/ 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 & DEPENDABLE

Strategic Report


Gama Aviation

/ 2017 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 2017.

/ Financial Highlights:

Revenue

$207.4m

Up 5.8% on a constant currency basis (2016: $196.1m)

Underlying total operating profit

$18.7m

Up 28.3% on a constant currency basis (2016: $14.6m)

Net debt decreased by

$6.4m to $13.0m

(2016: $19.4m)

Operating cash flow increased by

$21.6m to $23.8m

(2016: $2.2m)

/ Financial summary:

USD millions (unless otherwise stated)	Underlying results[1]			Reported results	
	Dec 17	Dec 16	Constant currency[2] Dec 16	Dec 17	Dec 16
Revenue	207.4	203.0	196.1	207.4	203.0
Gross profit	47.2	44.2	42.8	47.2	44.2
Gross profit %	22.8%	21.7%	21.8%	22.8%	21.7%
Total operating profit[3]	18.7	15.1	14.6	17.9	10.9
Profit before tax	17.1	13.7	13.2	16.1	19.3
Basic earnings per share (cents)	31.6	30.1	29.0	27.8	42.9

1 Underlying results exclude exceptional items, share-based payment expense, amortisation, reversal of losses of associate and joint venture from prior years, profit on disposal of interest in associate, and unrealised foreign exchange movements included in finance costs, where applicable. In addition, the basic underlying earnings per share excludes a one off deferred tax charge arising in the US from recent tax rate changes. Detailed calculations are presented in the Financial review.

2 Calculated at a constant foreign exchange rate of $1.29 to £1, being the rate that represented the average for the 2017 financial period.

3 Total operating profit includes the share of results from Gama Aviation's associate in the US and joint venture in Hong Kong. Please refer to page 17.

/ Operational Highlights:
/ US Air merger with BBA business proceeding well and the division is benefitting from the Wheels Up growth and contract wins
/ Europe Air operational efficiency initiatives completed in 2016 have produced strong improvements in operating profit margins
/ US Ground revenue up 27.5% driven by full period impact of new bases opened in 2016 and new contract wins
/ Europe Ground revenue growth of 19.8% and operating profit margin of 19.3%
/ Middle East and Asia showed encouraging progress

/ Strategic Highlights:
/ Acquisitions made in 2016 delivering at or above expectations
/ Pipeline of acquisition targets identified
/ Management teams and structures in place to support future growth and acquisitions
/ Middle East and Asia businesses consolidated into the Group to capture new market opportunities
/ Successful placing raising £48m in February 2018, to accelerate the Group's vision of becoming the leading global business aviation services group

/ CHIEF EXECUTIVE OFFICER'S STATEMENT

"I am very pleased to report on another year of strong progress for the business. We have delivered on a number of strategic initiatives and now have the leadership and management teams, systems, processes and capital in place for our next phase of growth."

The business has performed well, with further progress made towards our operating margin targets in both the Air and Ground divisions, as well as a continued improvement in cash generation driven by a strong improvement in working capital management.

Group strategy

The Group's strategy is to become the global market leader in business aviation services through organic, joint venture and acquisition-led profitable growth. The Group is focused on increasing the depth of its capabilities and expertise, broadening the regions it operates in and the services it offers in order to increase the scale of its presence in its chosen markets and to drive further revenue growth through cross selling opportunities.

The Group operates a robust and resilient business model and we have built a strong operational platform to support our growth. We have successfully raised £48m through an equity placing to allow us to capture the investment opportunities which we are currently presented with and to accelerate the next stage of our development.

2017 Performance

The positive momentum seen in the first half of 2017 continued into the second half and the Group delivered performance in line with expectations. Revenue growth and improving profitability were achieved in both divisions. Underlying total operating profit increased to $18.7m (2016: $14.6m) an increase of 28.3%. We achieved significant improvements in working capital resulting in a cash inflow from operations of $23.8m (2016: $2.2m), which led to a $6.4m reduction in net debt.

The Air division delivered exceptional growth with Total Divisional revenue up 35% to $518m (2016: $383m), driven principally by the US associate's merger with the BBA aircraft management business, growth in the Wheels Up contract and further contract wins. Total operating profit increased to $13.6m (2016: $7.4m) on the back of increasing scale. Total operating profit margin increased to 2.6% (2016: 1.9%).

The Ground division also delivered strong growth of 21% with Total Divisional revenue of $80m (2016: $66m). The total operating profit of $10.9m (2016: $9.7m) was underpinned by strong organic growth in our European business. There remains an opportunity to improve margins in our US business to our target levels through further growth, increasing our breadth of services and investment in our base maintenance capability. Total operating margins across the Division were 13.6% (2016: 14.8%).

Our developing businesses in the Middle East and Asia have both made steady progress and we enhanced our positions in both geographies through the rationalisation of our ownership structures. In Asia, our joint venture with Hutchison, in collaboration with China Aircraft Services Limited (CASL), now has the regulatory approvals to offer line and base maintenance services at Hong Kong airport.

Acquisitions and corporate development

The Group successfully executed the merger of its US Air associate with the BBA aircraft management business, which has been completed delivering strong revenue growth.

In 2016, the Group acquired Aviation Beauport and FlyerTech Both businesses have been successfully integrated into the Europe Air and Ground divisions and have met or exceeded management's strategic and financial objectives since acquisition.

In October 2017, we announced the acquisition of the remaining 51% interest in Gama MENA for a cash consideration of $5.1m. On the same date Gama MENA divested a 51% equity interest in Gama Aviation FZE, its Middle East Air Division for a nominal consideration in order to comply with national ownership requirements. Under an agreement between shareholders, Gama MENA will retain management and operational control of the Middle East Air Division and will be entitled to 80% of the dividends paid by Gama Aviation FZE. Under an agreement between shareholders, Gama MENA will also receive a branding fee of 0.5% of the revenues of Gama Aviation FZE.

The Group's joint venture with Hutchison in Asia, which is active across both the Air and Ground divisions, established a commercial partnership with CASL at Hong Kong airport and is providing line maintenance to business aviation customers.

Leadership
The Company has strengthened its Board and the Group's regional leadership and functional management teams to ensure it can execute its strategy and continue to grow profitably and sustainably.

There have been a number of recent hires to supplement the already strong regional operational management teams. In addition the Group has enhanced its capabilities across a number of key business functions including: legal, finance, IT, business process, risk management and marketing.

Neil Medley, the Group's Chief Operating Officer, who joined the Company in September 2016, was appointed to the Board in January 2018. Neil has a strong track record of managing change and business integration as well as implementing business systems, having previously been at Detica Group Plc and BAE Systems Plc.

Dr Richard Steeves was also appointed to the Board as an independent Non-Executive Director and brings to the Group valuable experience in growing a business organically and through acquisitions, having founded and built Synergy Health Plc from a market capitalisation of £12 million in 2001 to £1.4 billion when it was sold in 2015.

Chi Keung (Simon) To was appointed as a Non-Executive Director in line with the terms of the relationship agreement agreed with Hutchison as part of their strategic partnership and investment. His experience of doing business in Asia and as an AIM Director will be a valuable addition to the business. Simon is the Managing Director of Hutchison and Chairman and Executive Director of Hutchison China MediTech Limited, a company listed on AIM and Nasdaq with a market capitalisation of approximately US$4 billion. Simon joined Hutchison in 1980 and has helped build it from a relatively small trading company into a multi-billion dollar investment and distribution group.

On 1 February 2018, Kevin Godley resigned as a board director and as CFO. Since late December 2017 Michael Williamson has been appointed as interim CFO and an orderly handover has been undertaken. The Board wishes to thank Kevin for his efforts and contribution to the Company and to wish him the very best for the future.

On 8 March 2018, following the successful completion of the Group's equity placing, we appointed Richard Kearsey as Director of Corporate Development. Richard is a chartered accountant by profession and for the last 27 years has worked as a Managing Director of Close Brothers' Aviation & Marine Finance Division. Richard has deep experience across syndication, financing and corporate restructuring. Richard's appointment will increase the Executive team's capacity to pursue the Group's growth strategy.

Equity Placing
We announced on 9 February 2018 that we were raising further capital through the proposed placing of shares. The admission of the placing shares became effective on 2 March 2018. The Group raised £48 million (approximately US$67 million) to accelerate the Group's strategy of becoming the leading global business aviation services group.

Hutchison Whampoa (China) Limited ("Hutchison") subscribed for shares in the placing and now holds approximately 21% of the Company's issued share capital. $19.8 million of the proceeds were used to acquire Hutchison's Hong Kong aviation interests: its 50% stake in Gama Aviation Hutchison Holdings Ltd and its 20% stake in China Aircraft Services Limited.

The balance of the proceeds are intended to be deployed during 2018 as follows:

- $10 million capital investment in two Ground base maintenance facilities in the US;
- $10 million for the development of the Sharjah business aviation centre in the Middle East; and
- the balance to target acquisitions in the Europe Air and Ground divisions and the Middle East Air division

Hutchison's investment in the Company provides a strong endorsement of our stated strategy and our readiness to execute against that strategy. We welcome them as a long term strategic partner who shares our ambition of becoming the leading global business aviation services Company.

Outlook
Based on our performance to date and contract visibility, the Board is confident in the strength of the Group's operations and believes the Group is well placed to deliver its strategic objectives and achieve its expectations for the current year.

The recently completed fund raising is an important development for the business. It will help us accelerate the next stage of profitable growth and support the delivery our strategic objectives in the fragmented aviation services markets.

Marwan Khalek
Chief Executive Officer

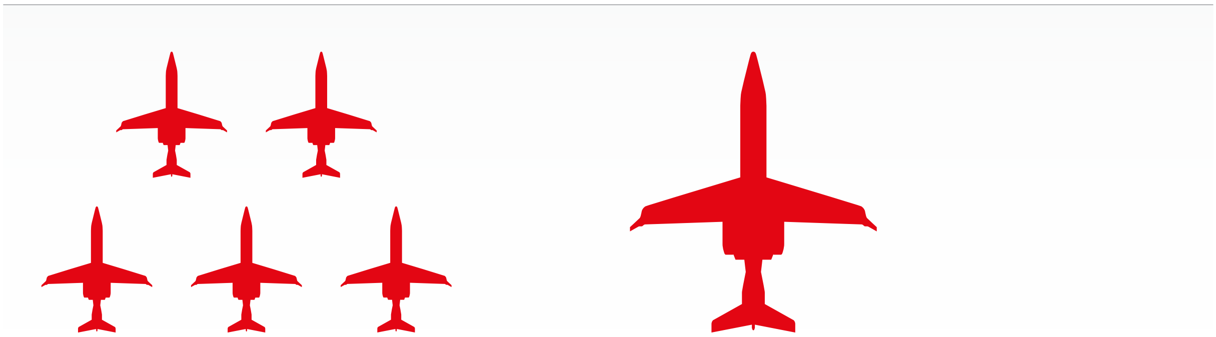
/ BUSINESS OVERVIEW

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 command leading positions in fragmented markets however our market share is low single digits (we operate approx. 1% of the US fleet and 1% of the European fleet).

/ No single Air operator has more than a 4% share.

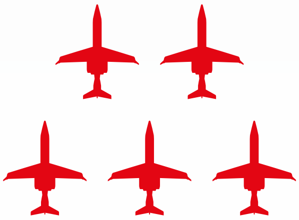
/ There are few competitors that possess our global scale, breadth and depth of capabilities and expertise.

(Source: EBAA, NBAA)

/ Our Strategy

The Group's strategy is to become the global market leader in business aviation services through organic, joint venture and acquisition-led growth. In order to execute on this strategy, the Group is focused on increasing the depth of its capabilities and expertise, broadening the regions it operates in and the services it offers in order to increase the scale of its presence in its chosen markets and to drive further revenue growth through cross selling opportunities.

Scale
of presence



Breadth
of geographies & service

Depth
of our capabilities & expertise

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 34 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

/ Basis of presentation of operations review

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 the division including its 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'.

With regard to foreign exchange movements Europe is the only region in the Group that is affected by any material currency changes, primarily between GBP and USD. The 2016 performance has been restated at the same average rate for USD to GBP as the 2017 financials. The average rate for 2017 was USD1.29 to GBP1.00. The commentary below is based on constant currency performance unless otherwise stated.

The Group operates through 8 divisions with clear lines of management responsibility. This represents the 4 geographies and 2 business lines. Key financial indicators are measured and monitored on a continuous basis. In summary the key financial indicators by division are:

/ Revenue – growth and performance versus plan
/ Gross profit – growth and performance versus plan
/ Gross profit percentage
/ Total operating profit – growth and performance versus plan

The Group also measures and monitors internal non-financial key performance indicators to control and develop operating performance. These are reviewed regularly alongside the key financial indicators reported externally.

/ Air Division

The Air division provides aircraft management, special mission and charter services. It offers a comprehensive fleet management service to business jet owners including the provision of management services, crew personnel, fuel, airworthiness, engineering oversight, insurance management, hangar space, valeting and all travel arrangements. It also works with public agencies providing outsourced solutions to manage aviation operations for a variety of complex, time critical services such as air ambulance provision and aerial survey. The Group also acts as a charter broker for its managed aircraft with revenue shared between the Group and the underlying aircraft owner.

