US business.

Foreign exchange

Within our global services business, we operate and manage geographically mobile assets. As a result, Gama Aviation is exposed to a number of currencies. With the exception of Europe, the rest of the regions trade in USD which is the same as our Group reporting currency, leaving little or no foreign exchange exposure.

The material currency exposure for Gama Aviation is within our Europe operations in GBP to USD. Gama Aviation experiences both realised and unrealised trading gains and losses on these exchange rate movements. These impact our operating performance, and finance income and costs.

As the GBP weakens against the USD, the UK businesses suffer both trading and translational losses at EBITDA level. However, the intercompany loan structure within the Group works in the opposite direction and Gama Aviation experiences foreign exchange gains within finance income as the GBP weakens against the USD.

Given the volatility of the GBP to USD exchange rates over the year, Gama Aviation experienced sizeable losses of over $1m within its underlying EBITDA and material gains within its finance income of $9.7m.

Gama Aviation has not adjusted for the operating losses experienced in the year due to the foreign exchange impact despite the unusual volatility in the rates over the year but it has adjusted out the material foreign exchange credit within profit before tax and EPS.

The use of the constant currency reporting helps to illustrate the underlying performance of the business in the absence of these foreign exchange movements.

An independent foreign exchange review has been carried out which identified a number of small but effective improvements that can be made and these are being put in place. The review concluded that Gama Aviation is managing its foreign exchange exposure in an appropriate way given the size and nature of the business.

Cash

Cash increased by $2.7m to $11.2m (2015: $8.5m).

Operating cash inflow before movements in working capital increased 33.6% to $16.3m (2015: $12.2m) and the working capital movement improved by 46.3% to an outflow of $14.1m (2015: $26.3m outflow).

Cash generated by operations was $2.2m for the year compared with an outflow of $14.1m in 2015. The Group is focused on improving its working capital management and we expect the business to generate significantly higher cash conversion in the future.

Net debt at the year-end was $19.4m, up from $9.0m in 2015 as the Group drew on debt facilities to fund the acquisitions and related costs in the year.

Net debt to underlying EBITDA was 1.1x (2015: 0.4x).

Dividend

The Directors are recommending a dividend of 2.6p per share, an increase of 4.0% (2015: 2.5p per share).

Kevin Godley
Chief Financial Officer

/ 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 the 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
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 in financial risk management objectives and policies on page 23.

/ 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. 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.

Continually developing our EXPE

Governance


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. Kevin graduated with a BSc in Economics and Politics from the University of Bath.

Peter Brown
Non-Executive Director

Peter is a chartered accountant with over 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.

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 three 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 Michael Peagram, who is 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 Michael Peagram, supported by 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 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 30 to 33.

Nomination Committee

The Nomination Committee is chaired by Sir Ralph Robins, supported by 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 Steve Wright, 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.

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 until 4 November 2016. Michael Peagram has chaired the committee since that date. The other member of the Committee is Peter Brown. The Committee met three times during the year and all Committee members attended the meetings.

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 2016, Marwan Khalek was entitled to a base salary of £330,000, Steve Wright £178,000 and Kevin Godley £180,000.

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
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 2016, the Chairman of the Board, Sir 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.

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
Peter Brown	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 notice period. No bonus would be payable in the event of an Executive Director resignation.

Directors' Remuneration Report
The Directors received the following remuneration for the financial year ended 31 December 2016:

£'000	Salary & fees	Consultancy fees	Benefits in Kind[1]	Pension	2016 Total	2015 Total
Executive Directors						
Marwan Khalek	328	–	26	73	427	372
Steve Wright	176	–	8	31	215	210
Kevin Godley	172	–	6	6	184	148
Non-Executive Directors						
Sir Ralph Robins	50	–	–	–	50	48
Nigel Payne	32	44	–	–	76	42
Peter Brown	42	–	–	–	42	42
George Rolls	28	–	–	–	28	42
Michael Peagram	42	–	–	–	42	42
Aggregate Emoluments	870	44	40	110	1,064	946

[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 2016.

	Ordinary Shares		Unexercised Share Options		Total Interests	
	At 31 December 2016	On Admission and 31 December 2015	At 31 December 2016	On Admission and 31 December 2015	At 31 December 2016	On Admission and 31 December 2015
Executive Directors						
Marwan Khalek[1]	15,424,502	15,424,502	–	–	15,424,502	15,424,502
Steve Wright	263,188	238,188	–	–	263,188	238,188
Kevin Godley	20,000	–	–	–	20,000	–

[1] including 3,000,000 shares held in trust for the benefit of family members.

/ CORPORATE SOCIAL RESPONSIBILITY

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; seeking to constantly improve this.
/ 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, though based on merit.
/ 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 within a global organisation
/ take a proactive approach to vitality, providing regionally appropriate employee benefits that encourage our people to maintain their health.

Proposed new facility in Sharjah.

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

/ are exempt from the Emission Trading Scheme as our Group fuel burn was less than 10,000 tonnes for 2016.
/ 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 2016.

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.

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 and future developments 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
K Godley
P Brown
M Peagram

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

G Rolls *resigned on 3 June 2016*

N Payne *resigned on 4 November 2016*

Dividends
The Group remains committed to maintaining a progressive dividend policy and the Directors are recommending a dividend of 2.6p per share, up from 2.5p per share in 2015, an increase of 4%.

Post balance sheet events
These are detailed in note 34 of 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 E.U. 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 ended 31 December 2017 and beyond. The key assumptions in this forecast include the profitable growth of the trading businesses and the knowledge that the group has material headroom in its debt covenants.

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 and signed. 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
Director
24 March 2017

PERFOR Driven

Financial statements

- Independent auditor’s report
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes to the consolidated financial statements
- Parent company independent auditor’s report
- Parent company statement of financial position
- Parent company statement of changes in equity
- Notes to the parent company financial statements


MANCE

/ INDEPENDENT AUDITOR'S REPORT
/ FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, 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 on page 37, 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 2016 and of its profit for the year then ended;
/ have been properly prepared in accordance with IFRSs as adopted by the European Union;
/ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

/ the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.
/ the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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 year ended 31 December 2016.

Grant Thornton UK LLP.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 March 2017

/ CONSOLIDATED INCOME STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 2016 $'000	Year ended 2015 $'000
Continuing operations			
Revenue	5	**203,037**	236,017
Cost of sales		**(158,886)**	(184,443)
Gross profit		**44,151**	51,574
Administrative expenses		**(32,884)**	(42,162)
Underlying EBITDA		**17,294**	20,400
Exceptional Items	7	**(2,548)**	(7,123)
Depreciation and amortisation	6	**(3,479)**	(3,865)
Operating profit	6	**11,267**	9,412
Share of results from equity accounted investments	17	**(330)**	(1,324)
Total operating profit		**10,937**	8.088
Finance income	9	**9,750**	1,044
Finance costs	10	**(1,379)**	(2,256)
Profit before tax from continuing operations	6	**19,308**	6,876
Taxation	11	**(615)**	2,513
Profit from continuing operations		**18,693**	9,389
Discontinued operations			
Loss after tax for the year from discontinued operations	7	**(2,127)**	(1,102)
Profit for the year		**16,566**	8,287
Attributable to:			
Owners of the Company:		**16,676**	8,049
Non-controlling interests		**(110)**	238
		16,566	8,287

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
/ FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**Year ended 2016 $'000**	Year ended 2015 $'000
Profit for the year		**16,566**	8,287
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(18,440)**	(4,186)
Total comprehensive (loss)/profit for the year		**(1,874)**	4,101
Non-controlling interest		**110**	(238)
(Loss)/profit and total comprehensive income for the year attributable to the owners of the company		**(1,764)**	3,863
Earnings per share attributable to the equity holders of the parent	12		
– basic (cents)		**38.05c**	18.72c
– diluted (cents)		**38.05c**	18.72c
Earnings per share attributable to the equity holders of the parent – continuing operations			
– basic (cents)		**42.90c**	21.28c
– diluted (cents)		**42.90c**	21.28c

