ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

/ 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.

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Cover image: our new maintenance facility at Bournemouth Airport

Safe & DEPENDABLE

Strategic Report

2018 Highlights
Chief Executive Officer's statement
Business overview, strategy and model
Operational performance review
Chief Financial Officer's review
Principal risks and uncertainties

Your mission, our passion.

/ 2018 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 2018.

/ Financial Highlights:

Revenue

$234.8m

Up 10.6% on a constant currency basis (2017: $207.4m)

Adjusted EBIT

$11.3m

Down 38.3% on a constant currency basis (2017: $18.3m)

Net debt decreased by

$14.4m to $2.9m

(2017: $18.0m)

Operating cash flow decreased by

$34.9m to $21.4m

(2017: $13.5m)

/ Financial summary:

	Adjusted[1] $m		Statutory $m		
	Dec-18	Dec-17 (restated)[3]	Constant Currency[2] Dec-17	**Dec-18**	Dec-17 (restated)[3]
Continuing operations:					
Revenue	**234.8**	207.4	212.4	**234.8**	207.4
Gross profit	**45.1**	45.6	46.8	**45.1**	45.6
Gross Profit %	**19.2%**	22.0%	22.0%	**19.2%**	22.0%
EBITDA	**13.3**	19.6	19.9	**(26.9)**	16.8
EBIT	**11.3**	18.3	18.3	**(30.4)**	17.4
Profit/(Loss) Before Tax	**11.0**	16.6	16.3	**(30.8)**	15.7
Earnings per share (cents)	**14.6**	30.7	32.0	**(53.5)**	26.7

1 Adjusted EBIT is stated after removing impairment losses, share based payment charges; acquisition related and accelerated amortisation; and exceptional costs, which comprise: transaction costs; legal, integration and business re-organisation costs and contribution to associate.

Adjusted EBITDA is adjusted EBIT with share or results from equity accounting investments and remaining amortization and all the depreciation added back.

2 Change calculated at a constant foreign exchange rate of $1.34 to £1, being the cumulative average USD-GBP exchange rate for 2018.

3 The trading results for 2017 have been restated for:

a) an adjustment to reclassify $1,600,000 of Group charges from gross profit to administrative expenses to ensure that the Group income and costs eliminate on the same line of the income statement. This adjustment does not impact EBIT or cash.

b) the Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $460,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement.

- Revenue increased 13.3% to $234.8m (2017: $207.4m), broadly flat excluding acquisitions.
- Ground revenues organically increased by 10% and Air increased by 17%, reflecting the contribution of the acquisition of the outstanding 50% of the joint venture interest of Gama Aviation Hutchison Holdings ("Hutchison Holdings") and some organic growth.
- Gross profit is broadly flat at $45.1m (2017: $45.6m).
- Gross profit margin at 19.2% was down from 22.0% in 2017.
- Adjusted EBIT declined by 38.3% to $11.3m (2017: $18.3m) reflecting the lower gross profit, operational costs associated with the organic investments in US Ground, the new Business Aviation Centre in the UAE and in strengthening the management team.
- Statutory loss before tax of $30.8m (2017: profit before tax $15.7m). The statutory loss includes the following non-cash costs: impairment charge of $27.7m; exceptional items of $11.9m; and a share-based payment charge of $0.7m.
- Net debt at the end of the year was $2.9m (2017: $18.0m).
- Refinancing completed in August 2018, providing a new $50.0m revolving credit facility.
- Recommended final dividend of 2 pence per share.

2018 was a disappointing year for the Company during which we fell short of delivering the financial performance expected of us and the execution of our strategy. As CEO, co-founder and major shareholder I am resolved to put things right and get the business back on track.

Although 2018 was a busy year and one of transition and change for the business, it remains clear that the fundamentals of our business are strong.

We have a sound operational platform, evidenced by the divisional gross profit performance. We operate a robust, profitable and largely cash generative business model, evidenced by the adjusted financial performance at divisional level. We offer a suite of services that are relevant to our customer needs, evidenced by our organic revenue growth in key markets and by the significant long-term special mission contracts secured in 2018. Additionally, through the equity placing in March 2018 and the new revolving credit facility secured in August 2018, we have a sound financial base and a healthy balance sheet.