Regional deployment of the Air division business model

Air	US	Europe	Middle East	Asia
Aircraft management	Scale up	Scale up	Scale up	Build
Special mission	Evaluate	Scale up	Evaluate	Evaluate
Charter	Scale up	Scale up	Scale up	Scale up

Key

Evaluate Market analysis, market entry strategy
Launching Market entry. Low market penetration. Develop via investment and / or JV
Build Adding breadth & depth to the established launch platform via further investment and / or acquisition
Scale up Proven, mature business with established client base scaling up via further investment and / or acquisition

The Air division saw strong revenue growth primarily driven by the US Air associate on the back of the BBA aircraft management business merger, as well as organic growth, including development of the Wheels Up contract. In Europe revenues have now stabilised following the exit from difficult contracts. Total divisional revenue was up 35.5% to $518.4m (2016: $382.6m) and total operating profit increased to $13.6m (2016: $7.4m), driven by the major markets of US and Europe. Performance in our new markets in the Middle East and Asia continued to improve.

	US		Europe		Middle East		Asia		Total	
December USD thousands	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue - reported	5,000	7,949	91,821	112,837	23,528	19,531	74	80	120,423	140,397
Associate	387,366	231,560	–	–	–	–	14,730	16,525	402,096	248,085
Branding fee	(4,000)	(5,788)	–	–	–	–	(74)	(80)	(4,074)	(5,868)
Revenue	388,366	233,721	91,821	112,837	23,528	19,531	14,730	16,525	518,445	382,614
Gross profit	23,929	14,114	11,887	9,579	1,886	1,345	809	380	38,511	25,418
Gross profit %	6.2%	6.0%	12.9%	8.5%	8.0%	6.9%	5.5%	2.3%	7.4%	6.6%
Total operating profit	9,154	6,089	4,512	1,957	470	(80)	(583)	(544)	13,553	7,422
Total operating profit %	2.4%	2.6%	4.9%	1.7%	2.0%	(0.4%)	(4.0%)	(3.3%)	2.6%	1.9%
Associate	(7,355)	(5,904)	–	–	–	–	583	222	(6,772)	(5,631)
Branding fee	4,000	5,788	–	–	–	–	74	80	4,074	5,868
Total operating profit – reported	5,799	5,973	4,512	1,957	470	(80)	74	80	10,855	7,609

/ US Air (Associate)

The US Air associate, including the BBA aircraft management business merger from the start of 2017, has delivered significant growth with revenue up 66% to $388.4m (2016: $233.7m). The growth reflects the addition of the Landmark acquisition, as well as a high contract win rate in our core management business and the continued growth of our Wheels Up contract.

US Air total operating profit was $9.2m (2016: $6.1m), with the total operating profit margin of 2.4% (2016: 2.6%). This reduction in operating margin was expected due to heavy investment in the Group's US sales force in the final quarter of 2017 to enhance the growth of the managed fleet and charter. US Air profit margins are expected to increase towards the total operating profit margin target of 5% as the benefits of scale and operational gearing continue.

The integration of the BBA business is delivering the envisaged benefits: adding complementary West Coast coverage to the US Air associate's existing East Coast business, diversifying the client base, providing the ability to cross sell maintenance services into Gama Aviation's wholly owned US ground business and delivering cost synergies.

The business was rebranded as Gama Aviation Signature on 1 January 2017. It is the largest aircraft management business in the US and has significant growth prospects. The Group has a 24.5% interest and continues to account for the investment as an associate.

/ Europe Air

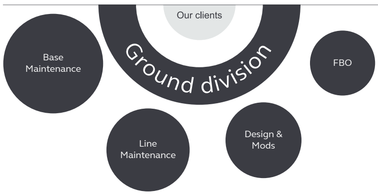
The Europe Air division has continued to build on the operational efficiencies implemented in 2016, with significant margin improvements being realised in 2017. Revenue declined, as expected, reflecting the Group's decision to exit certain underperforming contracts in 2016 and as a result Europe Air delivered a significantly improved total operating profit of $4.5m (2016: $2.0m) with a total operating profit margin of 4.9% (2016: 1.7%).

/ Middle East Air

Revenue in the Middle Eastern Air business increased by 20.5% to $23.5m (2016: $19.5m). The division was profitable at the total operating profit line for the first time, delivering total operating profit of $0.5m and a 2.0% margin on the back of growth in revenue. The division's prospects are strong with a healthy pipeline of contract tenders.

/ Asia Air

Asia Air has made good progress establishing its brand alongside our joint venture partner, Hutchison. The division is well positioned for the future and following the end of the period the Group acquired the outstanding 50% of its joint venture with Hutchison to capture more of this growth potential.



/ Ground Division

The Ground division provides base and line maintenance, repair and overhaul, design and modification (MRO) and fixed base operations (FBO).

Base maintenance refers to the planned maintenance required by the aircraft manufacturer or component supplier, whereas line maintenance is irregular maintenance activity often as a result of component failure or wear and tear and both services are offered on either a fee or contract basis. The design and modification services provided by the Group increase the operating life and/or capability of an aircraft through services such as avionics or cabin system upgrades and incorporation of special mission capability. The Ground division provides FBO facilities at Glasgow, Aberdeen, Jersey and Sharjah airports offering parking, hangarage, line maintenance and other related ground handling tasks such as the fuelling of aircraft.

Regional deployment of the Ground division business model

Ground	US	Europe	Middle East	Asia
Base maintenance	Launching	Scale up	Evaluate	Launching
Line maintenance	Scale up	Scale up	Launching	Launching
Design & modifications	Evaluate	Scale up	Evaluate	Evaluate
FBO services	N/A	Build	Build	Evaluate

Key

Evaluate Market analysis, market entry strategy
Launching Market entry. Low market penetration. Develop via investment and / or JV
Build Adding breadth & depth to the established launch platform via further investment and / or acquisition
Scale up Proven, mature business with established client base scaling up via further investment and / or acquisition

The Ground division grew revenues by 21.5% to $79.8m (2016: $65.7m). The division achieved a total operating profit of $10.8m (2016: $9.7m), with a total operating profit margin of 13.6% (2016: 14.8%). Margins in the Europe Ground business remain broadly in line with Group targets and there is a real opportunity to scale up the US, MENA and Asia businesses to develop towards the target margins. The recent placing of shares and fund raising with the planned strategic investments will be a key enabler of this.

	US		Europe		Middle East		Total	
December USD thousands	2017	2016	2017	2016	2017	2016	2017	2016
Revenue - reported	30,775	24,130	60,462	36,430	5,371	5,170	96,608	65,730
Sale of aircraft	–	–	(12,885)	–	–	–	(12,885)	–
Sale of inventory	–	–	(3,929)	–	–	–	(3,929)	–
Revenue	30,775	24,130	43,648	36,430	5,371	5,170	79,794	65,730
Gross profit	6,116	5,560	18,439	16,746	1,240	1,697	25,795	24,003
Gross profit %	19.9%	23.0%	42.2%	46.0%	23.1%	32.8%	32.3%	36.5%
Total operating profit	2,348	2,401	8,408	7,282	85	32	10,841	9,715
Total operating profit %	7.6%	10.0%	19.3%	20.0%	1.6%	0.6%	13.6%	14.8%

/ US Ground

The US Ground division enjoyed strong organic growth during 2017, with revenue up 27.5% to $30.8m (2016: $24.1m) driven by the full period impact of new bases opened in 2016 and new contract wins.

As planned, the operating margin and profit achieved in 2017 reflects the focus on scaling up, recruiting line maintenance engineers ahead of revenue growth and significant investment in training. There have been variations in the gross profit percentage as the business grows, driven by the addition of new bases and revenue mix. The total operating profit of $2.3m (2016: $2.4m) and margin of 7.6% reflects the effects of these investments. Having made these investments, the division is poised to return to low double digit margins in 2018.

/ Europe Ground

The European Ground division grew revenue by 19.8% to $43.6m (2016: $36.4m) reflecting the return of discretionary spending, albeit at low levels, and increased base maintenance activity at Oxford. Principally as a result of the restructuring in 2016, total operating profit was up 15.5% to $8.4m (2016: $7.3m). The division continues to operate broadly in line with management targets with the total operating margin at 19.3%. The division now has a solid platform to deliver growth and maintain the total operating margin of 20% at target levels.

The sale of aircraft and inventory in Europe Ground was $16.8m (2016: $nil) and is excluded from the revenue above of Europe Ground. Europe Ground revenue including sales of aircraft and inventory was $60.5m as per note 5.

/ Middle East Ground

The Middle East Ground division had a stable year with the number of aircraft movements through the FBO facilities showing an improved trend. The division delivered a total operating profit of $0.1m.

The division is now wholly owned following the acquisition of the 51% Jet Set interest in October 2017. This provides a strong foundation for our planned development in the region.

/ Asia Ground

The business produced its first revenues in the fourth quarter 2017 through its collaboration with CASL. This is an exciting opportunity for new business going forward.

/ CHIEF FINANCIAL OFFICER'S REVIEW

Underlying profit before tax is up 24.8% at $17.1m (2016: $13.7m).

Michael Williamson
Interim Chief Financial Officer

Group revenue

$207.4m

Underlying EBITDA

$20.1m

Underlying Total Operating Profit

$18.7m

Underlying PBT

$17.1m

Underlying EPS

31.6 cents

2017 dividend

2.75p

Basis of presentation of financials
All financial commentary below is provided on a constant currency basis unless otherwise stated. The 2016 performance has been restated to the same average rate for USD to GBP as the reported 2017 financials. The average rate for 2017 was USD1.29 to GBP1.00.

Group financial performance
Key financial indicators across the Group are reported below:

				Constant Currency	
December USD thousands	2017 Total	2016 Total	Change Total	2016 Total	Change Total
Revenue	207,360	203,037	2.1%	196,084	5.8%
Gross Profit	47,206	44,151	6.9%	42,839	9.9%
Gross Profit %	22.8%	21.7%	1.1ppt	21.8%	1.0ppt
Underlying EBITDA	20,067	17,294	16.0%	16,783	19.6%
Underlying EBITDA %	9.7%	8.5%	1.2ppt	8.6%	1.3ppt
Underlying Operating Profit	18,744	15,057	24.5%	14,605	28.3%
Underlying Operating Profit %	9.0%	7.4%	1.6ppt	7.4%	1.6ppt
Underlying Profit before tax	17,077	13,678	24.8%	13,320	28.2%
Underlying Profit before tax %	8.2%	6.7%	1.5ppt	6.7%	1.5ppt
Underlying Basic Earnings Per Share (cents)	31.6c	30.1c	1.5c	29.0c	2.6c

Revenue
Reported revenue grew by 5.8% to $207.4m (2016: $196.1m). We have seen growth in revenue in Air and Ground divisions across all geographies, with the exception of the Europe Air division, where the business continued to exit from onerous aircraft management contracts dating back to pre-2015. The revenue in the Europe Air division was $91.8m (2016: $112.8m).

Gross profit
Reported gross profit is up 10.2% to $47.2m (2016: $42.8m) and there has been an increase in the gross profit margin percentage by 1.0% to 22.8% (2016: 21.8%), on the back of increased scale and operational efficiencies.

EBITDA
Underlying EBITDA is up 19.6% at $20.1m (2016: $16.8m). This represents an EBITDA margin of 9.7% against 8.6% for 2016. The improvement in EBITDA has been driven by the growth in revenue of 5.8% to $207.4m, improvements in gross profit margin percentages by 1.0% to 22.8% and control of administration expenses of $33.2m (2016: $32.9m).

Reconciliation of underlying total operating profit to EBITDA

			Constant Currency
USD thousands	December 2017	December 2016	December 2016
Underlying total operating profit	18,744	15,057	14,605
Depreciation	1,845	2,041	1,982
Share of associate's results	(157)	330	330
Share of associate's exceptional items	(365)	(134)	(134)
Underlying EBITDA	20,067	17,294	16,783

Depreciation
Depreciation which is set out in note 16 includes depreciation on property, plant and equipment of $1.8m (2016: $2.0m).

Share of associate's results
The share of associate's results represents the share of operating profit as reported in Gama Aviation LLC from the Group's 24.5% interest in Gama Aviation LLC.

Share of associate's exceptional items
The share of associate's exceptional items represents the share of exceptional items as reported in Gama Aviation LLC from the Group's 24.5% interest in Gama Aviation LLC. These represent transaction, integration and legal costs associated with the merger of the US Air associate with the BBA aircraft management business.

Total operating profit
The 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 up 28.3% to $18.7m (2016: $14.6m).

Underlying total operating profit is arrived at by taking operating profit before amortisation, exceptional items, share based payment expense and including the share of profits but excluding accumulated losses of equity accounted investments.

			Constant Currency
USD thousands	December 2017	December 2016	December 2016
Continuing total operating profit	17,855	10,937	10,621
Amortisation	1,441	1,438	1,367
Exceptional items	2,622	2,548	2,482
Share of associate's exceptional items	365	134	134
Share-based payment expense	195	–	–
Release of provisions in respect of losses of associate and joint venture from prior years	(2,170)	–	–
Disposal of interest in associate	(1,564)	–	–
Underlying total operating profit	18,744	15,057	14,605

Amortisation
Amortisation which is set out in note 15 includes amortisation on intangible assets of $1.4m (2016: $1.4m).