/ CONSOLIDATED BALANCE SHEET
/ AS AT 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Non-current assets			
Goodwill	13	**37,631**	39,869
Other intangible assets	14	**9,987**	8,396
Total intangible assets		**47,618**	48,265
Property, plant and equipment	15	**12,215**	14,806
Deferred tax asset	21	**4,557**	3,407
		64,390	66,478
Current assets			
Assets held for resale	15	**7,200**	3,126
Inventories	18	**8,410**	7,353
Trade and other receivables	19	**46,473**	49,608
Cash and cash equivalents		**11,174**	8,457
		73,257	68,544
Total assets		**137,647**	135,022
Current liabilities			
Trade and other payables	23	**(41,682)**	(53,956)
Obligations under finance leases	20, 22	**(1,644)**	(1,586)
Provisions for liabilities	29	**(2,416)**	(2,000)
Borrowings	20	**(24,018)**	(8,851)
Deferred revenue	32	**(4,315)**	(4,538)
		(74,075)	(70,931)
Total assets less current liabilities		**63,572**	64,091
Non-current liabilities			
Borrowings	20	**(923)**	(1,110)
Obligations under finance leases	20, 22	**(3,976)**	(5,932)
Provisions for liabilities	29	**(492)**	–
Deferred tax liabilities	21	**(1,649)**	(1,395)
		(7,040)	(8,437)
Total liabilities		**(81,115)**	(79,368)
Net assets		**56,532**	55,654
Equity			
Share capital	24	**684**	670
Share premium	24	**–**	35,458
Other reserves	24	**61,377**	57,228
Foreign exchange reserve		**(23,529)**	(5,089)
Accumulated profit/(losses)		**17,419**	(33,304)
Equity attributable to equity holders of the parent		**55,951**	54,963
Non-controlling interest	25	**581**	691
Total equity		**56,532**	55,654

The financial statements were approved and authorised for issue on 24 March 2017 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 2016

	Share capital (Note 24) $'000	Share premium (Note 24) $'000	Other reserves (Note 24) $'000	Foreign exchange reserve $'000	Accumulated profit/(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 2015	**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**
Issuance of shares	14	–	4,149	–	–	4,163	–	4,163
Cancellation of share premium	–	(35,458)	–	–	35,458	–	–	–
Transactions with owners	**14**	**(35,458)**	**4,149**	**–**	**35,458**	**4,163**	**–**	**4,163**
Profit for the year	–	–	–	–	16,676	16,676	(110)	16,566
Dividend paid	–	–	–	–	(1,411)	(1,411)	–	(1,411)
Other comprehensive income	–	–	–	(18,440)	–	(18,440)	–	(18,440)
Total comprehensive income	–	–	–	(18,440)	15,265	(3,175)	(110)	(3,285)
Balance at 31 December 2016	**684**	**–**	**61,377**	**(23,529)**	**17,419**	**55,951**	**581**	**56,532**

/ CONSOLIDATED CASH FLOW STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 2016 $'000	Year ended 2015 $'000
Net cash generated/(expended) on operating activities	27	**725**	(16,619)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,697)**	(1,685)
Purchases of intangibles		**(400)**	(30)
Purchases of assets held for resale		**(266)**	–
Proceeds on disposal of property, plant and equipment		**–**	436
Proceeds on disposal of assets held for sale		**–**	2,037
Investment in joint venture		**–**	(50)
Acquisition of subsidiary, net of cash acquired		**(6,239)**	3,213
Net cash (used) / received by investing activities		**(10,602)**	3,921
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		**(1,900)**	(1,390)
Proceeds from borrowings		**17,798**	7,725
Repayment of borrowings		**(40)**	(15,767)
Dividend paid to equity holders of the parent		**(1,411)**	–
Net cash from financing activities		**14,447**	16,282
Net increase in cash and cash equivalents		**4,570**	3,584
Cash and cash equivalents at the beginning of year		**8,457**	4,985
Effect of foreign exchange rates		**(1,853)**	(112)
Cash and cash equivalents at the end of year		**11,174**	8,457

Cash and cash equivalents

	2016 $'000	2015 $'000
Cash and bank balances	**11,174**	8,457

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.

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 IFRS 9 and IFRS 36 will have a significant impact on the financial statements of the Group in future periods.

IFRS 15 Revenue from contracts with customers establishes a five-step model that will apply to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied. The Group is currently assessing the impact to revenue accounting on adoption of IFRS 15.

On adoption of IFRS 16, it is expected that both net debt and non-current assets will increase as obligations to make future payments under leases currently classified as operating leases are recognised on the balance sheet, along with the related 'right-of-use' asset. The impact of implementing IFRS 16 is being evaluated by the Group.

The directors do not expect that the adoption of the remaining 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.

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 2017 and beyond. The key assumptions in this forecast include the profitable growth of the trading businesses and the knowledge that the group has material headroom in its debt covenants.

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 and signed. 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.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

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.

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.

3. Significant accounting policies (continued)
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.

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.

Total operating profit
Total operating profit is stated after the share of results of associates but before finance 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 Europe Ground business.
- Licence and brand, customer relations and software – recognised on acquisitions.

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:

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

Exceptional items
Exceptional items relate to items which do not contribute to the underlying performance of the Group, and as a result are presented separately in the consolidated income statement. Their determination is made after consideration of their nature and materiality and is applied consistently from period to period.

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 are 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 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.
- 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. For the financial year ended 31 December 2016, 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. As of 1 January 2017, Gama Aviation Plc now owns 24.5% of Gama Aviation LLC, with the other 24.5% belonging to BBA Aviation Plc. Please refer to note 34, post balance sheet events for details of the transaction. 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 directors' consider exceptional costs to be those that do not contribute to the underlying performance of the Group. As a result, these costs need to be disclosed separately to be able to provide more relevant and reliable financial information. The exceptional items recorded in the income statement relate to transaction costs, and subsequent business integration and re-organisation costs.

- 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. In 2016, an aircraft with a carrying value of $5.6 million was transferred to assets held for resale under IFRS 5. An aircraft that was held for sale at 31 December 2016 was sold at no gain or loss in 2017.
- 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. Although the time period to sell the assets classified as held for sale has exceeded one year, this has occurred due to circumstances beyond the directors' control, and is not unusual given the nature of the assets, and the directors remain committed to the plan of selling the remaining aircraft. These aircraft continue to be actively marketed for sale and are held at values that the directors believe are realisable within the current second hand market place.