With these strong fundamentals in place, together with improvements in systems and processes and with the passion, dedication and commitment of our people, I am confident that we will return to executing our strategic objective of delivering sustainable profitable growth.

2018 Performance
Excluding the effect of acquisitions, Group revenues grew slightly year-on-year. Strong revenue growth in our US Ground and Asia Air businesses, and modest growth in Europe, were offset by reductions in Middle East Air and Global Services.

Although we fell short of delivering the anticipated revenue growth, a continuing focus on good quality revenues and on operational efficiencies helped deliver a gross profit of $45.1m (2017; $45.6), down $0.5m on the prior year but still representing a healthy margin of just under 20% (2017; 22%). The decline in margin is due, in part, to a year-on-year change in the business mix.

As a result of the $0.5m drop in gross profit, together with a significant $6.5m increase in administrative costs, the overall Adjusted EBIT was down by $7.0m to $11.3m (2017; 18.3m). The increases in administrative costs are broadly attributable to the following factors; an increase in depreciation and amortisation charges of $0.8m, an increase in central and regional overheads of some $2.0m to enable the scaling up of the business, approximately $1.8m resulting from the consolidation of the Asia operation which is now a 100% owned subsidiary and approximately $2.0m as a result of certain changes in accounting judgments.

An overview of the performance of each of the divisions is provided in the Operational Performance Review that follows.

2018 Investment
Organic Investments
Our organic investment plan remains on track and we continue to make investments into our divisions in line with our clearly defined strategy. This includes the investments into expanding our maintenance network in the US, the relocation of our UK ground business to Bournemouth, the development of the Business Aviation Centre in Sharjah, supporting a start-up operation in the Kingdom of Saudi Arabia which provides us with an operating license that allows us to access this lucrative market and the re-platforming of our software products.

Investment in Systems, Processes and Internal Controls
As part of our continuous improvement strategy, we have made significant investments in a range of initiatives across our operational and finance functions, all of which are aimed at improving business processes and strengthening internal controls. This includes the appointment of KPMG to undertake the Internal Audit function across the Group.

Investment in People
We have invested in the recruitment of high-quality people in a targeted manner with the objective of continuing to strengthen our leadership and organisational structure.

Investment in Acquisitions
Our market remains highly fragmented and we continue to seek and evaluate acquisition opportunities. Our approach to acquisitions is very diligent and prudent and we will only execute on the opportunities that fit our strategic objectives both operationally and financially and we will continue to adopt this disciplined approach in our pursuit of future opportunities.

Accounting Review
On 29 March 2019, the company issued an RNS stating that the Board had commissioned Deloitte LLP to independently review the accounting treatment of the overpayments announced on 5 February 2019. The review concluded that it was necessary to re-classify certain balances within current liabilities in the December 2017 and June 2018 balance sheets. Full details are provided in the finance review section and in the disclosures to the consolidated financial statement.

The need for the re-classification and the errors associated with these payments are regrettable. The review also identified the causal factors and we have taken the necessary actions to ensure that such errors cannot occur again.

2019 Priorities
Our priorities for 2019 are clear and simple. First and foremost, we continue our focus on the core business and on implementing the range of systems and process improvements which will allow us to deliver the financial performance we expect from our operations. Secondly, we continue to assess and evaluate growth opportunities, both through organic or acquisition investments, in a disciplined, diligent and prudent way with a view to executing on those that meet our strategic objectives and enhance our investment proposition.

Strategy
Our strategy remains unchanged, save for the priorities set out above. The Group remains focused on building its depth of capabilities and expertise, broadening its geographical reach and range of service offerings, thus increasing the scale of its operations in its chosen markets and driving revenue growth and enhancing cross selling opportunities.

We will execute this through focused organic growth and investment and through targeted strategic acquisitions which will collectively allow us to increase our share in this highly fragmented market place.

Outlook
The Board expects growth in the US to continue through 2019 but expects more challenging market conditions in Europe, particularly with the continuing uncertainties over Brexit and foreign exchange volatility. For the Middle East and Asia, absent of any acquisitions, the expectations are for very modest organic growth.

Given the mixed market conditions, the Board is taking a cautious approach to its 2019 outlook and accordingly expects the financial performance of the Group to deliver an Adjusted EBIT in the range of $10.5m to $11.5m.