Exceptional items
Exceptional items amounted to $2.6m (2016: $2.5m), which are set out in note 7 and represent transaction costs $0.4m (2016: $1.4m), integration and restructuring costs $1.2m ($1.2m), and legal costs $1.1m (2016: $nil). Exceptional items include travel expenses and costs for executive management incurred in undertaking transactions, integration and restructuring together with the salary costs of certain permanent employees who are employed in place of external professional services.

Share-based payment expense
On 10 August 2016, the Group announced that a total of 1,500,000 share options were granted at £1.55 to a number of employees. On 6 January 2017, 1,390,000 share options were formally awarded and accordingly there is a share-based payment charge, which is set out in note 32 of $0.2m (2016: $nil).

Associates and joint ventures
The release of the provision for our share of associate and joint venture losses from prior years of $2.2m (2016: $nil) and the profit from the disposal of the interest in associate of $1.6m (2016: $nil) are excluded from the underlying total operating profit.

US Air losses of associate from prior years
During the past few years, the US Air associate has been loss-making and the Group has been provisioning amounts in anticipation of additional resourcing requirements. Previously, these losses have been included in the Group's underlying earnings and have therefore been included in the Group's underlying EPS. With the strength of the Associate's performance, its profit-making position and positive net assets position, together with a re-organised branding fee structure, the provisions of $1.5m are no longer required and have been released. The provision release has not been included in the Group's underlying results in this period.

Asia Air losses of joint venture from prior years
Similar to the US associate, the Group has been provisioning amounts in anticipation of additional resourcing requirements. Previously, these losses have been included in the Group's underlying earnings and have therefore been included in the Group's underlying EPS. The provisions of $669,000 are no longer required and have been released. The provision release has not been included in the Group's underlying results in this period.

Profit on disposal of interest in associate
On 1 January 2017 the Group and BBA Aviation Plc merged their US aircraft management and charter businesses. This merger resulted in the Group's 49% interest in its associated company Gama Aviation LLC, being reduced to 24.5% and a profit of $1.6m being recorded on the disposal of the other 24.5% interest.

The share of results from equity accounted investments derived by the Gama Aviation Group's associates and joint ventures is set out in note 18 and the consolidated income statement effect is summarized below:

USD thousands	December 2017	December 2016
US associate share of results	157	(8)
HK joint venture share of results	–	(322)
US associate loss provisions release	1,501	–
Asia joint venture loss provisions release	669	–
Share of results from equity accounted investments	2,327	(330)

Profit before tax

USD thousands	December 2017	December 2016	Constant Currency December 2016
Continuing profit before tax	16,146	19,308	19,024
Amortisation	1,441	1,438	1,367
Exceptional items	2,622	2,548	2,482
Share of associate's exceptional items	365	134	134
Share-based payment expense	195	–	–
Release of provisions in respect of losses of associate and joint venture from prior years	(2,170)	–	–
Profit on disposal of interest in associate	(1,564)	–	–
Unrealised FX movements in finance costs	42	(9,750)	(9,777)
Underlying profit before tax	17,077	13,678	13,231

Unrealised FX movements within finance costs
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 between GBP and 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.

2016 was an especially volatile year between GBP and USD exchange rates and as a result we reported some material gains within finance income. This was due to the loan structure within the business and how the proceeds of equity and debt were deployed into subsidiary companies whereby translation differences arose where functional currencies differed from the Gama Aviation reporting currency of USD.

We reported during 2016, that Gama Aviation was looking to reduce this complexity by simplifying both the loan structure of the group and to carry out a review of the functional currencies of the subsidiaries in the group and we are pleased with the progress made.

The unrealised FX movement in the period was a loss of $0.04m (2016: gain of $9.8m).

STRATEGIC REPORT GOVERNANCE FINANCIALS

Earnings per share (EPS)

USD thousands	December 2017	December 2016	Constant Currency December 2016
Profit attributable to ordinary equity holders of the parent:			
Continuing operations	12,214	18,803	18,499
Add back:			
Amortisation	1,441	1,438	1,367
Exceptional items	2,622	2,548	2,482
Share of associate's exceptional items	365	134	134
Share-based payment expense	195	–	–
Release of provisions in respect of losses of associate and joint venture from prior years	(2,170)	–	–
Profit on disposal of interest in associate	(1,564)	–	–
Unrealised FX movements in finance costs	42	(9,750)	(9,777)
Deferred tax charge	750		
Profit attributable to ordinary shareholders for adjusted earnings	13,895	13,174	12,706
Denominator			
Weighted average number of shares used in basic EPS	43,994,442	43,827,775	43,827,775
Underlying basic earnings per share (cents)	31.6c	30.1c	29.0c

Taxation

There is a total tax charge for the period of $3.9m (2016: $0.6m) and an effective tax rate of 24% on continuing activities. The group operates across a number of jurisdictions and the effective rate of tax reflects the blended rate of operating in different countries. The lower effective rate of tax in 2016 reflected the effect of the utilization of tax losses, which are no longer available. In 2017 the US enacted a lower tax rate which reduced the expected future benefits from temporary differences and operating loss carry forwards. As a consequence the tax charge in 2017 has a higher effective tax rate reflecting the release of deferred tax assets no longer available.

Included in the Group's tax charge in 2017 is $0.75m in respect of a reduction in the value of the Group's deferred tax asset as a consequence of the recently announced reduction in US corporate tax rates. As this tax charge does not relate to underlying earnings in 2017 it has been added back for the purpose of calculating underlying EPS.

Net debt and cash flow movements
The table below highlights the change in the net debt position which shows a $6.4m improvement in 2017. The Group has operated well within its banking covenants and net debt to underlying EBITDA was 0.6x (2016: 0.9x). Cash flow from operations was $23.8m (2016: $2.2m).

Over the last few years management has been focused upon improving its working capital management in an effort to reverse the sizeable outflows experienced in prior years. In 2017 the Group saw a working capital inflow of $10.6m, of which $6.5m resulted from client deposits which will unwind in 2018. The remaining positive inflow demonstrates the improvements in our working capital management and are consistent with the cash generative nature of our business model.

USD thousands	December 2017	December 2016
Underlying EBITDA	20,067	17,294
Working capital movement	10,634	(14,084)
Items not included in underlying EBITDA	(2,622)	(2,682)
Other	(4,308)	1,656
Cash flow from operations	23,771	2,183
Capex movement	(4,521)	(4,363)
Net interest & tax paid	(5,281)	(1,458)
Free cash flow	13,969	(3,638)
Dividends paid	(1,495)	(1,411)
Acquisitions	(5,100)	(6,239)
Net debt foreign exchange movements	(959)	923
Change in net debt	6,415	(10,364)
Net debt	(12,972)	(19,387)
Cash and cash equivalents	22,349	11,174
Borrowings	(31,654)	(24,941)
Obligations under finance leases	(3,667)	(5,620)

Items not included in underlying EBITDA
Exceptional items in the cash flow movements are as set out in note 7 and represent transaction costs $0.4m, integration and restructuring costs $1.1m, and legal costs $1.1m.

Other items
Other items in the cash flow movements include losses from discontinued activities $2.4m as set out in note 8 and unrealized foreign exchange movements of $2m.

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 and is set out in note 8. The discontinued operations loss for the period was $2.4m (2016: $2.1m). During the period, the Group sold two of the three remaining owned aircraft. The book value of the one remaining asset held for sale is $1.5m.

Capex movement
Capital expenditure includes the purchase of property, plant and equipment of $8.5m (2016: $3.7m) and intangibles of $1.6m (2016: $0.4m). The Group has invested in a hangar in Aberdeen, Sharjah facilities, an aircraft for a contract for a key customer and ongoing maintenance capital expenditure. Expenditure on intangibles includes investment in new technology and licenses and approvals. This capital expenditure has been offset by proceeds on the sale of two aircraft for $5.5m.

Net interest and tax paid
The Group paid tax on profits of $3.6m (2016: $nil) in the UK and US including advance payments for 2017. In 2016 the Group benefited from the utilization of losses brought forward from prior years. Net interest paid in 2017 was $1.7m (2016: $1.5m) with the increase due to the higher level of utilization of the RBS credit facilities during the year.

Dividend
The Directors are recommending a dividend of 2.75p per share, an increase of 5.7% (2016: 2.6p per share).

Litigation and associated exceptional items, and prior year adjustment
The Group is involved in a number of legal proceedings, most of which arise from historic Hangar 8 trading activity, prior to the merger completed in January 2015, and those relating to disputes with Dustin Dryden (a former non-executive director of the Company and of Hangar 8 who resigned in September 2015) and affiliated entities. Taking account of the circumstances of each set of proceedings, legal advice received in relation to them and the Company's views as to the merits of such proceedings, the Company intends to continue to vigorously pursue/defend such proceedings.

The Company has incurred legal costs of US$1.1m associated with these proceedings in the year ended 31 December 2017, which are treated as an exceptional item. The Board believes a similar amount will be incurred for future legal costs, through to the conclusion of the various proceedings, which will also be treated as exceptional. In respect of one of the proceedings against the Company, amounting to US$1.9m, the Board has decided to make a US$1.1m provision in the form of a prior year adjustment. This arose as a result of an obligation in relation to one particular customer arrangement for services provided prior to 2014 in the Hangar 8 business, which had not been recognised at the time in error. This has resulted in an increase in the liabilities by $1.1m and reduced reserves by the same amount in the prior period. This has had no impact on the income statement in the prior period.

The remaining proceedings fall into two categories, the first involves proceedings by the Company to recover long-standing trade receivables that amount to approximately US$5.5m. The Company has made adequate provisions or holds security against these claims and as a result the Board does not expect any further provisions will be required. In addition, based on legal advice, the Board considers the proceedings to recover these receivables are likely to be successful.

The second involves a number of proceedings brought against the Company in which the claimants seek to recover damages for alleged contractual breaches which amount to approximately US$15.3m. Based on a detailed analysis of the claims and legal advice, the Board believes that these claims are speculative and/or overlapping and the Company continues to vigorously defend them and therefore no provision has been made in the accounts.

By the time all these proceedings, some of which are with the same counterparties, are determined or settled, the Board expects the overall awards and settlements to result in a cash inflow to the Company.

Michael Williamson

Michael Williamson
Interim Chief Financial Officer

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, except for material risks on contracts. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

/ FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise:

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

The main purpose of these instruments is to raise and maintain sufficient funds to finance the Group's operations. 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 EXPERTISE

Governance


Gama Aviation
Charter. Management. Maintenance.

/ **BOARD OF DIRECTORS**

The right mix of expertise to support growth.

Sir Ralph Robins
Chairman

Sir Ralph Robins 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

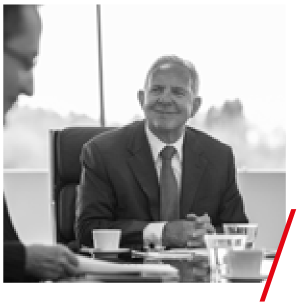
Marwan is Chief Executive Officer of Gama Aviation Plc. He is a successful entrepreneur with a proven record of building value through organic and inorganic growth, as evidenced by the scale of Gama Aviation's development over the last three decades. Gama Aviation's growth, over a period marked by a 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.

Neil Medley
Executive Director

Neil Medley, the Company's current Chief Operating Officer ("COO"), has also been appointaed to the Board. Neil joined Gama in September 2016, as COO, a new position within the leadership team. Neil joined the business from his former post of COO of BAE Systems Applied Intelligence (formerly Detica plc until its acquisition by BAE Systems plc). Neil has been working alongside Marwan Khalek, Chief Executive of Gama Aviation, to improve business performance across all geographies.



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.

Dr Richard Steeves
Non-Executive Director

Richard founded and built up Synergy Health plc ("Synergy"), the FTSE 250 outsourcer, established in 1991. Synergy grew from a £12 million market cap at the 2001 listing on AIM into a global medical hygiene business worth £1.4 billion at the time of its takeover by Steris Inc, the Ohio-based sterilisation equipment maker, on 2 October 2015. Richard grew Synergy both organically and through acquisition and brings to the Board valuable experience in building an international outsourcing service business.

Chi Keung (Simon) To
Non-Executive Director

Simon is Hutchison's proposed appointee to the Board. Simon is the Managing Director of Hutchison and Chairman and Executive Director of Hutchison China MediTech Limited, a company listed on AIM and Nasdaq with a market capitalisation of approximately US$4.3 billion as at the Last Practical Date. Simon joined Hutchison in 1980 and has helped build it from a relatively small trading company into a multi-billion dollar investment and distribution group. Simon holds a First Class Honours Bachelor's Degree in Mechanical Engineering from Imperial College, London and a Master's Degree in Business Administration from Stanford University's Graduate School of Business.

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 four 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 and Simon To. 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 32.

Nomination Committee
The Nomination Committee is chaired by Sir Ralph Robins, supported by Richard Steeves. 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.

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 2017, 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.

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 Michael Peagram. 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 2017, Marwan Khalek was entitled to a base salary of £330,000, Steve Wright £178,000, Kevin Godley £220,000 and Neil Medley £300,000.

Pension & Benefits
Executive Directors are entitled to a pension contribution as follows: Marwan Khalek: 22.5%; Steve Wright: 18%, Kevin Godley 15% and Neil Medley 12% of salary on a non-contributory basis in the form of a defined contribution to a pension plan and/or as a cash supplement. 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 2017, the Chairman of the Board, Sir Ralph Robins, is eligible for a fee of £50,000 per annum. The remaining Non-Executive Directors annual fees are not exceeding £46,000.