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

Reported
An analysis of the Group's revenue, gross profit, adjusted EBITDA and adjusted operating profit for the year ended 31 December 2016 is as follows:

	Total Revenue $'000	Gross profit $'000	Gross profit %	Underlying EBITDA $'000	Underlying EBITDA %	Underlying operating profit $'000	Underlying operating profit %
US: Air	7,949	6,160	77.5	5,927	74.6	5,973	75.1
US: Ground	24,130	5,560	23.0	2,778	11.5	2,401	10.0
Europe: Air	117,736	9,568	8.1	2,607	2.2	2,095	1.8
Europe: Ground	38,321	17,615	46.0	8,383	21.9	7,660	20.0
MENA: Air	19,531	1,345	6.9	15	0.1	(95)	(0.5)
MENA: Ground	5,170	1,697	32.8	273	5.3	32	0.6
Asia: Air	80	80	100.0	80	100	(242)	(>100)
Other	2,327	2,126	91.3	(2,769)	(>100)	(2,767)	(>100)
Eliminations	(12,207)	–	–	–	–	–	–
Totals	**203,037**	**44,151**	**21.7**	**17,294**	**8.5**	**15,057**	**7.4**

Underlying operating profit	**15,057**
Amortisation	(1,438)
Exceptional items (including share of associate's exceptional items)	(2,682)
Finance income	9,750
Finance costs	(1,379)
Profit before tax from continuing operations	**19,308**

5. Segment information (continued)
Reported
An analysis of the Group's revenue, gross profit, adjusted EBITDA and adjusted operating profit for the year ended 31 December 2015 is as follows:

	Total Revenue $'000	Gross profit $'000	Gross profit %	Underlying EBITDA $'000	Underlying EBITDA %	Underlying operating profit $'000	Underlying operating profit %
US: Air	7,815	5,375	68.8	5,185	66.3	4,175	53.4
US: Ground	20,661	4,947	23.9	2,226	10.8	1,986	9.6
Europe: Air	139,224	13,542	9.7	2,124	1.5	1,254	0.9
Europe: Ground	54,003	24,312	45.0	14,449	26.8	13,847	25.6
MENA: Air	21,598	1,431	6.6	(160)	(0.7)	(247)	(1.1)
MENA: Ground	4,965	1,188	23.9	(163)	(3.3)	(479)	(9.7)
Asia: Air	36	36	100.0	36	100	(361)	(>100)
Other	935	744	79.6	(3,296)	(>100)	(3,286)	(>100)
Eliminations	(13,220)	–	–	–	–	–	–
Totals	**236,017**	**51,574**	**21.9**	**20,400**	**8.6**	**16,888**	**7.2**

Underlying operating profit	**16,888**
Amortisation	(1,677)
Exceptional items (including share of associate's exceptional items)	(7,123)
Finance income	1,044
Finance costs	(2,256)
Profit before tax from continuing operations	**6,876**

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

	Assets		Liabilities	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
US: Air	**16,674**	16,937	**(1,866)**	(1,491)
US: Ground	**8,407**	7,541	**(1,168)**	(1,882)
Europe: Air	**44,000**	42,515	**(37,254)**	(53,716)
Europe: Ground	**32,145**	16,705	**(8,715)**	(9,579)
MENA: Air	**5,165**	5,568	**(4,878)**	(5,529)
MENA: Ground	**1,040**	1,244	**(4,655)**	(921)
Asia: Air	**263**	198	**(18)**	(17)
Other	**143,686**	151,705	**(21,977)**	(13,070)
Investment eliminations	**(110,963)**	(94,735)	**–**	–
Other Group adjustments and eliminations	**(2,770)**	(12,656)	**(584)**	6,837
	137,647	135,022	**(81,115)**	(79,368)

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

	Year ended 2016 $'000	Year ended 2015 $'000
Continuing operations		
Sale of business aviation services	**197,169**	230,292
Sale of goods (engines and parts)	**–**	1,289
Branding fees	**5,868**	4,436
	203,037	236,017

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

Geographic information

	2016 $'000	2015 $'000
Non-current assets		
US	**2,217**	2,121
Europe	**9,577**	12,134
MENA	**421**	551
	12,215	14,806

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

6. Operating profit for the year

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

	Year ended 2016 $'000	Year ended 2015 $'000
Net foreign exchange loss	**1,157**	420
Depreciation of property, plant and equipment (see note 15)	**2,041**	2,188
Amortisation of intangibles (see note 14)	**1,438**	1,677
Impairment of assets held for sale[1] (see note 15)	**1,828**	–
Loss on disposal of property, plant and equipment	**8**	132
Loss on disposal of intangibles	**–**	150
Cost of inventories recognised as an expense (see note 18)	**10,979**	9,288
Write-down/(back) of inventories recognised as an expense	**992**	(687)
Staff costs (see note 8)	**48,904**	45,991
Impairment losses recognised on trade receivables (see note 19)	**1,804**	555
Reversal of impairment losses recognised on trade receivables (see note 19)	**(514)**	(825)
Auditors' remuneration:		
Audit of the company's annual accounts	**95**	107
Audit of the accounts of subsidiaries	**264**	213
Tax advisory services	**23**	5
Other assurance services	**85**	35

1 The directors observed in the year ended 31 December 2016, 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 $1,828,000 was necessary and recorded within 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.

7. Exceptional items and discontinued operations

Operating profit is stated after exceptional items and discontinued operations.

	Year ended 2016 $'000	Year ended 2015 $'000
Exceptional items		
Transaction costs	**1,355**	3,585
Integration and business re-organisation costs	**1,193**	3,538
	2,548	7,123

Transactions costs represent expenses incurred in respect of the acquisitions completed in the year (Aviation Beauport Group, and Flyertech Limited and Aerstream Limited), as well as costs associated with seeking out new potential investment opportunities. Integration and business re-organisation costs represent the subsequent third party and internal costs associated with the acquisitions.

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. The Group believes that operating the aircraft whilst held for sale reduces the losses borne in discontinued operations and helps to maintain their airworthiness, assisting the sale process. An aircraft that was held for sale at 31 December 2016 was sold at no gain or loss in 2017. The results of these discontinued operations are presented below:

	Year ended 2016 $'000	Year ended 2015 $'000
Discontinued operations		
Revenue	**690**	875
Expenses (including depreciation charge of $7,000 in 2015)	**(2,916)**	(2,044)
Operating loss	**(2,226)**	(1,169)
Finance income	**178**	67
Finance costs	**(79)**	–
Loss before tax from discontinued operations	**(2,127)**	(1,102)
Taxation	**–**	–
Loss after tax for the year from discontinued operations	**(2,127)**	(1,102)
Earnings per share		
Basic – cents	**(4.85c)**	(2.56c)
Diluted – cents	**(4.85c)**	(2.56c)
The weighted average number of ordinary shares is included in Note 12.		
The net cash flows incurred by discontinued operations are as follows:		
Operating activities	**234**	(1,731)
Investing activities	**(266)**	2,070
Net cash outflow	**(31)**	(339)

8. Staff costs

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

	Year ended 2016 Number	Year ended 2015 Number
Operations and administration	**285**	255
Pilots and cabin crew	**106**	105
Aircraft engineering	**195**	183
	586	543

Their aggregate remuneration comprised:

	Year ended 2016 $'000	Year ended 2015 $'000
Wages and salaries	**42,362**	39,941
Social security costs	**5,551**	5,063
Other pension costs (see note 31)	**991**	987
	48,904	45,991

9. Finance income

	Year ended 2016 $'000	Year ended 2015 $'000
Bank deposits	–	5
Foreign currency translation on intercompany balances	9,750	1,039
Total finance income	9,750	1,044

10. Finance costs

	Year ended 2016 $'000	Year ended 2015 $'000
Interest on bank overdrafts and loans	598	1,888
Interest on obligations under finance leases	284	352
Other similar charges payable	497	16
Total finance costs	1,379	2,256

11. Taxation

	Year ended 2016 $'000	Year ended 2015 $'000
Corporation tax:		
Current year charge	1,612	636
Deferred tax (note 21)	(997)	(3,149)
Total tax charge/(credit) for the year	615	(2,513)

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

	Year ended 2016 $'000	Year ended 2015 $'000
Continued operations	19,308	6,876
Discontinued operations	(2,127)	(1,102)
Profit before tax	17,181	5,774
Tax at the corporation tax rate of 20% (2014: 20%)	3,436	1,155
Effects of:		
Expenses not deductible for tax purposes	2,269	1,807
Differences between capital allowances and depreciation	(170)	(322)
Utilisation of tax losses	(3,430)	(5,478)
Effect of tax rates in different jurisdictions	(209)	325
Adjustment to tax charge in respect of previous periods	(1,281)	–
Total tax charge/(credit) for the year	615	(2,513)