Marwan Khalek
Chief Executive Officer

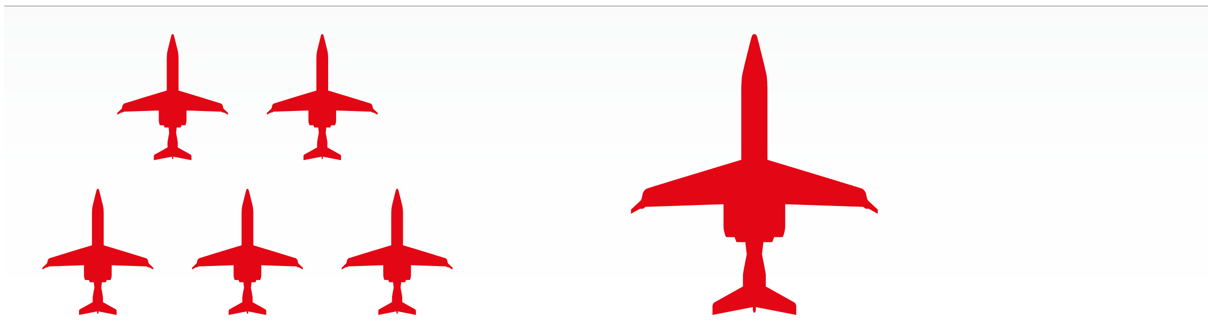
We are a multi-disciplinary, global aviation services Group that specialises in providing solutions for individuals, corporations and Government agencies; allowing them to deliver on the promises they make.

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

/ Our values
Safe and dependable, authentic and true, client focused, and performance driven.

/ 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; and 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)

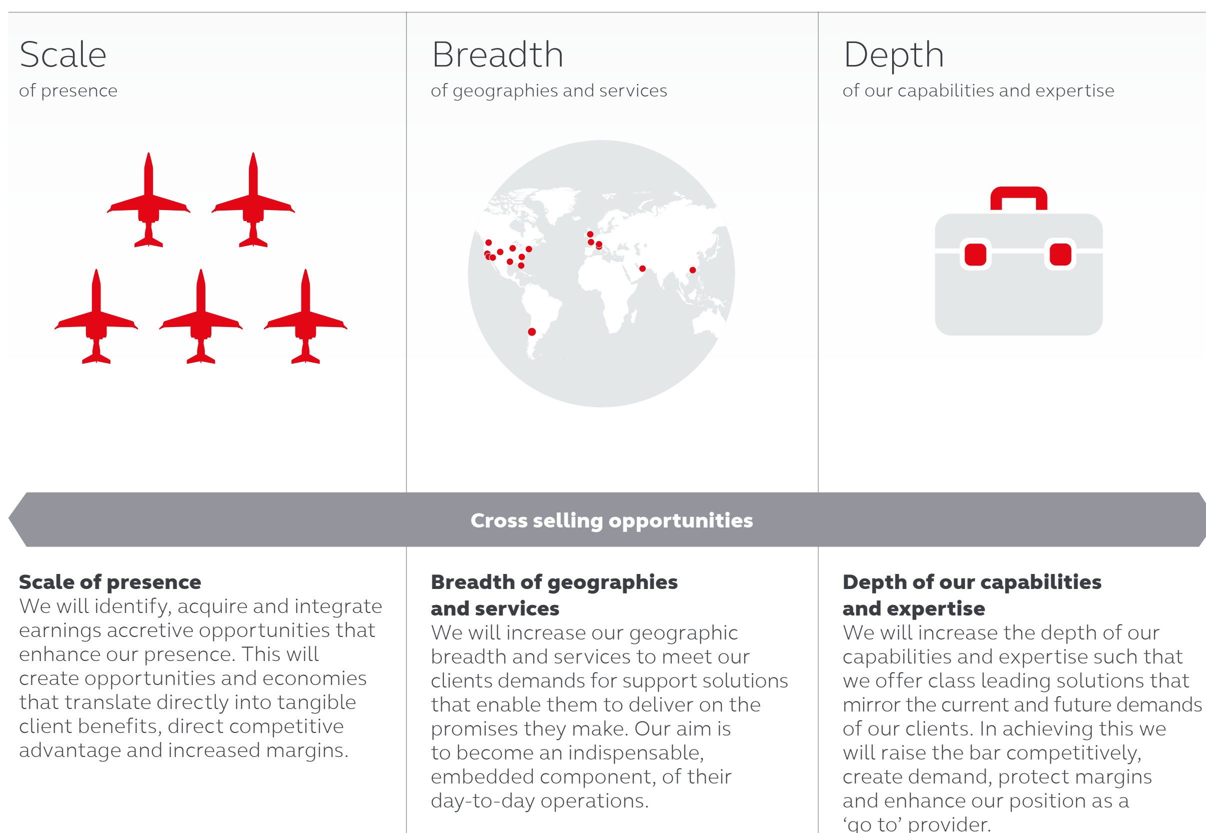
We, the Board and our principal shareholders believe, that the fragmentation of the global business aviation market creates a substantial market opportunity as:

- / We command leading positions in fragmented markets however our market share is low single digits (we operate approximately 1% of the US fleet and 1% of the European fleet);
- / No single Air operator has more than a 4% share; and
- / 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. 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 to increase the scale of its presence in its chosen markets and to drive further revenue growth through 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 and 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 and 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.

/ EXECUTING THE STRATEGY; OUR BUSINESS MODEL

Our business model has been continually enhanced over the last 35 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

/ 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 through acquisition	Scale up through investment	Build
Special missions	Evaluate	Scale up	Evaluate	Evaluate
Charter	Scale up	Scale up through acquisition	Scale up	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

/ Ground Division

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

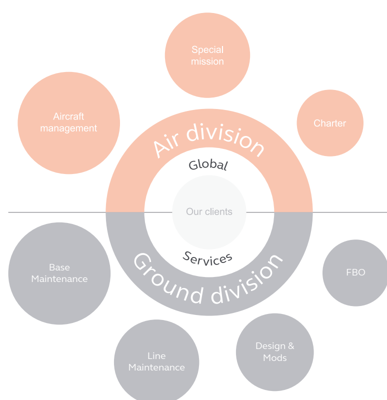
Base maintenance refers to the planned maintenance required by the aircraft manufacturer or component supplier, whereas line maintenance is irregular maintenance activity often because of component failure or wear and tear and both services are offered on either a fee or contract basis. The design and 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 fueling of aircraft.

Regional deployment of the Ground division business model

Ground	US	Europe	Middle East	Asia
Base maintenance	Launching with investment	Scaled up with Bournemouth facility	Build through investment	Build
Line maintenance	Scaled up with additional bases	Scale up through investment	Build through investment	Build
Design & modifications	Evaluate	Scale up	Evaluate	Evaluate
FBO services	N/A	Build	Building through investment	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



/ Global Services Division

We are now reporting FlyerTech and MyAirOps Software in the Global Services Division, which were previously reported in Europe Air and Europe Ground respectively. FlyerTech provides continuing airworthiness management (CAM) and airworthiness review certification (ARC) services for business aviation and commercial airline operators. MyAirOps Software has developed a suite of business aviation products deployed as "Software as a Service" (SaaS) and mobile app solutions for business aviation operators, FBOs and airports. Other service offerings that could fall into this category include aircraft charter brokerage, aircraft sales brokerage and aircraft parts sales and distribution.

/ GROUP OPERATIONAL PERFORMANCE

Revenue

USD'000s	2018	2017
Air Division	135,929	115,504
Ground Division	94,959	87,488
Global Services Division	3,949	4,368
Total	234,837	207,360

Adjusted EBIT

USD'000s	2018	2017
Air Division	5,617	8,468
Ground Division	8,092	10,862
Global Services Division	1,253	1,751
Associates Division	566	156
Central Costs	(4,201)	(2,953)
Total	11,327	18,284

Statutory EBIT

USD'000s	2018	2017
Air Division	(25,969)	6,830
Ground Division	4,089	9,900
Global Services Division	1,132	1,719
Associates Division	566	3,524
Central Costs	(10,230)	(4,578)
Total	(30,412)	17,395

The above Group results are explained in detail below. To improve transparency and understanding of the overall business model, the Group's airworthiness management services business and aviation software business have been re-segmented into a new Global Services Division.