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
Neil Medley	8 September 2016	6 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
Dr Richard Steeves	3 January 2018	3 months
Chi Keung To	2 March 2018	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 2017:

£'000	Salary & fees	Consultancy fees	Benefits in Kind[1]	Pension	2017 Total	2016 Total
Executive Directors						
Marwan Khalek	341	–	41	77	459	427
Steve Wright	191	–	13	34	238	215
Kevin Godley	206	–	8	31	245	184
Non-Executive Directors						
Sir Ralph Robins	50	–	–	–	50	50
Nigel Payne	–	–	–	–	–	76
Peter Brown	46	–	–	–	46	42
George Rolls	–	–	–	–	–	28
Michael Peagram	18	26	–	–	44	42
Aggregate Emoluments	852	26	62	142	1,082	1,064

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 2017.

	Ordinary Shares		Unexercised Share Options		Total Interests	
	At 31 December 2017	At 31 December 2016	At 31 December 2017	At 31 December 2016	At 31 December 2017	At 31 December 2016
Executive Directors						
Marwan Khalek[1]	13,924,502	15,424,502	–	–	13,924,502	15,424,502
Steve Wright	263,188	263,188	–	–	263,188	263,188
Kevin Godley	20,000	20,000	–	–	20,000	20,000

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

We recognise our commitment to society and the environment. 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
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.

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 2017.

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
N Medley (appointed 3 January 2018)
K Godley (resigned 1 February 2018)
P Brown
M Peagram
Dr R Steeves (appointed 3 January 2018)
CK To (appointed 2 March 2018)

Dividends
The Group remains committed to maintaining a progressive dividend policy and the Directors are recommending a dividend of 2.75p per share, up from 2.6p per share in 2016, an increase of 5.7%.

Post balance sheet events
These are detailed in note 36 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 2018 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

M Khalek
Director

16 March 2018

PERFORMANCE Driven

Financial statements

Independent auditor's report to the members of Gama Aviation Plc

Opinion: Our opinion on the group financial statements is unmodified.

We have audited the group financial statements of Gama Aviation Plc for the year ended 31 December 2017, 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 notes to the financial statements, including a summary of significant accounting policies. 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.

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 2017 and of its profit for the year then ended; and
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements section' of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

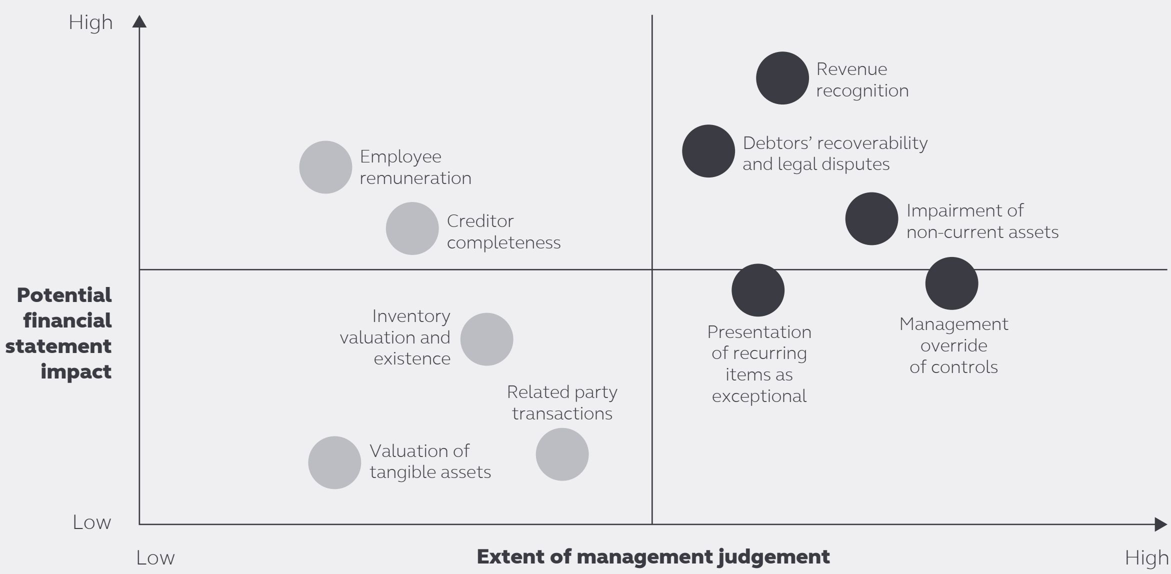
Overview of our audit approach

- Overall materiality: $835,000, which represents 5% of the group's profit before tax from continuing operations, excluding exceptional and one-off items at the planning stage of the audit.
- Key audit matters were identified as revenue recognition, debtors' recoverability and legal disputes, presentation of recurring items as exceptional, impairment of non-current assets and management override of controls.
- The operations that were subject to full-scope or targeted audit procedures made up 85% of consolidated revenues and 81% of total assets.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters	How the matter was addressed in the audit
Revenue recognition Revenues of $207.4 million have been recognised in the year ended 31 December 2017, arising substantially from the sale of services. Revenue is the most significant item in the consolidated income statement and impacts a number of key performance indicators, and key strategic indicators set out in the Chief Executive's Statement and Strategic Report. There is a risk of incorrect revenue recognition, arising from: / recognition of revenue without entitlement to that revenue; / revenue is not recognised in accordance with IFRSs as adopted by the European Union; and / specifically in relation to significant and complex contracts such as that with the MOD. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: / testing of revenue recognition policies to ensure in accordance with International Accounting Standard (IAS) 18 'Revenue' via testing a sample of individual revenue items during the year and around the year-end, agreeing items selected for testing through to flight management system and evidence of flight taking place, performing proof in total calculations and checking contracts exist for revenue recognised; and / Analytical review procedures to identify significant fluctuations and trends and corroborating explanations for unusual variances. The group's accounting policy on revenue is shown in note 3 to the financial statements and related disclosures are included in note 5. **Key observations** We have concluded that revenue recognised in the year is materially correct on the basis of the procedures performed.
Debtors' recoverability and legal disputes The group financial statements comprise a number of accounting estimates made by management, which leads to a risk that the financial results are influenced through management bias in determining such estimates. One of the key estimates is in relation to the provisions for significantly overdue debtor balances, which total $3.8m whereby assessment is made as to the adequacy of the provision based on the historic position and ongoing payments. The group has recognised total provisions against debtors of $3m. The other is in relation to the outcome of legal claims outstanding against the group. We therefore identified management override arising from the recognition and valuation of judgemental provisions as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: / Using data analytics and data interrogation techniques to identify journal entries with increased risk and ensure journals are in line with expectations; including corroborating any unusual entries to source documentation; / Consideration of management judgments in relation to recognition of provisions against doubtful debts against subsequent evidence; and / Comparing external solicitors letter responses to annual report disclosures and information gained throughout the audit process. The group's accounting policy on debtors' existence and recoverability is shown in note 3 and 4 to the financial statements and related disclosures are included in note 20 and note 29. **Key observations** Based on our audit work, we concluded that the recognition of provisions was appropriate. We concluded that appropriate disclosures of the legal issues have been made.
Presentation of recurring items as exceptional The group financial statements comprise $2.6m (2016: $2.5m) of costs incurred in the year, which have been classified as exceptional. The group presented underlying performance measures on the face of its consolidated income statement. These measures included underlying EBITDA. The profit before tax from continuing operations was adjusted for exceptional items, share based payments, amortisation and depreciation. Management believes that these performance measures provide investors with a means of evaluating performance of the Group on a consistent basis and in a way that is similar to the way in which management evaluates performance. Management consider that these non-recurring, infrequent or non-cash items are not indicative of the underlying operating performance of the group. We therefore identified management over-ride arising from the presentation of recurring items as exceptional as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: / Obtaining a breakdown of exceptional items, comparing to third party support and considering the sufficiency of disclosures explaining the nature of the exceptional items via comparison between management breakdown and financial statement detail; / Checking consistency of items presented as exceptional are consistent with Group accounting policies by comparing key headings in disclosure to specifics of accounting policy; and / Checking disclosures in the annual report are consistent with the treatment in prior periods via comparison of items included year on year. The group's accounting policy on exceptional items is shown in note 3 to the financial statements and related disclosures are included in note 7. **Key observations** Based on our audit work, we concluded that those items presented as exceptional are appropriate, as they are significant to the underlying results of the Group.

Key Audit Matters	How the matter was addressed in the audit
Impairment of non-current assets The directors are required to make an annual assessment to determine whether the Group's goodwill and intangible assets, which stand at $40.7 million and $11.6 million, respectively, are impaired. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 'Impairment of assets' is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified impairment of non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: / obtaining management's impairment analysis and recalculating the arithmetical accuracy of those calculations including the sensitivity analyses; / comparing the assumptions utilised in the impairment models, including growth rates, discount rates and terminal values to budgets, previous results and third party support; / challenging management's assessment of impairment indicators relating to intangible assets; / comparing current market capitalisation to carrying value of net assets and calculated value in use for the Group; / testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions; and / considering the detailed disclosures to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review. The group's accounting policies on non-current assets are shown in note 3 to the financial statements and related disclosures are included in notes 14 and 15. **Key observations** Based on our audit work, we have concluded that there is no impairment of the intangible assets required to be recognised in the financial statements.
Management override of controls The group financial statements comprise a number of accounting estimates made by management, which leads to a risk that the financial results are influenced through management bias in determining such estimates. We therefore identified management override as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: / Comparison of accounting estimates, judgements and decision made by management to third party and post balance sheet evidence; / Using data analytics and data interrogation techniques to identify journal entries with increased risk and ensure journals are in line with expectations; including corroborating any unusual entries to source documentation; **Key observations** Based on our audit work, we concluded that the accounting estimates in the financial statements were reasonable.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

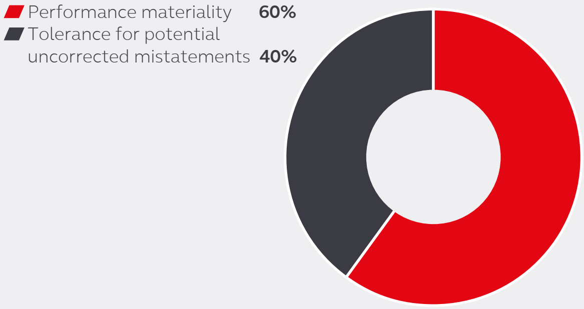
We determined materiality for the audit of the group financial statements as a whole to be $835,000, which is 5% of the group's profit before tax from continuing operations, excluding any exceptional and one-off items at the planning stage of the audit. This benchmark is considered the most appropriate because it is a key focus area for management and the users of the accounts and represents underlying profitability of the business.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016, reflecting the change in reported results.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the group financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We also determine a lower level of specific materiality for directors' remuneration and related party transactions.

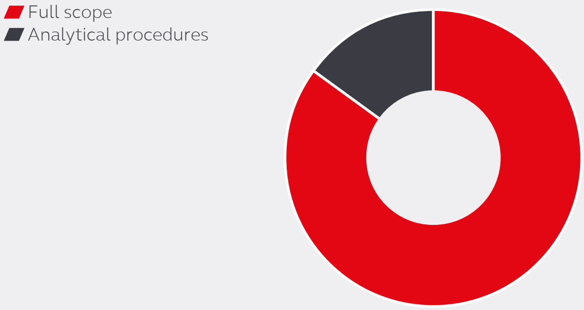
We determined the threshold at which we will communicate misstatements to the audit committee to be $42,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Group's business and is risk-based. An interim visit was conducted before the year end for all significant components of the Group to complete advance substantive audit procedures and to evaluate the Group's internal controls environment including its IT systems. The components of the Group were evaluated by the Group audit team based on a measure of materiality considering each as a percentage of total Group assets, liabilities, revenues and profit before taxes, to assess the significance of the component and to determine the planned audit response.

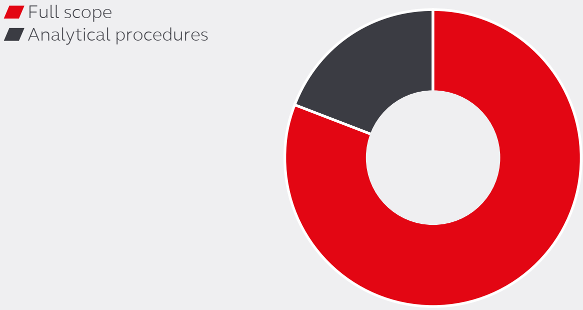
For those components that were evaluated as significant, either a full-scope or targeted audit approach was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach, we evaluated controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.

In order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the Parent Company, and of the financial information of Gama Aviation (UK) Limited, Gama Group Limited, GA FM54 Limited, Gama Leasing Limited, Gama Aviation (Engineering) Limited, Gama Aviation (Engineering) Inc, Gama Aviation FZE and Gama Aviation (Training) Limited. We performed targeted procedures over the other component entities in the US and Dubai. The operations that were subject to full-scope or targeted audit procedures made up 85% of consolidated revenues and 81% of total assets. Statutory audits of subsidiaries, where required by local laws, were performed to lower materiality where applicable.