12. Earnings per share (“EPS”)
The calculation of earnings 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 2016 $’000	Year ended 2015 $’000
Numerator		
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	**18,803**	9,151
Discontinued operations	**(2,127)**	(1,102)
Profit attributable to ordinary equity holders of the parent for basic earnings	**16,676**	8,049
Add amortisation	**1,438**	1,677
Add exceptional items (including share of associate’s exceptional items)	**2,682**	7,123
Profit attributable to ordinary shareholders for adjusted earnings	**20,796**	16,849
Denominator		
Weighted average number of shares used in basic EPS	**43,827,775**	42,994,442
Weighted average number of shares used in diluted EPS	**43,827,775**	42,994,442
Earnings per share		
Basic – cents	**38.05c**	18.72c
Diluted – cents	**38.05c**	18.72c
Adjusted Basic – cents	**47.45c**	39.19c
Adjusted Diluted – cents	**47.45c**	39.19c

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 2016 $’000	Year ended 2015 $’000
Loss from discontinued operations for the basic and diluted EPS calculations	**(2,127)**	(1,102)

13. Goodwill

	$'000
Cost	
At 1 January 2015	4,430
Created upon reverse takeover	41,204
Exchange differences	(2,068)
At 1 January 2016	43,566
Recognised upon acquisition	5,015
Exchange differences	(7,253)
At 31 December 2016	41,328
Accumulated impairment losses	
At 1 January 2015, 31 December 2015 and 31 December 2016	3,697
Carrying amount	
At 31 December 2016	37,631
At 31 December 2015	39,869

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

	2016 $'000	2015 $'000
Europe Air	**17,792**	19,492
Europe Ground	**19,839**	20,377
	37,631	39,869

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 an impairment in the year.

14. Other intangible assets

	Commence operations $'000	Part 145 approvals $'000	Licences and Brands $'000	Customer relations $'000	Computer software $'000	Total $'000
Cost						
At 1 January 2015	1,488	2,990	–	–	–	4,478
Addition due to reverse takeover	–	–	–	–	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
Recognised upon acquisition	–	–	226	4,024	11	4,261
Additions	–	400	–	–	–	400
Foreign exchange differences	(21)	(481)	(216)	(1,801)	(3)	(2,522)
At 31 December 2016	1,453	2,761	1,146	10,720	17	16,097
Amortisation and accumulated impairment losses						
At 1 January 2015	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
Amortisation	–	–	416	1,016	6	1,438
Foreign exchange differences	(21)	(481)	(151)	(236)	(1)	(890)
At 31 December 2016	1,180	2,361	929	1,632	8	6,110
Carrying amount						
At 31 December 2016	273	400	217	9,088	9	9,987
At 31 December 2015	273	–	472	7,645	6	8,396

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 IAS 38 which were acquired with the purchase of Hangar8 Plc in 2015 and Aviation Beauport Group, FlyerTech Limited and Aerstream Limited in 2016. These include licences and brands, customer relations and workforce and computer software.

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% (2015: 11.5%). The directors have determined that no such impairments are required in the years ended 31 December 2015 and 2016.

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 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 1 January 2016	4,719	13,529	4,387	654	23,289
Additions	2,678	–	648	371	3,697
Additions due to acquisition	2,712	–	262	4	2,978
Reclassified as assets held for resale	–	(7,875)	–	–	(7,875)
Disposals	–	–	(28)	–	(28)
Exchange differences	(874)	(955)	(517)	(25)	(2,371)
At 31 December 2016	9,235	4,699	4,752	1,004	19,690
Accumulated depreciation					
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 1 January 2016	2,638	3,106	2,510	229	8,483
Charge for the year	799	303	781	158	2,041
Reclassified as assets held for resale	–	(2,239)	–	–	(2,239)
Eliminated on disposals	–	–	(20)	–	(20)
Exchange differences	(277)	(177)	(322)	(14)	(790)
At 31 December 2016	3,160	993	2,949	373	7,475
Carrying amount					
At 31 December 2016	6,075	3,706	1,803	631	12,215
At 31 December 2015	2,081	10,423	1,877	425	14,806

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 $9.2 million (2015: $10.7 million), being $8.7 million of aircraft and $0.5 million of motor vehicles (2015: $10.4 million of aircraft and $0.3 million of motor vehicles).

Assets held for resale

At the beginning of 2015, the Group had five aircraft that were held for resale. During the course of 2015, the Group disposed of three of these aircraft directly to third parties. In 2016, an aircraft with a carrying value of $5.6 million was transferred to assets held for resale under IFRS 5. The additions to its book value in the year are directly related to the continuing airworthiness of the aircraft. An aircraft that was held for sale at 31 December 2016 with a book value of $0.7 million was sold at no gain or loss after the year-end.

Although the time period to sell the assets classified as held for sale has exceeded one year, this has occurred due to circumstances beyond the Group's control, and the Group remains committed to the plan of selling the remaining aircraft. These aircraft continue to be actively marketed for sale and are held at values that the directors believe are realisable within the current second hand market place.

	Total $'000
Cost	
At 1 January 2015	29,391
Eliminated on disposals	(9,348)
At 1 January 2016	20,043
Reclassified from property, plant and equipment	7,875
Additions	266
At 31 December 2016	28,184
Provision for impairment	
At 1 January 2015	24,228
Eliminated on disposals	(7,311)
At 1 January 2016	16,917
Reclassified from property, plant and equipment	2,239
Impairment	1,828
At 31 December 2016	20,984
Carrying amount	
At 31 December 2016	7,200
At 31 December 2015	3,126

16. Subsidiaries
Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Aerstream Limited*	Great Britain	100%	Airworthiness management
Airops Software Limited*	Great Britain	100%	Aviation software
Aravco Limited*	Great Britain	100%	Aviation management
Avialogistics Limited*	Great Britain	100%	Aviation cleaning
Aviation Crewing Limited	Great Britain	100%	Aviation crewing
FlyerTech Limited*	Great Britain	100%	Airworthiness management
Gama Aviation (Asset 2) Limited*	Great Britain	100%	Aircraft operation
Gama Aviation (Engineering) Limited (formerly Gama Engineering Group Limited)*	Great Britain	100%	Holding company
Gama Aviation Group Limited*	Great Britain	100%	Holding company
Gama Aviation (Training) Limited*	Great Britain	100%	Aviation training
Gama Aviation (UK) Limited*	Great Britain	100%	Aviation management
GA 259034 Limited*	Great Britain	100%	Aircraft leasing
Gama (Engineering) Limited*	Great Britain	100%	Aviation design and engineering
GA FM54 Limited*	Great Britain	100%	Aircraft leasing
Gama Group Limited	Great Britain	100%	Holding company
Gama Leasing Limited*	Great Britain	100%	Aviation management
Gama Support Services Limited*	Great Britain	100%	Aviation design and engineering
Hangar8 AOC Limited	Great Britain	100%	Aviation charter
Hangar8 Engineering Limited	Great Britain	100%	Aviation maintenance
Hangar8 Management Limited	Great Britain	100%	Aviation management
Infinity Flight Crew Academy Limited	Great Britain	100%	Aviation training
International JetClub Limited	Great Britain	100%	Aviation management
Optimum Aviation Limited	Great Britain	100%	Aviation management and charter
Ronaldson Airmotive Limited*	Great Britain	100%	Aircraft servicing and rebuilding
Aviation Beauport Holdings Limited*	Jersey	100%	Holding company
Ferron Trading Limited*	Jersey	100%	Holding company
Gama Aviation (Beauport) Limited (formerly Aviation Beauport Limited)*	Jersey	100%	Aviation management
Gama Aviation (Engineering) Jersey Limited (formerly Aviation Beauport (Hangar Services) Limited)*	Jersey	100%	Aviation maintenance
Gama Aviation Holdings (Jersey) Limited	Jersey	100%	Holding company

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Aviation SA*	Switzerland	100%	Aviation management
Oasis Flight Malta	Malta	100%	Dormant
Gama Aviation FZE*	UAE	49%	Aviation management
Gama Group Mena FZE*	UAE	49%	Holding company
Gama Holding FZC*	UAE	100%	Holding company
Gama Support Services FZE*	UAE	49%	Aviation design and engineering
Gama Aviation (Engineering) Inc. (formerly Gama Support Services Inc.)*	USA	100%	Aviation design and engineering
Gama Aviation (Management) Inc. (formerly Gama Aviation Inc.)*	USA	100%	Aviation management
Gama Group Inc.*	USA	100%	Holding company
Gama Aviation Limited*	Hong Kong	100%	Aviation management
Gama Group (Asia) Limited*	Hong Kong	100%	Holding company
Gama Support Services Limited*	Hong Kong	100%	Aviation design and engineering
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	Holder of South African AOC
Hangar8 Nigeria Limited**	Nigeria	100%	Applicant of Nigerian AOC
Hangar8 Mauritius Limited	Mauritius	100%	Holding company

* indicates indirect holding

** The consolidated financial statements include amounts relating to Hangar8 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, Hangar8 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.

16. Subsidiaries (continued)
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
Airops Software Limited*	Great Britain	100%	Aviation software
Aravco Limited*	Great Britain	100%	Aviation management
Avialogistics Limited*	Great Britain	100%	Aviation cleaning
Aviation Crewing Limited	Great Britain	100%	Aviation crewing
Exclusiv Aviation Limited	Great Britain	100%	Dormant
Gama Aviation (Asset 2) Limited*	Great Britain	100%	Aircraft operation
Gama Aviation (Engineering) Limited (formerly Gama Engineering Group Limited)*			
Gama Aviation Group Limited*	Great Britain	100%	Holding company
Gama Aviation (Training) Limited*	Great Britain	100%	Holding company
Gama Aviation (UK) Limited*	Great Britain	100%	Aviation training
GA 259034 Limited*	Great Britain	100%	Aviation management
Gama (Engineering) Limited*	Great Britain	100%	Aircraft leasing
GA FM54 Limited*	Great Britain	100%	Aviation design and engineering
Gama Group Limited	Great Britain	100%	Aircraft leasing
Gama Leasing Limited*	Great Britain	100%	Holding company
Gama Support Services Limited*	Great Britain	100%	Aviation management
Hangar8 AOC Limited	Great Britain	100%	Aviation design and engineering
Hangar8 Engineering Limited	Great Britain	100%	Aviation charter
Hangar8 Management Limited	Great Britain	100%	Aviation maintenance
Infinity Flight Crew Academy Limited	Great Britain	100%	Aviation management
International JetClub Limited	Great Britain	100%	Aviation training
Optimum Aviation Limited	Great Britain	100%	Aviation management
Ronaldson Airmotive Limited*	Great Britain	100%	Aviation management and charter
Gama Aviation Holdings (Jersey) Limited	Jersey	100%	Holding company
Gama Aviation SA*	Switzerland	100%	Aviation management
Oasis Flight Malta	Malta	100%	Dormant
Gama Aviation FZE*	UAE	49%	Aviation management
Gama Group Mena FZE*	UAE	49%	Holding company
Gama Holding FZC*	UAE	100%	Holding company
Gama Support Services FZE*	UAE	49%	Aviation design and engineering
Gama Aviation (Engineering) Inc. (formerly Gama Support Services Inc.)*	USA	100%	Aviation design and engineering
Gama Aviation (Management) Inc. (formerly Gama Aviation Inc.)*	USA	100%	Aviation management

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Group Inc.*	USA	100%	Holding company
Gama Aviation Limited*	Hong Kong	100%	Aviation management
Gama Group (Asia) Limited*	Hong Kong	100%	Holding company
Gama Support Services Limited*	Hong Kong	100%	Aviation design and engineering
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	Holder of South African AOC
Hangar8 Nigeria Limited**	Nigeria	100%	Applicant of Nigerian AOC
Hangar8 Mauritius Limited	Mauritius	100%	Holding company

* indicates indirect holding

** The consolidated financial statements include amounts relating to Hangar8 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, Hangar8 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.

17. Investments accounted for using the equity method

	Year ended 2016 $'000	Year ended 2015 $'000
Results of associate		
Revenue	**231,560**	176,814
Expenditure	**(231,592)**	(178,688)
Loss before tax	**(32)**	(1,874)
Income tax expense	**16**	(17)
Loss of associate	**(16)**	(1,891)
Group's share of net loss of associate	**(8)**	(927)
Movements in carrying amount of investment in associate		
At 1 January	**–**	–
Share of net loss of associate	**(8)**	(927)
Included in provisions (note 29)	**8**	927
At 31 December	**–**	–
Summary financial position of associate		
Current assets	**17,200**	13,802
Non-current assets	**286**	131
Other assets (charter ticket)	**634**	968
Total assets	**18,120**	14,901
Current liabilities	**(20,975)**	(17,703)
Non current liabilities	**(211)**	(245)
Total liabilities	**(21,186)**	(17,948)
Net liabilities	**(3,066)**	(3,047)
Group's share of net liabilities of associate	**(1,502)**	(1,494)
Included in provisions (note 29)	**1,502**	1,494
Investment in associate accounted for using the equity method	**–**	–

Details of the Group's associate at 31 December 2015 and 2016 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.

	Year ended 2016 $'000	Year ended 2015 $'000
Results of joint venture		
Revenue	**16,542**	6,540
Expenditure	**(17,185)**	(7,434)
Loss before tax	**(643)**	(894)
Income tax expense	**–**	–
Loss of joint venture	**(643)**	(894)
Group's share of net loss of joint venture	**(322)**	(447)
Movements in carrying amount of investment in joint venture		
At 1 January	**–**	–
Investment in joint venture	**–**	50
Share of net loss of joint venture	**(322)**	(447)
Share of loans	**–**	50
Included in provisions (note 29)	**322**	347
At 31 December	**–**	–
Summary financial position of joint venture		
Current assets	**3,865**	3,618
Non-current assets	**49**	32
Total assets	**3,914**	3,650
Current liabilities	**(5,252)**	(4,445)
Total liabilities	**(5,252)**	(4,445)
Net liabilities	**(1,338)**	(795)
Group's share of net liabilities of joint venture	**(669)**	(397)
Share of loans	**–**	50
Included in provisions (note 29)	**669**	347
Investment in joint venture accounted for using the equity method	**–**	–

Details of the Group's joint venture at 31 December 2015 and 2016 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

	2016 $'000	2015 $'000
Raw materials and consumables	**6,347**	5,843
Work in progress	**2,063**	1,510
	8,410	7,353

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 $10,979,000 (2015: $9,288,000).

19. Other financial assets

Trade and other receivables

	2016 $'000	2015 $'000
Amount receivable for the sale of services	**27,694**	28,909
Allowance for doubtful debts	**(3,985)**	(3,751)
	23,709	25,158
Other debtors	**3,975**	6,470
Prepayments	**5,396**	2,361
Accrued income	**13,393**	15,619
	46,473	49,608

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 (2015: 28 days). No interest is charged on overdue receivables (2015 – 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, $3.3 million (2015: $2.7 million) is due from the Group's largest 5 customers who comprise 14% (2015: 10%) 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.