Revenues



Total assets



Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

/ the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
/ the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters 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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements
Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter
We have reported separately on the parent company financial statements of Gama Aviation Plc for the year ended 31 December 2017. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Grant Thornton UK LLP

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

16 March 2018

/ CONSOLIDATED INCOME STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 2017 $'000	Year ended 2016 $'000
Continuing operations			
Revenue	5	**207,360**	203,037
Cost of sales		**(160,154)**	(158,886)
Gross profit		**47,206**	44,151
Administrative expenses		**(33,242)**	(32,884)
Underlying EBITDA		**20,067**	17,294
Items not included in underlying EBITDA	7	**(2,817)**	(2,548)
Depreciation and amortisation	6	**(3,286)**	(3,479)
Operating profit	6	**13,964**	11,267
Share of results from equity accounted investments	18	**2,327**	(330)
Profit on disposal of interest in associate	18	**1,564**	–
Total operating profit		**17,855**	10,937
Finance income	10	**–**	9,750
Finance costs	11	**(1,709)**	(1,379)
Profit before tax from continuing operations	6	**16,146**	19,308
Taxation	12	**(3,886)**	(615)
Profit from continuing operations		**12,260**	18,693
Discontinued operations			
Loss after tax from discontinued operations	8	**(2,412)**	(2,127)
Profit for the year		**9,848**	16,566
Attributable to:			
Owners of the Company:		**9,802**	16,676
Non-controlling interests		**46**	(110)
		9,848	16,566

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
/ FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 2017 $'000	Year ended 2016 (restated) $'000
Profit for the year		**9,848**	16,566
Items that may be reclassified to profit or loss:			
Prior year adjustment	39	**–**	(1,133)
Exchange differences on translation of foreign operations		**2,732**	(18,440)
Gains on cash flow hedges	35	**127**	–
Total comprehensive income / (loss) for the year		**12,707**	(3,007)
Total comprehensive income / (loss) is attributable to:			
Owners of the Company		**12,753**	(3,117)
Non-controlling interest		**(46)**	110
		12,707	(3,007)
Earnings per share attributable to the equity holders of the parent	13		
– basic (cents)		**22.28c**	38.05c
– diluted (cents)		**22.05c**	38.05c
Earnings per share attributable to the equity holders of the parent			
– basic (cents) – continuing operations		**27.76c**	42.90c
– diluted (cents) – continuing operations		**27.48c**	42.90c

/ CONSOLIDATED BALANCE SHEET
/ AS AT 31 DECEMBER 2017

	Note	2017 $'000	2016 (restated) $'000
Non-current assets			
Goodwill	14	**40,716**	37,631
Other intangible assets	15	**11,564**	9,987
Total intangible assets		**52,280**	47,618
Property, plant and equipment	16	**20,051**	12,215
Investments accounted for using equity method	18	**1,721**	–
Deferred tax asset	22	**2,689**	4,557
		76,741	64,390
Current assets			
Assets held for resale	16	**1,500**	7,200
Inventories	19	**9,705**	8,410
Trade and other receivables	20	**47,718**	46,473
Cash and cash equivalents		**22,349**	11,174
		81,272	73,257
Total assets		**158,013**	137,647
Current liabilities			
Trade and other payables	24	**(54,510)**	(42,815)
Obligations under finance leases	21, 23	**(1,654)**	(1,644)
Provisions for liabilities	30	**(540)**	(2,416)
Borrowings	21	**(30,642)**	(24,018)
Deferred revenue	34	**(4,388)**	(4,315)
		(91,734)	(75,208)
Total assets less current liabilities		**66,279**	62,439
Non-current liabilities			
Borrowings	21	**(1,012)**	(923)
Obligations under finance leases	21, 23	**(2,013)**	(3,976)
Provisions for liabilities	30	**–**	(492)
Deferred tax liabilities	22	**(1,549)**	(1,649)
		(4,574)	(7,040)
Total liabilities		**(96,308)**	(82,248)
Net assets		**61,705**	55,399
Shareholders' equity			
Share capital	25	**684**	684
Share premium	25	**–**	–
Other reserves	25	**61,699**	61,377
Foreign exchange reserve		**(20,797)**	(23,529)
Accumulated profit		**18,595**	16,286
Total shareholders' equity		**60,181**	54,818
Non-controlling interest	26	**1,524**	581
Total equity		**61,705**	55,399

The financial statements were approved and authorised for issue on 16 March 2018 on behalf of the board of directors by

M Khalek
Director

/ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital $'000	Share premium $'000	Other reserves $'000	Foreign exchange reserve $'000	Accumulated profit/ (losses) $'000	Total shareholders' equity $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2016	**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**
Prior year adjustment (note 39)	–	–	–	–	(1,133)	(1,133)	–	(1,133)
Balance at 31 December 2016 (restated)	**684**	**–**	**61,377**	**(23,529)**	**16,286**	**54,818**	**581**	**55,399**
Credit to equity for equity settled share-based payments (note 32)	–	–	195	–	–	195	–	195
Transactions with owners	–	–	195	–	–	195	–	195
Profit for the year	–	–	–	–	9,802	9,802	46	9,848
Other comprehensive income	–	–	127	2,732	–	2,859	–	2,859
Dividend paid	–	–	–	–	(1,496)	(1,496)	–	(1,496)
Acquisition of non-controlling interest	–	–	–	–	(5,997)	(5,997)	897	(5,100)
Total comprehensive income	–	–	127	2,732	2,309	5,168	943	6,111
Balance at 31 December 2017	**684**	**–**	**61,699**	**(20,797)**	**18,595**	**60,181**	**1,524**	**61,705**

/ CONSOLIDATED CASH FLOW STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 2017 $'000	Year ended 2016 $'000
Net cash from operating activities	27	**18,489**	725
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,498)**	(3,697)
Purchases of intangibles		**(1,573)**	(400)
Purchases of assets held for resale		**–**	(266)
Proceeds on disposal of property, plant and equipment		**–**	–
Proceeds on disposal of assets held for sale		**5,550**	–
Investment in joint venture		**–**	–
Acquisition of subsidiary, net of cash acquired		**–**	(6,239)
Net cash used in investing activities		**(4,521)**	(10,602)
Cash flows from financing activities			
Issuance of shares (net of share issue costs)		**–**	–
Consideration for acquisition of non-controlling interest		**(5,100)**	–
Repayments of obligations under finance leases	28	**(1,953)**	(1,900)
Proceeds from borrowings	28	**8,223**	17,798
Repayment of borrowings	28	**(4,000)**	(40)
Dividend paid to equity holders of the parent		**(1,495)**	(1,411)
Net cash from financing activities		**(4,325)**	14,447
Net increase in cash and cash equivalents		**9,643**	4,570
Cash and cash equivalents at the beginning of year		**11,174**	8,457
Effect of foreign exchange rates		**1,532**	(1,853)
Cash and cash equivalents at the end of year		**22,349**	11,174

Cash and cash equivalents

	2017 $'000	2016 $'000
Cash and bank balances	**22,349**	11,174

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.

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.

3. Significant accounting policies (continued)

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 2018 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.

Investments in associate and joint venture

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

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

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

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

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

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.

3. Significant accounting policies (continued)

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/(loss)

Total operating profit/(loss) 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 EU and US 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.

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.

3. Significant accounting policies (continued)

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.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate, using foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. In addition, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of the foreign currency contracts that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amount previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Provisions and contingent liabilities

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.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured reliably.

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 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.
/ For the financial year ended 31 December 2016, the Group considered that it controlled Gama Aviation FZE, Gama Support Services FZE and Gama Group Mena FZE even though it owned less than 50% of the voting rights. This was because the Group was the single largest shareholder with 49% equity interest and it enjoyed power over the day to day operations of the business. This gave the Group the ability to direct the relevant activities and therefore was 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 were therefore fully consolidated within the financial statements. As of 18 October 2017, Gama Aviation Plc now owns 100% of Gama Support Services FZE and Gama Group Mena FZE. The ownership of Gama Aviation FZE remains unchanged. Please refer to note 26, Non-controlling interest.
/ For the financial year ended 31 December 2016, the Group owned 49% of Gama Aviation LLC, but it was classified as an associate because although it had exposure to variable returns from its shareholding it only held 25% of the shareholder voting rights and could only appoint one of the five Board Directors (20%). In addition, the Group did not possess any contractual or special relationship with any of the Board members or shareholders and as such the Group did not hold power over the Gama Aviation LLC business. The results of 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 18, investments accounted for using the equity method.
/ 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. As of 2 March 2018, Gama Aviation Plc now owns 100% of Gama Aviation Hutchison Limited. Please refer to note 36, post balance sheet event.
/ The goodwill and intangibles impairment reviews require 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 14 and 15.
/ 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 20.
/ 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.

4. Key accounting estimates and judgements (continued)

- 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, and legal costs arising from historic Hangar 8 activity.
- 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. In 2016, an aircraft with a carrying value of $5.6 million was transferred to assets held for resale under IFRS 5. Two of the aircraft that were held for sale at 31 December 2016 were sold 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. The aircraft continues to be actively marketed for sale and is held at values that the directors believe are realisable within the current second-hand market place.
- The directors exercise judgement in measuring and recognising provisions and exposures to contingent liabilities related to pending litigation and outstanding claims. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise and estimates are required to determine the possible range of any financial settlement. Due to the inherent uncertainty of such matters, the estimates used may differ from the actual outcome. Details of contingent liabilities are included in note 29.
- Expected rebates from certain suppliers are calculated based upon actual and estimated future costs for the duration of the contract. When an agreement spans a financial period end, the Directors exercise judgement in estimating future costs, and hence determining the amount to be recognised in the current financial year.

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 2017 is as follows:

	Total Revenue $'000	Gross profit $'000	Gross profit %	Underlying EBITDA $'000	Underlying EBITDA %	Underlying total operating profit $'000	Underlying total operating profit %
US: Air	5,000	5,076	>100	5,354	>100	5,799	>100
Europe: Air	91,821	11,887	12.9	4,979	5.4	4,512	4.9
MENA: Air	23,528	1,886	8.0	549	2.3	470	2.0
Asia: Air	74	74	100.0	74	100.0	74	100.0
	120,423	18,923	15.7	10,956	9.1	10,855	9.0
US: Ground	30,775	6,116	19.9	2,901	9.4	2,348	7.6
Europe: Ground	60,462	18,439	30.5	8,922	14.8	8,408	13.9
MENA: Ground	5,371	1,240	23.1	240	4.5	85	1.6
	96,608	25,795	26.7	12,063	12.5	10,841	22.4
Other	2,488	2,488	100.0	(2,952)	(>100)	(2,952)	(>100)
Eliminations	(12,159)	–	–	–	–	–	–
Totals	**207,360**	**47,206**	**22.8**	**20,067**	**9.7**	**18,744**	**9.0**

Underlying total operating profit	**18,744**
Amortisation	(1,441)
Exceptional items	(2,622)
Share of associate's exceptional items	(365)
Share-based payment expense	(195)
Profit on disposal of interest in associate	1,564
Reversal of prior year losses of associate	1,501
Reversal of prior year losses of joint venture	669
Finance income	–
Finance costs	(1,709)
Profit before tax from continuing operations	**16,146**

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 total operating profit $'000	Underlying total operating profit %
US: Air	7,949	6,160	77.5	5,927	74.6	5,173	75.2
Europe: Air	118,387	10,006	8.5	2,543	2.1	2,031	1.7
MENA: Air	19,531	1,345	6.9	30	0.2	(80)	(0.4)
Asia: Air	80	80	100.0	80	100.0	(242)	(>100)
	145,947	17,591	12.1	8,580	5.9	7,682	5.5
US: Ground	24,130	5,560	23.0	2,778	11.5	2,401	10.0
Europe: Ground	38,321	17,615	46.0	8,383	21.9	7,660	20.0
MENA: Ground	5,170	1,697	32.8	273	5.3	32	0.6
	67,621	24,872	36.8	11,434	16.9	10,093	14.9
Other	1,676	1,688	>100	(2,720)	(>100)	(2,718)	(>100)
Eliminations	(12,207)	–	–	–	–	–	–
Totals	**203,037**	**44,151**	**21.7**	**17,294**	**8.5**	**15,057**	**7.6**

Underlying total operating profit	**15,057**
Amortisation	(1,438)
Exceptional items	(2,548)
Share of associate's exceptional items	(134)
Finance income	9,750
Finance costs	(1,379)
Profit before tax from continuing operations	**19,308**

5. Segment information (continued)
An analysis of the Group's assets and liabilities by segment is as follows

	Assets		Liabilities	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
US: Air	**19,177**	16,674	**(6,342)**	(1,866)
US: Ground	**10,141**	8,407	**(1,481)**	(1,168)
Europe: Air	**37,457**	44,000	**(30,882)**	(38,387)
Europe: Ground	**45,938**	32,145	**(17,870)**	(8,715)
MENA: Air	**5,970**	5,165	**(5,974)**	(4,878)
MENA: Ground	**2,049**	1,040	**(758)**	(4,655)
Asia: Air	**889**	263	**(15)**	(18)
Other	**150,267**	143,686	**(34,244)**	(21,977)
Investment eliminations	**(113,044)**	(110,963)	**–**	–
Other Group adjustments and eliminations	**(831)**	(2,770)	**1,258**	(584)
	158,013	137,647	**(96,308)**	(82,248)

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

	Year ended 2017 $'000	Year ended 2016 $'000
Continuing operations		
Sale of business aviation services	**186,472**	197,169
Sale of aircraft	**12,885**	–
Sale of inventories	**3,929**	–
Branding fees	**4,074**	5,868
Totals	**207,360**	203,037

Geographic information

	2017 $'000	2016 $'000
Non-current assets		
US	**2,720**	2,217
Europe	**16,148**	9,577
MENA	**1,183**	421
	20,051	12,215

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

STRATEGIC REPORT GOVERNANCE FINANCIALS

6. Operating profit for the year

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

	Year ended 2017 $'000	Year ended 2016 $'000
Net foreign exchange loss / (gain)	(425)	1,157
Depreciation of property, plant and equipment (see note 16)	1,845	2,041
Amortisation of intangibles (see note 15)	1,441	1,438
Impairment of assets held for sale [1] (see note 16)	–	1,828
Loss on disposal of property, plant and equipment	–	8
Cost of inventories recognised as an expense (See note 19)	13,998	10,979
Write-down/(back) of inventories recognised as an expense	(384)	992
Staff costs (see note 9)	53,107	48,904
Impairment losses recognised on trade receivables (see note 20)	384	1,804
Reversal of impairment losses recognised on trade receivables (see note 20)	(68)	(514)
Auditors' remuneration:		
Audit of the company's annual accounts	95	95
Audit of the accounts of subsidiaries	260	264
Tax advisory services	–	23
Other assurance services	18	85

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 2017 and determined that no impairment was necessary.