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Ageing of past due but not impaired receivables

	2016 $'000	2015 $'000
30-60 days	**3,414**	2,240
61-90 days	**1,474**	1,518
91-120 days	**660**	657
121-360 days	**4,519**	3,079
361+ days	**1,799**	1,271
Total	**11,866**	8,765

Movement in the allowance for doubtful debts

	2016 $'000	2015 $'000
At 1 January	**3,751**	2,306
Additions due to acquisition	**–**	1,866
Impairment losses recognised in income statement	**1,804**	555
Amounts written off as uncollectible	**(486)**	(26)
Amounts recovered during the year	**(514)**	(825)
Foreign exchange translation gains and losses	**(570)**	(125)
At 31 December	**3,985**	3,751

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

	2016 $'000	2015 $'000
< 30 days	**79**	199
30-60 days	**1**	118
61-90 days	**40**	162
91-120 days	**7**	153
121+ days	**3,858**	3,119
Total	**3,985**	3,751

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

	2016 $'000	2015 $'000
Secured borrowings at amortised cost		
Finance lease liabilities (note 22)	**5,620**	7,518
Other loans	**24,941**	9,961
	30,561	17,479
Total borrowings		
Finance lease liabilities	**1,644**	1,586
Other loans	**24,018**	8,851
Amount due for settlement within 12 months	**25,662**	10,437
Finance lease liabilities	**3,976**	5,932
Other loans	**923**	1,110
Amount due for settlement after 12 months	**4,899**	7,042

Analysis of borrowings by currency:

	Sterling $'000	US Dollars $'000	Total $'000
31 December 2016			
Finance lease liabilities	1,794	3,826	5,620
Other loans	20,941	4,000	24,941
	22,735	7,826	30,561
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

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 2.4% (2015: 4%) and the leases expire in 2020.

(ii) Other loans include:

/ £0.75 million (2015: £0.75 million), which has no fixed repayment term and carries an interest rate of 9.5% per annum (2015: 9.5%).
/ £15.5 million (2015: £3.7 million) revolving credit facility with a repayment term of less than 1 year and carries an interest rate of LIBOR + 1.95%.
/ $4.0 million (2015: $4.0 million) carrying an interest rate of 12% per annum and repayable on demand.

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	Tax losses $'000	Total $'000
At 1 January 2015	983	(343)	640
Addition due to acquisition	594	(63)	531
Movement in the year	–	(3,149)	(3,149)
Exchange differences	(182)	148	(34)
At 1 January 2016	1,395	(3,407)	(2,012)
Movement in year	198	(1,195)	(997)
Exchange differences	56	45	101
At 31 December 2016	1,649	(4,558)	(2,908)

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:

	2016 $'000	2015 $'000
Deferred tax liabilities	**1,649**	1,395
Deferred tax assets	**(4,558)**	(3,407)
Net deferred tax liability	**(2,908)**	(2,012)

The Group has not recognised a deferred tax asset in respect of losses brought forward of $8.0 million (2015: $6.7 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	
	2016 $'000	2015 $'000
Amounts payable under finance leases:		
Within one year	**1,801**	1,877
In the second to fifth years inclusive	**4,144**	6,385
	5,945	8,262
Less: future finance charges	**(325)**	(744)
Present value of lease obligations	**5,620**	7,518

	Present value of minimum lease payments	
	2016 $'000	2015 $'000
Amounts payable under finance leases:		
Within one year	**1,644**	1,586
In the second to fifth years inclusive	**3,976**	5,932
Present value of lease obligations	**5,620**	7,518

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 2016, the average effective borrowing rate was 2.4% (2015: 4.0%). Interest rates are variable.

The fair value of the Group's lease obligations is different to their carrying amount as shown in note 33.

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

	2016 $'000	2015 $'000
Trade and other payables	**32,795**	43,434
Accruals	**8,887**	10,522
	41,682	53,956

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 (2015: 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 2015	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
Issuance of share capital	1,000,000	10,000	14
At 31 December 2016	43,994,442	439,944	684

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 £0.01 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 2015, the issued share capital was increased by £61,254 by the issue of 6,125,379 shares of £0.01 each.

On 1 March 2016, the issued share capital was increased by £10,000 by the issue of 1,000,000 shares of £0.01 each as part of the consideration paid for Aviation Beauport Limited.

	$'000
Share premium	
At 1 January 2015	8,846
Issuance of share capital	26,612
Balance at 31 December 2015	35,458
Cancellation of share premium account	(35,458)
Balance at 31 December 2016	–

Share premium represents the amount subscribed for share capital in excess of nominal value. The share premium was increased by £17,089,807 ($26,612,000) through the issuance of share capital during 2015. The share premium account was cancelled on 22 June 2016.

Other reserves

	Merger relief reserve $'000	Reverse takeover reserve $'000	Other reserve $'000	Total $'000
At 1 January 2015	–	(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
Issuance of shares	4,149	–	–	4,149
Balance at 31 December 2016	136,996	(95,828)	20,209	61,377

The merger relief reserve represents differences between the fair value of the consideration transferred and the nominal value of the shares. In 2015, this occurred as a result of the reverse takeover. The reserve was increased in 2016 upon the acquisition of Aviation Beauport Limited when shares were included as part of the consideration.

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 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 2015	99
Non-controlling interest acquisition	(1,146)
Non-controlling interest movement	1,500
Total comprehensive profit attributable to minority interests	238
Balance at 31 December 2015	691
Total comprehensive loss attributable to minority interests	(110)
Balance at 31 December 2016	581

On 28th 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 1 March 2016, Gama Aviation (Engineering) Limited (a subsidiary of Gama Aviation Plc) acquired Aviation Beauport Group; 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.

From the date of the acquisition, the Aviation Beauport Group contributed $7,622,000 of revenue and $1,006,000 to profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of 2016, the contribution would have been $8,616,000 of revenue and $994,000 to profit before tax from continuing operations of the Group.

Goodwill of $3,253,000 and identifiable intangible assets of $1,326,000 arose on acquisition. The goodwill comprises the fair value of expected synergies arising from the acquisition.

The following table summarises the consideration paid for Aviation Beauport Group, the fair value of the assets acquired and the liabilities assumed at the acquisition date.

Consideration at 1 March 2016	$'000
Equity instruments (1,000,000 ordinary shares)	4,163
Cash	3,608
Total consideration transferred	**7,771**

Recognised amounts of identifiable assets acquired and liabilities assumed	$'000
Property, plant and equipment	2,967
Licences (included within intangibles)	14
Brand (included within intangibles)	153
Customer relationships (included within intangibles)	1,159
Inventories	5
Trade and other receivables	401
Trade and other payables	(464)
Deferred revenue	(797)
Goodwill	3,253
	6,691
Cash	1,080
Total	**7,771**

Following an independent valuation, the provisional fair values at acquisition date were confirmed. Consequently the book values are the same as the fair values.

On 1 July 2016, Gama Aviation (UK) Limited (a subsidiary of Gama Aviation Plc) acquired FlyerTech Limited and sister company Aerstream Limited, a privately owned airworthiness management firm based in the UK.

From the date of the acquisition, FlyerTech Limited and Aerstream Limited contributed $1,313,000 of revenue and $463,000 to profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of 2016, the contribution would have been $2,390,000 of revenue and $935,000 to profit before tax from continuing operations of the Group.

Goodwill of $1,762,000 and identifiable intangible assets of $2,935,000 arose on acquisition. The goodwill comprises the fair value of expected synergies arising from the acquisition.