7. Items not included in underlying EBITDA

	Year ended 2017 $'000	Year ended 2016 $'000
Exceptional items		
Transaction costs	403	1,355
Integration and business re-organisation costs	1,160	1,193
Legal costs	1,059	–
	2,622	2,548
Share-based payments expense (note 32)	195	–
	2,817	2,548

Transactions costs represent expenses incurred in respect of the transactions completed in the period, 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. Legal costs relate to expenses incurred with respect to historic Hangar 8 activity, which do not form part of the underlying earnings of the business. Exceptional items include travel expenses and costs for executive management incurred in undertaking transactions, integration and restructuring together with the salary costs of certain permanent employees who are employed in place of external professional services.

8. Discontinued operations

The losses from discontinued operations are 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. Two aircraft that were held for sale at 31 December 2016 were sold in 2017. The results of these discontinued operations are presented below:

	Year ended 2017 $'000	Year ended 2016 $'000
Discontinued operations		
Revenue	**141**	690
Expenses	**(2,563)**	(2,916)
Operating loss	**(2,422)**	(2,226)
Net finance income	**10**	99
Loss before and after tax for the year from discontinued operations	**(2,412)**	(2,127)
Earnings per share		
Basic – cents	**(5.48c)**	(4.85c)
Diluted – cents	**(5.43c)**	(4.85c)
The weighted average number of ordinary shares is included in Note 13.		
The net cash flows incurred by discontinued operations are as follows:		
Operating activities	**5,579**	234
Investing activities	**(5,550)**	(267)
Net cash inflow/(outflow)	**29**	(31)

9. Staff costs

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

	Year ended 2017 Number	Year ended 2016 Number
Operations and administration	**316**	285
Pilots and cabin crew	**118**	106
Aircraft engineering	**232**	195
	666	586

Their aggregate remuneration comprised:

	Year ended 2017 $'000	Year ended 2016 $'000
Wages and salaries	**45,363**	42,362
Social security costs	**6,702**	5,551
Other pension costs (see note 33)	**1,042**	991
	53,107	48,904

Details of directors' remuneration are given in the Remuneration Report on pages 30 to 32. The share option costs relating to these directors amounted to $56,000 (2016: nil).

10. Finance income

	Year ended 2017 $'000	Year ended 2016 $'000
Foreign currency translation on intercompany balances	–	9,750
Total finance income	–	9,750

11. Finance costs

	Year ended 2017 $'000	Year ended 2016 $'000
Interest on bank overdrafts and loans	1,526	598
Interest on obligations under finance leases	141	284
Other similar charges payable	42	497
Total finance costs	1,709	1,379

12. Taxation

	Year ended 2017 $'000	Year ended 2016 $'000
Corporation tax:		
Current year charge	2,110	1,612
Deferred tax (note 22)	1,776	(997)
Total tax charge for the year	3,886	615

The tax charge 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 2017 $'000	Year ended 2016 $'000
Continued operations	16,146	19,308
Discontinued operations	(2,412)	(2,127)
Profit before tax	13,734	17,181
Tax at the corporation tax rate of 19% (2016: 20%)	2,609	3,436
Effects of:		
Expenses not deductible for tax purposes	(88)	2,421
Differences between capital allowances and depreciation	(139)	(322)
Utilisation of tax losses	(71)	(3,430)
Effect of tax rates in different jurisdictions	1,593	(209)
Other timing differences	(18)	(1,281)
Total tax charge for the year	3,886	615

13. 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 2017 $'000	Year ended 2016 $'000
Numerator		
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	**12,214**	18,803
Discontinued operations	**(2,412)**	(2,127)
Profit attributable to ordinary equity holders of the parent for basic earnings	**9,802**	16,676
Denominator		
Weighted average number of shares used in basic EPS	**43,994,442**	43,827,775
Effect of dilutive share options	**450,572**	–
Weighted average number of shares used in diluted EPS	**44,445,014**	43,827,775
Earnings per share		
Basic (cents)	**22.28c**	38.05c
Diluted (cents)	**22.05c**	38.05c
Basic – continuing operations (cents)	**27.76c**	42.90c
Diluted – continuing operations (cents)	**27.48c**	42.90c

To calculate the EPS for discontinued operations (note 8), 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 2017 $'000	Year ended 2016 $'000
Loss from discontinued operations for the basic and diluted EPS calculations	**(2,412)**	(2,127)

14. Goodwill

	$'000
Cost	
At 1 January 2016	43,566
Recognised upon acquisition	5,015
Exchange differences	(7,253)
At 1 January 2017	41,328
Reclass from intangibles	(549)
Exchange differences	3,634
At 31 December 2017	44,413
Accumulated impairment losses	
At 1 January 2016, 31 December 2016 and 31 December 2017	3,697
Carrying amount	
At 31 December 2017	40,716
At 31 December 2016	37,631

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

	2017 $'000	2016 $'000
Europe: Air	**18,972**	17,792
Europe: Ground	**21,744**	19,839
	40,716	37,631

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.

15. 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 2016	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
Reclass from goodwill	–	–	126	410	12	548
Additions	–	600	–	–	973	1,573
Foreign exchange differences	35	228	111	1,040	47	1,461
At 31 December 2017	1,488	3,589	1,383	12,170	1,049	19,679
Amortisation and accumulated impairment losses						
At 1 January 2016	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
Amortisation	–	–	243	1,189	9	1,441
Foreign exchange differences	35	228	96	205	–	564
At 31 December 2017	1,215	2,589	1,268	3,026	17	8,115
Carrying amount						
At 31 December 2017	273	1,000	115	9,144	1,032	11,564
At 31 December 2016	273	400	217	9,088	9	9,987

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. The intangible assets relating to Part 145 approvals were incurred to be able to obtain Part 145 approvals in the United Kingdom and in United States. This asset, Part 145, 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% (2016: 11.5%). The directors have determined that no such impairments are required in the years ended 31 December 2016 and 2017.

16. Property, plant and equipment

	Leasehold property $'000	Aircraft hull and refurbishments $'000	Fixtures, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Cost					
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
Additions	4,294	2,599	1,201	413	8,507
Disposals	–	–	(283)	(23)	(306)
Exchange differences	779	577	279	13	1,648
At 31 December 2017	14,308	7,875	5,949	1,407	29,539
Accumulated depreciation					
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
Charge for the year	471	281	867	226	1,845
Eliminated on disposals	–	–	(283)	(14)	(297)
Exchange differences	163	109	184	9	465
At 31 December 2017	3,794	1,383	3,717	594	9,488
Carrying amount					
At 31 December 2017	10,514	6,492	2,232	813	20,051
At 31 December 2016	6,075	3,706	1,803	631	12,215

The Group's obligations under finance leases (see note 23) are secured by the lessors' title to the leased assets, which have a carrying amount of $6.7million (2016: $9.2million), being $6 million of aircraft and $0.7 million of motor vehicles (2016: $8.7 million of aircraft and $0.5 million of motor vehicles).

16. Property, plant and equipment (continued)

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. Two aircraft that were held for sale at 31 December 2016 with a book value of $5.7 million were sold in the first half of 2017. As at 31 December 2017, there is only one aircraft classified as held for sale.

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. The aircraft continues to be actively marketed for sale and is held at a value that the directors believe are realisable within the current second-hand market place.

	Total $'000
Cost	
At 1 January 2016	20,043
Reclassified from property, plant and equipment	7,875
Additions	266
At 31 December 2016	28,184
Reclassified from property, plant and equipment	(18,514)
At 31 December 2017	9,670
Provision for impairment	
At 1 January 2016	16,917
Reclassified from property, plant and equipment	2,239
Impairment	1,828
At 31 December 2016	20,984
Reclassified from property, plant and equipment	(12,814)
Impairment	–
At 31 December 2017	8,170
Carrying amount	
At 31 December 2017	1,500
At 31 December 2016	7,200

17. Subsidiaries
Details of the Company's subsidiaries at 31 December 2017 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%	Non-trading
Aviation Crewing Limited	Great Britain	100%	Dormant
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%	Dormant
Gama (Engineering) Limited*	Great Britain	100%	Dormant
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%	Dormant
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%	Dormant
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 management
Oasis Flight Malta	Malta	100%	Dormant
Gama Aviation FZC*	UAE	100%	Aviation management
Gama Group Mena FZE	UAE	100%	Holding company
Gama Holding FZC*	UAE	100%	Holding company
Gama Support Services FZE*	UAE	49%	Aviation design and engineering

17. Subsidiaries (continued)

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
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

** For the year ending 31 December 2017 below companies were exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by parental guarantee. Gama Aviation plc has indirect holdings in these subsidiaries undertaken:

Avialogistics Limited, registration number 02265525
Gama Aviation (Training) Limited, registration number 09234102

*** 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. The results of Gama Aviation FZE are fully consolidated within the financial statements because Gama Aviation Plc is exposed to variable returns from its involvement, and has the ability to affect the returns through its power over these companies.

Details of the Company's subsidiaries at 31 December 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%	Holding company
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

17. Subsidiaries (continued)

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Group Mena FZE*	UAE	49%	Holding company
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

* 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.

18. Investments accounted for using the equity method
Details of the Group's investments accounted for using the equity method at 31 December 2016 and 2017 are as follows:

Name	Investment	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
Gama Aviation LLC	Associate	USA	24.5%	25.0%
Gama Aviation Hutchison Holdings	Joint venture	Hong Kong	50.0%	50.0%

At 31 December 2016, the Group held a 49% interest in Gama Aviation LLC and accounted for this investment as an associate. On 1 January 2017, Gama Aviation LLC merged its aircraft management and charter operations with Landmark Aviation LLC, a wholly owned subsidiary of BBA Aviation Plc. As a consequence, the Group transferred a 24.5% interest to BBA Aviation Plc in return for 24.5% of the net assets of Landmark Aviation LLC. This transaction has resulted in the recognition of a profit on disposal of interest in associate of $1,564,000. The Group has retained the remaining 24.5% and continues to account for the investment as an associate.

The results of the equity accounted investments are as follows:

	Associate		Joint venture	
	Year ended 2017 $'000	Year ended 2016 $'000	**Year ended 2017 $'000**	Year ended 2016 $'000
Revenue	**387,366**	231,560	**14,793**	16,542
Expenditure	**(386,730)**	(231,592)	**(15,335)**	(17,185)
Profit / (loss) before tax	**636**	(32)	**(542)**	(643)
Income tax expense	**–**	16	**–**	–
Profit / (loss) after tax	**636**	(16)	**(542)**	(643)
Group's share of net profit / (loss)	**157**	(8)	**–**	(322)
Reversal of prior year losses	**1,501**	–	**669**	–
Share of results from equity accounted investments	**1,658**	(8)	**669**	(322)

The summary financial positions of the equity accounted investments are as follows:

	Associate		Joint venture	
	Year ended 2017 $'000	Year ended 2016 $'000	**Year ended 2017 $'000**	Year ended 2016 $'000
At 1 January	**–**	–	**–**	–
Share of net profit / (loss)	**157**	(8)	**–**	(322)
Included in provisions	**–**	8	**–**	322
Profit on disposal of interest in associate	**1,564**	–	**–**	–
At 31 December	**1,721**	–	**–**	–

The summary financial positions of the equity accounted investments are as follows:

	Associate		Joint venture	
	Year ended 2017 $'000	Year ended 2016 $'000	**Year ended 2017 $'000**	Year ended 2016 $'000
Total assets	**41,276**	18,120	**5,500**	3,914
Total liabilities	**(37,317)**	(21,186)	**(7,381)**	(5,252)
Net assets / (liabilities)	**3,959**	(3,066)	**(1,881)**	(1,338)
Group's share of net assets / (liabilities)	**970**	(1,501)	**(941)**	(669)
Goodwill arising on disposal of investment	**751**	–	**–**	–
Included in provisions	**–**	1,501	**–**	669
Investment accounted for using the equity method (*)	**1,721**	–	**–**	–

(*) The Group has discontinued recognising its share of losses in the joint venture as the carrying value of this investment is $nil.