The following table summarises the consideration paid for FlyerTech Limited and Aerstream Limited, the fair value of the assets acquired and the liabilities assumed at the acquisition date

Consideration at 1 July 2016	$'000
Cash	4,759
Deferred consideration (note 29)	803
Total consideration transferred	**5,562**

Recognised amounts of identifiable assets acquired and liabilities assumed – provisional	$'000
Property, plant and equipment	11
Licences (included within intangibles)	11
Brand (included within intangibles)	59
Customer relationships (included within intangibles)	2,865
Trade and other receivables	343
Trade and other payables	(333)
Deferred revenue	(204)
Goodwill	1,762
	4,514
Cash	1,048
Total	**5,562**

The fair values as identified at acquisition date are provisional pending receipt of the final valuations for those assets.

27. Net cash expended on operating activities

	2016 $'000	2015 $'000
Profit before tax from continuing operations	**19,308**	6,876
Loss before tax from discontinued operations	**(2,127)**	(1,102)
Profit before tax	**17,181**	5,774
Adjustments for:		
Finance income	**(9,928)**	(1,044)
Finance costs	**1,458**	2,256
Depreciation of property, plant and equipment	**2,041**	2,195
Amortisation of intangible assets	**1,438**	1,677
Impairment of assets held for sale	**1,828**	–
Loss on disposal of property, plant and equipment	**8**	132
Loss on disposal of intangibles	**–**	150
Unrealised foreign exchange movements	**1,911**	(256)
Share of loss of associate and joint venture	**330**	1,324
Operating cash inflow before movements in working capital	**16,267**	12,208
Increase in inventories	**(2,432)**	(1,128)
(Increase)/decrease in receivables	**(462)**	31,568
Decrease in payables	**(9,624)**	(41,896)
Decrease in deferred revenue	**(1,407)**	(14,558)
Decrease in provisions	**(159)**	(309)
Cash generated by/(expended on) operations	**2,183**	(14,115)
Taxes paid	**–**	(253)
Interest received	**–**	5
Interest paid	**(1,458)**	(2,256)
Net cash generated/(expended) on operating activities	**725**	(16,619)

28. Contingent assets and liabilities

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 was 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 crystallise as a result of this composite company multilateral guarantee.

29. Provisions for liabilities

	2016 $'000	2015 $'000
Losses of associate (note 17)	**1,502**	1,494
Losses of joint venture (note 17)	**669**	347
Consideration for subsidiary acquisition	**737**	159
	2,908	2,000

Total provisions	2016 $'000	2015 $'000
Amount due for settlement within 12 months	**2,416**	2,000
Amount due for settlement after 12 months	**492**	–
Total provisions	**2,908**	2,000

	Losses of associate $'000	Losses of joint venture $'000	Consideration for subsidiary acquisition $'000	Total $'000
Provision brought forward	1,494	347	159	2,000
Additional provision in year	8	322	803	1,133
Charged/(released) to income statement	–	–	(159)	(159)
Foreign exchange movement	–	–	(66)	(66)
Provision carried forward	1,502	669	737	2,908

The additional provision created in 2016 as consideration for subsidiary acquisition relates to Flyertech Limited and Aerstream Limited which were acquired during the year. This deferred consideration is dependent on certain future financial performance targets. For more details on the acquisition, refer to note 26.

30. Operating lease arrangements
The Group as lessee

	2016 $'000	2015 $'000
Lease payments under operating leases recognised as an expense in the year	**7,290**	6,479

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:

	2016 $'000	2015 $'000
Within one year	**3,100**	5,997
In the second to fifth years inclusive	**7,962**	13,000
After five years	**4,769**	9,006
	15,831	28,003

Operating lease payments represent rentals payable by the Group for leasing of property, plant and machinery and cars. 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 $991,000 (2015: $987,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2016, contributions of $nil (2015: $nil) due in respect of the current reporting period had not been paid over to the schemes.

32. Deferred revenue

	2016 $'000	2015 $'000
Deferred revenue	**4,315**	4,538

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 2016	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Book value total $'000	Fair value total $'000
Financial assets				
Cash and cash equivalents	11,174	–	11,174	11,174
Trade and other receivables	27,684	–	27,684	27,684
Financial liabilities				
Trade and other payables	–	(41,682)	(41,682)	(41,682)
Borrowings	–	(24,941)	(24,941)	(33,142)
Net financial assets/(liabilities)	38,858	(66,623)	(27,765)	(35,966)

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)	(23,832)	(30,314)

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 discounted cash flow method.

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 2015.

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 profit as disclosed in the consolidated 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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Sterling	**23,053**	25,857	**42,007**	35,105
Euro	**2,299**	4,423	**4,531**	6,188
Swiss Franc	**1,988**	601	**2,696**	993

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 change 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 year end for a 10 per cent change in foreign currency.

	Sterling impact		Euro impact		CHF impact	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
US Dollar strengthens	**(1,895)**	(925)	**(223)**	(176)	**(71)**	(39)
US Dollar weakens	**1,895**	925	**223**	176	**71**	39

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.

33. Financial instruments (continued)

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 2016 would decrease by $308,000 (2015: $175,000); and
/ other comprehensive income would not be impacted (2015: nil).

The Company's sensitivity to interest rates has increased during the current year due to the increase in the value of loans 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 credit worthy 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 are 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 2016					
Trade & other payables	n/a	41,682	–	–	41,682
Finance lease creditors	2.4%	1,801	4,144	–	5,945
Loans	4.5%	24,579	1,010	–	25,589
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	–	10,730

34. Events after the balance sheet date
On 1 January 2017, Gama Aviation LLC (an associate of Gama Aviation Plc) merged its aircraft management and charter operations with Landmark Aviation LLC (a wholly owned subsidiary of BBA Aviation Plc). The newly combined business will be called Gama Aviation Signature Aircraft Management and will manage a fleet of over 200 aircraft.

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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Gama Charters LLC	**17,954**	15,190	**316**	184
Saudi Bin Laddin	**5,397**	8,012	**–**	–
Crescent Investment LLC	**2,990**	2,918	**859**	805
Air Arabia, UAE	**199**	280	**–**	–
Gama Aviation Hutchison Holdings	**427**	162	**–**	–
Zulu X-Ray Services Limited	**298**	–	**–**	338
Offshore Jets Ltd	**–**	3,875	**–**	18
Skye Holdings Limited	**–**	3,270	**–**	–
Harrier Trust	**–**	1,083	**–**	–
Volare Aviation Ltd	**–**	633	**–**	–
Oxfordshire Estates Ltd	**–**	52	**–**	–
G Khalek	**36**	–	**–**	–
Valentia Properties Limited	**–**	–	**17**	19
Merlin Financial Advisors	**–**	–	**85**	16
Merlin Consultancy Limited	**–**	–	**–**	18
Gebu Partners Limited	**–**	–	**31**	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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Gama Charters LLC	**–**	–	**31**	1,392
Gama Aviation Hutchison Holdings	**1,388**	1,247	**–**	–
Oneti Ltd	**–**	–	**4,000**	4,040
Crescent Investment LLC	**–**	–	**165**	466
Saudi Bin Laddin	**371**	232	**300**	300
Offshore Jets Ltd	**–**	219	**–**	–
Oxfordshire Estates limited	**–**	77	**–**	7
Harrier Trust	**–**	155	**–**	–
Valentia Properties Limited	**–**	–	**15**	–
Zulu X-Ray Services Limited	**–**	–	**113**	–

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.

The majority shareholder of Oneti Ltd is Mr G Khalek, a related party to Mr M A Khalek, a shareholder of the Group.

King Salman, Saudi Bin Laddin, Air Arabia 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 up to 4 November 2016.

Gebu Partners Limited is owned by Mr G Rolls, a non-executive director of the Group up to 3 June 2016.

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. Mr D Dryden was an executive director until 30 September 2015.

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 are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2016 $'000	2015 $'000
Short-term employee benefits	**1,935**	2,728
Post-employment benefits	**188**	217
Termination benefits	**68**	33
	2,191	2,978

Details of directors' remuneration are given in the Remuneration Report on pages 30 to 33.