19. Inventories

	2017 $'000	2016 $'000
Raw materials and consumables	**7,085**	6,347
Work in progress	**2,620**	2,063
	9,705	8,410

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 $13,998,000 (2016: $10,979,000).

20. Other financial assets

Trade and other receivables

	2017 $'000	2016 $'000
Amount receivable for the sale of services	**22,995**	27,694
Allowance for doubtful debts	**(2,968)**	(3,985)
	20,027	23,709
Other debtors	**5,265**	3,975
Prepayments	**6,558**	5,396
Accrued income	**15,868**	13,393
	47,718	46,473

20. Other financial assets (continued)
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 (2016: 28 days). No interest is charged on overdue receivables (2016 – 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 (2016: $3.3 million) is due from the Group's largest 5 customers who comprise 16% (2016: 14%) 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.

Ageing of past due but not impaired receivables

	2017 $'000	2016 $'000
30-60 days	**2,228**	3,414
61-90 days	**461**	1,474
91-120 days	**217**	660
121-360 days	**907**	4,519
361+ days	**2,741**	1,799
Total	**6,554**	11,866

Movement in the allowance for doubtful debts

	2017 $'000	2016 $'000
At 1 January	**3,985**	3,751
Impairment losses recognised in income statement	**384**	1,804
Amounts written off as uncollectible	**(1,664)**	(486)
Amounts recovered during the year	**(68)**	(514)
Foreign exchange translation gains and losses	**331**	(570)
At 31 December	**2,968**	3,985

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

	2017 $'000	2016 $'000
< 30 days	**40**	79
30-60 days	**39**	1
61-90 days	**6**	40
91-120 days	**2**	7
121+ days	**2,881**	3,858
Total	**2,968**	3,985

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.

21. Borrowings

	2017 $'000	2016 $'000
Secured borrowings at amortised cost		
Finance lease liabilities (note 23)	**3,667**	5,620
Other loans	**31,654**	24,941
	35,321	30,561
Total borrowings		
Finance lease liabilities	**1,654**	1,644
Other loans	**30,642**	24,018
Amount due for settlement within 12 months	**32,296**	25,662
Finance lease liabilities	**2,013**	3,976
Other loans	**1,012**	923
Amount due for settlement after 12 months	**3,025**	4,899

Analysis of borrowings by currency:

	Sterling $'000	US Dollars $'000	Total $'000
31 December 2017			
Finance lease liabilities	–	3,667	3,667
Other loans	31,654	–	31,654
	31,654	3,667	35,321
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

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 2.8% (2016: 2.4%) and the leases expire in 2022.

(ii) Other loans include:

/ £0.75 million (2016: £0.75 million), which has no fixed repayment term and carries an interest rate of 9.5% per annum (2016: 9.5%).
/ £22.0 million (2016: £15.5 million) revolving credit facility with a repayment term of less than 1 year and carries an interest rate of LIBOR + 1.95%.
/ A loan amounting to $4.0 million in 2016 was repaid in 2017. This carried an interest rate of 12% per annum and was repayable on demand.

22. 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 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)	4,557	2,908
Movement in year	(70)	(1,706)	(1,776)
Exchange differences	4	4	8
At 31 December 2017	(1,715)	2,855	1,140

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:

	2017 $'000	2016 $'000
Deferred tax asset	**2,689**	4,557
Deferred tax liability	**(1,549)**	(1,649)
Net deferred tax asset	**1,140**	2,908

The Group has not recognised a deferred tax asset in respect of losses brought forward of $3.6 million (2016: $5.2million) 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.

23. Obligations under finance leases

	Minimum lease payments	
	2017 $'000	2016 $'000
Amounts payable under finance leases:		
Within one year	**1,751**	1,801
In the second to fifth years inclusive	**2,121**	4,144
	3,872	5,945
Less: future finance charges	**(205)**	(325)
Present value of lease obligations	**3,667**	5,620

	Present value of minimum lease payments	
	2017 $'000	2016 $'000
Amounts payable under finance leases:		
Within one year	**1,654**	1,644
In the second to fifth years inclusive	**2,013**	3,976
After more than five years	**–**	–
Present value of lease obligations	**3,667**	5,620

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 2017, the average effective borrowing rate was 4.6% (2016: 2.4%). Interest rates are variable.

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

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 16.

24. Other financial liabilities

Trade and other payables

	2017 $'000	2016 (restated) $'000
Trade and other payables	**45,068**	33,928
Accruals	**9,442**	8,887
	54,510	42,815

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 (2016: 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.

25. Issued capital and reserves

	Number	GBP	$'000
Ordinary shares: authorised, issued and fully paid			
At 1 January 2016	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
Issuance of share capital	–	–	–
At 31 December 2017	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 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 2016	35,458
Cancellation of share premium account	(35,458)
Balance at 31 December 2016 and 2017	–

Share premium represents the amount subscribed for share capital in excess of nominal value. The share premium account was cancelled on 22 June 2016.

25. Issued capital and reserves (continued)

Other reserves

	Merger relief reserve $'000	Reverse takeover reserve $'000	Other reserve $'000	Own shares reserve $'000	Cash flow hedge reserve $'000	Total $'000
At 1 January 2016	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
Share-based payment expense (Note 32)	–	–	–	195	–	195
Gains recognised on cash flow hedge (Note 35)	–	–	–	–	127	127
Balance at 31 December 2017	136,996	(95,828)	20,209	195	127	61,699

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.

Own shares reserve is used to recognise the value of equity-settled share-based payments, provided to employees, including key management personnel, as part of their remuneration. Refer to note 32 for further details of these plans.

Cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges.

26. Non-controlling interest

	$'000
Balance at 1 January 2016	691
Total comprehensive profit attributable to minority interests	(110)
Balance at 31 December 2016	581
Total comprehensive profit attributable to minority interests	46
Non-controlling interest movement	897
Balance at 31 December 2017	1,524

On 18th October 2017, Gama Holdings FZC, a subsidiary of Gama Aviation Plc, transferred its entire shareholding in Gama Group Mena FZC to Gama Aviation Plc, and became converted to an FZE. On the same date, Gama Aviation Plc acquired the remaining 51% shareholding in Gama Group Mena FZE. This is represented by the non-controlling interest movement of $897,000.

27. Net cash generated by operating activities

	2017 $'000	2016 $'000
Profit before tax from continuing operations	**16,146**	19,308
Loss before tax from discontinued operations	**(2,412)**	(2,127)
Profit before tax	**13,734**	17,181
Adjustments for:		
Finance income	**–**	(9,928)
Finance costs	**1,699**	1,458
Depreciation of property, plant and equipment	**1,845**	2,041
Amortisation of intangible assets	**1,441**	1,438
Impairment of assets held for sale	**–**	1,828
Loss on disposal of property, plant and equipment	**–**	8
Loss on disposal of assets held for sale	**150**	–
Share of (profit) / loss of associate and joint venture	**(2,327)**	330
Profit on disposal of interest in associates	**(1,564)**	–
Share-based payment	**195**	–
Unrealised foreign exchange movements	**(2,037)**	1,911
Operating cash inflow before movements in working capital	**13,136**	16,267
Increase in inventories	**(543)**	(2,432)
Decrease/(increase) in receivables	**699**	(462)
Increase/(decrease) in payables	**10,950**	(9,624)
Decrease in deferred revenue	**(223)**	(1,407)
Decrease in provisions	**(249)**	(159)
Cash generated by operations	**23,770**	2,183
Taxes paid	**(3,624)**	–
Interest received	**–**	–
Interest paid	**(1,657)**	(1,458)
Net cash generated by operating activities	**18,489**	725

28. Changes in liabilities arising from financing activities

	Borrowings		Finance lease liabilities		Total
	Long-term $'000	Short-term $'000	Long-term $'000	Short-term $'000	$'000
At 1 January 2017	923	24,018	3,976	1,644	30,561
Cash flow:					
Repayments	–	(4,000)	(2,589)	(1,644)	(8,233)
Proceeds	–	8,223	–	–	8,223
Non-cash:					
Acquisitions	–	–	–	2,280	2,280
Reclassification	–	–	626	(626)	–
Foreign exchange movement	89	2,401	–	–	2,490
At 31 December 2017	**1,012**	**30,642**	**2,013**	**1,654**	**35,321**

29. 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.

The Group is involved in legal proceedings relating to historic Hangar 8 trading activity prior to the merger in January 2015 and relating to disputes with Dustin Dryden and affiliated entities.

There are currently proceedings by the Group to recover long-standing trade receivables. In addition there are proceedings brought against the Group in which claimants are seeking to recover damages for alleged contractual breaches. Further details of the litigations are provided in the Chief Financial Officer's review.

The remaining proceedings fall into two categories, the first involves proceedings by the Company to recover long-standing trade receivables that amount to approximately US$5.5m. The Company has made adequate provisions or holds security against these claims and as a result the Board does not expect any further provisions will be required. In addition, based on legal advice, the Board considers the proceedings to recover these receivables are likely to be successful.

The second involves a number of proceedings brought against the Company in which the claimants seek to recover damages for alleged contractual breaches which amount to approximately US$15.3m. Based on a detailed analysis of the claims and legal advice, the Board believes that these claims are speculative and/or overlapping and the Company continues to vigorously defend them and therefore no provision has been made in the accounts.

30. Provisions for liabilities

	2017 $'000	2016 $'000
Losses of associate (note 18)	**–**	1,502
Losses of joint venture (note 18)	**–**	669
Consideration for subsidiary acquisition	**540**	737
	540	2,908

	2017 $'000	2016 $'000
Amount due for settlement within 12 months	**540**	2,416
Amount due for settlement after 12 months	**–**	492
Total provisions	**540**	2,908

	Losses of associate $'000	Losses of joint venture $'000	Consideration for subsidiary acquisition $'000	Total $'000
Provision brought forward	1,502	669	737	**2,908**
Utilisation of provision	–	–	(249)	**(249)**
Released to income statement	(1,502)	(669)	–	**(2,171)**
Foreign exchange movement	–	–	52	**52**
Provision carried forward	–	–	540	**540**

31. Operating lease arrangements

The Group as lessee

	2017 $'000	2016 $'000
Lease payments under operating leases recognised as an expense in the year	**7,204**	7,290

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:

	2017 $'000	2016 $'000
Within one year	**3,837**	3,100
In the second to fifth years inclusive	**10,115**	7,962
After five years	**6,181**	4,769
	20,133	15,831

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.

32. Share-based payments

Equity-settled share option scheme

In 2017, options were granted on 6 January 2017 to certain employees of the Group. Options are exercisable at a price equal to $1.54. The vesting period is 3 years. If options remain unexercised after a period of 10 years from the grant date, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the options outstanding during the year are:

	2017 '000	2016 '000
At 1 January	**–**	–
Granted during the year	**1,390**	–
Forfeited during the year	**(80)**	–
At 31 December	**1,310**	–
Exercisable at 31 December	**–**	–

The estimated fair values of the options granted is $585,753 (2016: $nil).

The inputs into the Black-Scholes model are as follows:

	2017	2016
Share price, US$	**154.00**	–
Exercise price, US$	**155.00**	–
Expected volatility	**28.36%**	–
Expected life, years	**10**	–
Risk-free rate	**1.18%**	–
Expected dividend yields	**1.66%**	–

Expected volatility was determined by calculating the historical volatility of the Group's share price since 5 January 2015. The Group recognises total expenses of $195,251 (2016: $nil) related to equity settled share-based payment transactions in 2017.

33. 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 $1,042,297 (2016: $991,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of $nil (2016: $nil) due in respect of the current reporting period had not been paid over to the schemes.

34. Deferred revenue

	2017 $'000	2016 $'000
Deferred revenue	**4,388**	4,315

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

35. 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 2017	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Book value total $'000	Fair value total $'000
Financial assets				
Cash and cash equivalents	22,349	–	22,349	22,349
Trade and other receivables	40,813	–	40,813	40,813
Financial liabilities				
Trade and other payables	–	(51,063)	(51,063)	(51,063)
Borrowings	–	(31,654)	(31,654)	(33,845)
Net financial assets/(liabilities)	63,162	(82,717)	(19,555)	(21,746)

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)

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.

Financial risk management objectives

The Group is exposed to financial risks in respect of:

/ Capital risk;
/ Foreign currency;
/ Interest rates;
/ Credit risk; and
/ Liquidity risk.

A description of each risk, together with the policy for managing risk, is given below.

35.1 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 2016.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, 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 25.

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.

35.2 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 35.2.2 Interest rate risk management.

35.2.1 Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. In particular the Group is exposed to sterling, euro and swiss franc exchange rate fluctuations. 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. In addition, where necessary, exchange rate exposures are managed by entering into foreign exchange forward contracts.

The following table summarises the Group's derivative financial instrument that was entered into during the year.

	Average exchange rate		Foreign currency		Notional value		Fair value	
Outstanding contract	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Cash flow hedges								
Floating USD forward up to 31 December 2018	**$1.345/£**	–	**12,000**	–	**8,922**	–	**127**	–

This forward contract is forecast to be fully effective. As at 31 December 2017, the gain under the forward foreign exchange contract deferred in the cash flow hedge reserve relating to the anticipated future transactions is $127k. It is forecast that the sales and purchases will take place during 2018, at which time the amount deferred in equity will be reclassified to the income statement. The fair value of the forward foreign currency contract is categorised within the level 2 hierarchy and is measured at the market value of forward contracts with similar terms and conditions at the balance sheet date.

35. Financial instruments (continued)

The table below summarises the FX exposure on the net monetary position of entities against their respective functional currency, expressed in group's presentational currency:

	USD/GBP $'000	GBP/EUR $'000	GBP/CHF $'000	USD/Other $'000
At 31 December 2017				
Entities with functional currency USD	27	–	–	(87)
Entities with functional currency GBP	6,524	(115)	(658)	–
Entities with functional currency CHF	–	–	(6)	(13)
Total	6,551	(115)	(664)	(100)
At 31 December 2016				
Entities with functional currency USD	(1,807)	–	–	6
Entities with functional currency GBP	2,309	(2,248)	(1,465)	–
Entities with functional currency CHF	–	–	(4)	(14)
Total	502	(2,248)	(1,469)	(8)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10 per cent change in 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:

	USD/GBP $'000	GBP/EUR $'000	GBP/CHF $'000
At 31 December 2017			
Total effect on profit of positive movements	655	(12)	(66)
Total effect on profit of negative movements	(655)	12	66
At 31 December 2016			
Total effect on profit of positive movements	50	(225)	(147)
Total effect on profit of negative movements	(50)	225	147

35.2.2 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 35.3 Liquidity risk management section. The Group's exposure to interest rates on financial assets has been assessed by management as insignificant.

Interest rate sensitivity analysis

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

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

/ profit for the year ended 31 December 2017 would decrease by $454,000 (2016: $308,000); and
/ other comprehensive income would not be impacted (2016: nil).

The Company's sensitivity to interest rates has increased during the current year due to the increase in the value of loans held.

35.3 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.

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 2017					
Trade & other payables	n/a	54,510	–	–	54,510
Finance lease creditors	2.8%	1,751	2,126	–	3,877
Loans	4.4%	30,642	1,012	–	31,654
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

35. Financial instruments (continued)

35.4 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 20.

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.

36. Events after the balance sheet date

On 9 February 2018, Gama Aviation Plc announced its intention to raise further capital through the proposed placing of shares. The admission of the placing shares became effective on 2 March 2018. The Group raised £48 million (approximately US$67 million) to accelerate the Group's strategy of becoming the leading global business aviation services group. Hutchison Whampoa (China) Limited ("Hutchison") subscribed for shares in the placing and now holds approximately 21% of the issued share capital. $19.8 million of the proceeds were used to acquire Hutchison's Hong Kong aviation interests: its 50% stake in Gama Aviation Hutchison Holdings Ltd and its 20% stake in China Aircraft Services Limited. The balance of the proceeds is intended to be deployed in two Ground base maintenance facilities in the US and the development of the Sharjah business aviation centre in the Middle East and through acquisitions targeting Air opportunities in Europe and the Middle East and Ground opportunities in Europe.

37. 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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Gama Charters LLC	**–**	17,954	**–**	316
Saudi Bin Laddin	**–**	5,397	**–**	–
Crescent Investment LLC	**3,118**	2,990	**567**	859
Air Arabia, UAE	**212**	199	**–**	–
Gama Aviation Hutchison Holdings	**2,072**	427	**17**	–
Zulu X-Ray Services Limited	**–**	298	**–**	–
G Khalek	**–**	36	**–**	–
Valentia Properties Limited	**–**	–	**33**	17
Merlin Financial Advisors	**–**	–	**–**	85
Oneti	**4,112**	–	**–**	–
Gebu Partners Limited	**–**	–	**–**	31

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Gama Charters LLC	**–**	–	**–**	31
Gama Aviation Hutchison Holdings	**1,522**	1,388	**–**	–
Oneti Ltd	**–**	–	**142**	4,000
Crescent Investment LLC	**–**	–	**–**	165
Saudi Bin Laddin	**–**	371	**–**	300
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 is 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.

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.

	2017 $'000	2016 $'000
Short-term employee benefits	**2,135**	1,935
Post-employment benefits	**225**	188
Termination benefits	**–**	68
Share-based payments	**79**	–
	2,439	2,191

Details of directors' remuneration are given in the Remuneration Report on pages 30 to 32.

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.

38. 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.

	2017 $'000	2016 $'000
At 1 January	**296**	264
Amounts charged for the year	**109**	61
Paid during the year	**(72)**	(29)
At 31 December	**333**	296

39. Prior year adjustment

A liability of US$1.1 million has been raised in the form of a prior year adjustment. This arose as a result of an obligation in relation to one particular customer arrangement for services provided prior to 2014 in the Hangar 8 business, which had not been recognised at the time in error. This has resulted in an increase in the liabilities by $1.1m and reduced reserves by the same amount in the prior period. This has had no impact on the income statement in the prior period.

Independent auditor's report to the members of Gama Aviation Plc

Opinion: Our opinion on the parent company financial statements is unmodified
We have audited the parent company financial statements of Gama Aviation Plc for the year ended 31 December 2017, which comprise the parent company statement of financial position, the parent company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
/ give a true and fair view of the state of the parent company's affairs as at 31 December 2017;
/ 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the parent company financial statements section' of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

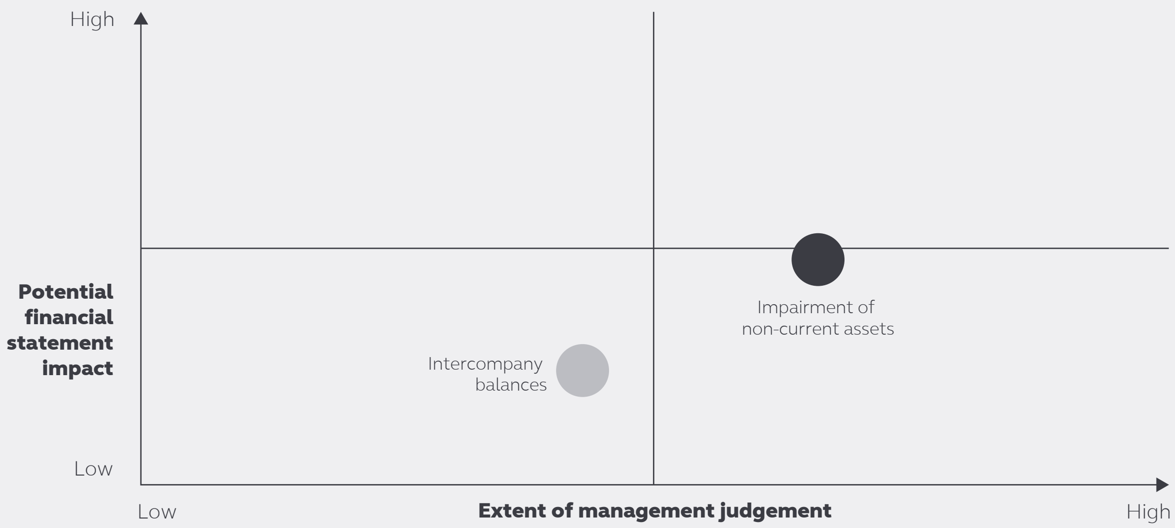
Who we are reporting to
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

/ the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or
/ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach
/ Overall materiality: £387,000, which is 2% of the parent company's total assets, restricted to 75% of group materiality.
/ Key audit matters were identified as impairment of non-current assets.

Key audit matters
The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Impairment of non-current assets The directors are required to make an annual assessment to determine whether the Company's investment of £92.7m are impaired. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 'Impairment of assets' is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified impairment of non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: / obtaining management's impairment analysis and recalculating the arithmetical accuracy of those calculations including the sensitivity analyses; / comparing the assumptions utilised in the impairment models, including growth rates, discount rates and terminal values to budgets, previous results and third party support; / challenging management's assessment of impairment indicators relating to intangible assets; / comparing current market capitalisation to carrying value of net assets and calculated value in use for the subsidiaries; / testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions; and / considering the detailed disclosures to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review. The company's accounting policies on non-current assets are shown in note 1 to the parent company financial statements and related disclosures are included in note 4. **Key observations** Based on our audit work, we have concluded that there is no impairment of the investments required to be recognised in the financial statements.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the parent company financial statements as a whole to be £387,000, which is 2% of the parent company total assets restricted to 75% of group materiality This benchmark is considered the most appropriate because it is a key focus area for management and the users of the accounts and represents underlying results of the business.

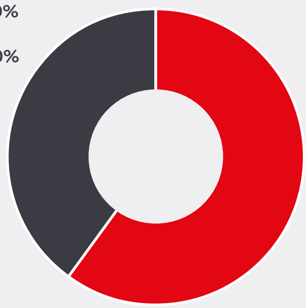
Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016, reflecting the change in reported results.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the parent company financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality

Performance materiality 60%
Tolerance for potential uncorrected mistatements 40%



We also determine a lower level of specific materiality for related party transactions of nil based on their significance to the financial statements.

We determined the threshold at which we will communicate misstatements to the audit committee to be £19,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the company's business and is risk-based. An interim visit was conducted before the year end to complete advance substantive audit procedures and to evaluate the internal controls environment including its IT systems. There has been no change in the scope of the audit from prior year.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent company financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters 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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 35, 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, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter
We have reported separately on the group financial statements of Gama Aviation Plc for the year ended 31 December 2017. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Grant Thornton UK LLP.

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

16 March 2018

/ PARENT COMPANY STATEMENT OF FINANCIAL POSITION
/ FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	3	–	–
Investments	4	92,619	85,583
		92,619	85,583
Current assets			
Debtors due within one year	5	33,486	32,212
Cash at bank and in hand		111	100
		33,597	32,312
Creditors: amounts falling due within one year	6	(25,348)	(15,923)
Net current assets		8,249	16,389
Total assets less current liabilities		100,868	101,972
Provision for liabilities			
Deferred tax liability		–	–
Net assets		100,868	101,972
Capital and reserves			
Called up equity share capital	7	440	440
Merger reserve		89,495	89,495
Share-based payment expense		195	–
Profit and loss account		10,738	12,037
Equity shareholder funds		100,868	101,972

The financial statements were approved by the Board of Directors and authorised for issue on 16 March 2018, and are signed on their behalf by:

M Khalek
Director

The notes on pages 93 to 96 form part of these parent company financial statements.

/ PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	430	22,770	–	86,506	(9,522)	100,184
Loss for the year	–	–	–	–	(145)	(145)
Total comprehensive income for the period	–	–	–	–	(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
Loss for the year	–	–	–	–	(155)	(155)
Total comprehensive income for the year	–	–	–	–	(155)	(155)
Share-based payment contribution	–	–	195	–	–	195
Dividend paid	–	–	–	–	(1,144)	(1,144)
At 31 December 2017	440	–	195	89,495	10,738	100,868

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 £155k for the year (2016: loss of £145k), had net current assets of £8,249k (2016: £16,389k net current assets), and had net assets of £100,868k (2016: £101,972k).

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 £154,944 for the year (2016: loss of £146,000). 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 January 2016	53
Balance at 31 December 2016	53
Eliminated on disposal	(53)
Balance at 31 December 2017	–
Accumulated depreciation	
Balance at 1 January 2016	53
Balance at 31 December 2016	53
Eliminated on disposal	(53)
Balance at 31 December 2017	–
Carrying amount	
At 31 December 2017	–
At 31 December 2016	–

4. Investments

	Total £'000
Balance at 1 January 2016	85,676
Impairment	(93)
Balance at 31 December 2016	85,583
Additions	3,859
Transfers from subsidiary undertaken	2,982
Contributions to subsidiaries and associates	195
Closing balance at 31 December 2017	92,619

Details of the Company's subsidiaries at 31 December 2017 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%	Non-trading
Aviation Crewing Limited	Great Britain	100%	Dormant
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%	Dormant
Gama (Engineering) Limited*	Great Britain	100%	Dormant
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%	Dormant
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%	Dormant
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 FZC*	UAE	100%	Aviation management
Gama Group Mena FZE	UAE	100%	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.

5. Debtors

	2017 £'000	2016 £'000
Amounts owed from group companies	33,351	32,058
Other debtors	128	128
Tax and social security	–	24
Prepayments and accrued income	7	2
	33,486	32,212

6. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings	2,982	–
Trade creditors	231	155
Other payables	19	5
Bank loan	21,962	15,522
Overdrafts	–	49
Accruals and deferred income	154	192
	25,348	15,923

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% (2016: LIBOR +1.95%).

7. Share capital

	Nominal value	2017 number	2017 £'000	2016 number	2016 £'000
Issued and fully paid ordinary shares					
At the beginning of the period	1p	42,994,442	440	42,994,442	430
Issued in settlement of acquisition consideration	1p	–	–	1,000,000	10
Other issues for cash during the year	1p	–	–	–	–
At the end of the period	1p	43,994,442	440	43,994,442	440

Further details of movements in the Company's authorised and issued share capital are given in note 25 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.