Ultimate controlling party
The Company's ordinary shares are publicly 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.

	2016 $'000	2015 $'000
At 1 January	**264**	217
Amounts charged for the year	**61**	88
Paid during the year	**(29)**	(41)
At 31 December	**296**	264

/ PARENT COMPANY INDEPENDENT AUDITOR'S REPORT
/ FOR THE YEAR ENDED 31 DECEMBER 2016

Parent company independent auditor's report
We have audited the parent company financial statements of Gama Aviation Plc for the year ended 31 December 2016 which comprise the statement of financial position, the 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 on page 37, 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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 year ended 31 December 2016.

Grant Thornton UK LLP.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 March 2017

/ PARENT COMPANY STATEMENT OF FINANCIAL POSITION
/ FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	3	–	–
Investments	4	85,583	85,676
		85,583	85,676
Current assets			
Debtors due within one year	5	32,212	17,403
Cash at bank and in hand		100	100
		32,312	17,503
Creditors: amounts falling due within one year	6	(15,923)	(2,995)
Net current assets		16,389	14,508
Total assets less current liabilities		101,972	100,184
Provision for liabilities			
Deferred tax liability		–	–
Net assets		101,972	100,184
Capital and reserves			
Called up equity share capital	7	440	430
Share premium		–	22,770
Merger reserve		89,495	86,506
Profit and loss account		12,037	(9,522)
Equity shareholder funds		101,972	100,184

The financial statements were approved by the Board of Directors and authorised for issue on 24 March 2017, 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 YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2014	95	5,680	1,199	(2,620)	4,354
Loss for the period	–	–	–	(6,683)	(6,683)
Total comprehensive income for the period	–	–	–	(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
Loss for the year	–	–	–	(145)	(145)
Total comprehensive income for the year	–	–	–	(145)	(145)
Issuance of shares	10	–	2,989	–	2,999
Cancellation of share premium	–	(22,770)	–	22,770	–
Dividend paid	–	–	–	(1,066)	(1,066)
At 31 December 2016	440	–	89,495	12,037	101,972

1. Accounting policies

Statement of Compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of the financial statements are set out below. These polices have all been applied consistently throughout the period unless otherwise stated. The financial statements have been prepared on a historical cost basis. The Company's financial statements are presented in Sterling.

Changes in accounting policies

There have been no changes in accounting policies during the year.

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 £145k for the year (2015: £6,683k loss for 18 month period ended 31 December 2015), had net current assets of £16,389k (2015: £14,508k net current assets), and had net assets of £101,972k (2015: £100,184k).

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.

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 Company made a loss after tax of £146,000 for the year (18 months ended 31 December 2015: loss of £6,683,000). The total fees of the Group's auditor, Grant Thornton UK 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 2015 and 31 December 2016	53
Accumulated depreciation	
Balance at 1 July 2015	53
Depreciation	–
Balance at 31 December 2016	53
Carrying amount	
At 31 December 2016	–
At 31 December 2015	–

4. Investments

	Total £'000
Opening balance at 1 January 2016	85,676
Impairment of investment in Oasis Flight Malta	(93)
Closing balance at 31 December 2016	85,583

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Aerstream Limited*	Great Britain	100%	Airworthiness management
Airops Software Limited*	Great Britain	100%	Aviation software
Aravco Limited*	Great Britain	100%	Aviation management
Avialogistics Limited*	Great Britain	100%	Aviation cleaning
Aviation Crewing Limited	Great Britain	100%	Aviation crewing
FlyerTech Limited*	Great Britain	100%	Airworthiness management
Gama Aviation (Asset 2) Limited*	Great Britain	100%	Aircraft operation
Gama Aviation (Engineering) Limited (formerly Gama Engineering Group Limited)*	Great Britain	100%	Holding company
Gama Aviation Group Limited*	Great Britain	100%	Holding company
Gama Aviation (Training) Limited*	Great Britain	100%	Aviation training
Gama Aviation (UK) Limited*	Great Britain	100%	Aviation management

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
GA 259034 Limited*	Great Britain	100%	Aircraft leasing
Gama (Engineering) Limited*	Great Britain	100%	Aviation design and engineering
GA FM54 Limited*	Great Britain	100%	Aircraft leasing
Gama Group Limited	Great Britain	100%	Holding company
Gama Leasing Limited*	Great Britain	100%	Aviation management
Gama Support Services Limited*	Great Britain	100%	Aviation design and engineering
Hangar8 AOC Limited	Great Britain	100%	Aviation charter
Hangar8 Engineering Limited	Great Britain	100%	Aviation maintenance
Hangar8 Management Limited	Great Britain	100%	Aviation management
Infinity Flight Crew Academy Limited	Great Britain	100%	Aviation training
International JetClub Limited	Great Britain	100%	Aviation management
Optimum Aviation Limited	Great Britain	100%	Aviation management and charter
Ronaldson Airmotive Limited*	Great Britain	100%	Aircraft servicing and rebuilding
Aviation Beauport Holdings Limited*	Jersey	100%	Holding company
Ferron Trading Limited*	Jersey	100%	Holding company
Gama Aviation (Beauport) Limited (formerly Aviation Beauport Limited)*	Jersey	100%	Aviation management
Gama Aviation (Engineering) Jersey Limited (formerly Aviation Beauport (Hangar Services) Limited)*	Jersey	100%	Aviation maintenance
Gama Aviation Holdings (Jersey) Limited	Jersey	100%	Holding company
Gama Aviation SA*	Switzerland	100%	Aviation maintenance
Oasis Flight Malta	Malta	100%	Dormant
Gama Aviation FZE*	UAE	49%	Aviation management
Gama Group Mena FZE*	UAE	49%	Holding company
Gama Holding FZC*	UAE	100%	Holding company
Gama Support Services FZE*	UAE	49%	Aviation design and engineering
Gama Aviation (Engineering) Inc. (formerly Gama Support Services Inc.)*	USA	100%	Aviation design and engineering
Gama Aviation (Management) Inc. (formerly Gama Aviation Inc.)*	USA	100%	Aviation management
Gama Group Inc.*	USA	100%	Holding company
Gama Aviation Limited*	Hong Kong	100%	Aviation management
Gama Group (Asia) Limited*	Hong Kong	100%	Holding company
Gama Support Services Limited*	Hong Kong	100%	Aviation design and engineering
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	Holder of South African AOC
Hangar8 Nigeria Limited**	Nigeria	100%	Applicant of Nigerian AOC
Hangar8 Mauritius Limited	Mauritius	100%	Holding company

* indicates indirect Holding.

** See footnote ** on page 67.

5. Debtors

	2016 £'000	2015 £'000
Amounts owed from group companies	**32,058**	16,617
Other debtors	**128**	115
Tax and social security	**24**	663
Prepayments and accrued income	**2**	8
	32,212	17,403

6. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed by related undertakings	**–**	11
Trade creditors	**155**	–
Other payables	**5**	5
Bank loan	**15,522**	2,500
Overdrafts	**49**	–
Accruals and deferred income	**192**	479
	15,923	2,995

The bank loan is a revolving credit facility with a repayment term of less than 1 year and carries an interest rate of LIBOR +1.95% (2015: LIBOR +1.95%).

7. Share capital

	Nominal value	2016 number	2016 £'000	2015 number	2015 £'000
Issued and fully paid ordinary shares					
At the beginning of the period	1p	42,994,442	430	9,527,103	95
Issued in settlement of acquisition consideration	1p	1,000,000	10	27,341,960	274
Other issues for cash during the year	1p	–	–	6,125,379	61
At the end of the period	1p	43,994,442	440	42,994,442	430

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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