Air Division

The Air Division provides global outsource services to customers using business aviation as an integral part of their mission, including corporations and public services such as air ambulance and aerial survey. It provides aircraft management, crewing, charter services, airworthiness and engineering oversight both to single aircraft operations and fleets, and delivers substantial special mission contracts for complex, time critical services.

The US Air associate result was previously incorporated in the Air Division, but this is now reported in the associate performance section and the 2017 comparisons below have been correspondingly restated.

The results of FlyerTech, the Group's airworthiness management services business, were previously reported within the Europe Air figures. The 2017 comparisons below have been correspondingly restated to remove FlyerTech, which is now reported in the Global Services Division.

Total Air Division revenue was $135.9m, representing growth of $20.4m (+18%) on last years $115.5m. This is largely driven by the consolidation of the full revenues for Asia for the first time (an increase of $21.2m, including circa $8m like-for-like organic growth). Europe revenues have now stabilised following the exit from difficult contracts.

Total EBIT decreased to $5.6m (2017: $8.5m), driven largely by the performance in Europe.

Adjusted

	US		Europe		Middle East		Asia		Total	
USD'000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	4,921	5,000	88,804	86,902	20,944	23,528	21,260	74	135,929	115,504
Gross Profit	4,997	5,076	7,527	10,204	2,228	1,886	1,774	74	16,526	17,240
GP %	102%	102%	8%	12%	11%	8%	8%	100%	12%	15%
EBIT	4,892	5,643	186	2,281	150	470	389	74	5,617	8,468
EBIT %	99%	113%	0%	3%	1%	2%	2%	100%	4%	7%

Adjustments to EBIT

	US		Europe		Middle East		Asia		Total	
USD'000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Exceptional items	(3,600)	(36)	(846)	(1,082)	(27)	(13)	(57)	–	(4,530)	(1,131)
Profit arising on step acquisition	–	–	–	–	–	–	986	–	986	–
Amortisation	–	–	(334)	(507)	–	–	–	–	(334)	(507)
Impairment charges	–	–	(24,915)	–	–	–	(2,793)	–	(27,708)	–
Total adjustments	(3,600)	(36)	(26,095)	(1,589)	(27)	(13)	(1,864)	–	(31,586)	(1,638)
Discontinued operations*	–	–	(807)	(858)	–	–	–	–	(807)	(858)

* The effects of discontinued operations are shown on a single line on the face of the consolidated income statement. This effect is included already within the statutory result shown below and is split out in the table above to aid understanding.

Statutory

	US		Europe		Middle East		Asia		Total	
USD'000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
EBIT	1,292	5,607	(25,909)	692	123	457	(1,475)	74	(25,969)	6,830
EBIT %	26%	112%	-29%	1%	1%	2%	-7%	100%	-19%	6%

/ US Air (Branding Fee Income)

/ The US Air associate 'Gama Aviation Signature' is the largest aircraft management business in the US.
/ The managed fleet (including Wheels Up) continues to grow with aircraft under management up 8% year-on-year.
/ The US Air associate delivered its 2018 contracted $3.8m branding fee in cash in the year.

/ Europe Air

/ Extension of the Scottish Ambulance Service contract by three years, worth £50m over that period.
/ Won a new five-year contract to operate four UK special mission aircraft (worth £27.5m including modification and maintenance revenues for Europe Ground).
/ Increased aircraft under management by 8% year-on-year, reversing the downward trend of previous years.

The Europe Air business reported revenue of $88.8m (2017: $86.9m), with the positive change attributable to a small increase in pass-through revenue. This represents a relatively stable position in difficult trading conditions across Europe. The business has worked hard to generate new high-quality business, resulting in an increase in aircraft under management and the win of a major new special mission contract. Together with the extension of the Scottish Ambulance Service contract, this new contract reflects the Group's ability to bring to bear a range of specialist services across its Air and Ground Divisions.

The order for three Airbus H145 helicopters in support of the extended Scottish Ambulance Service contract reflects the Group's strategic decision to apply its operational capability in the rotary market in addition to its traditional fixed wing aircraft. These will be funded through either finance or operating leases.

Included in the 2017 Adjusted EBIT of $2.3m are approximately $1.3m of accrual and provision releases, largely related to Hangar8. Excluding the benefit of these one-off items in the prior year, the Adjusted EBIT would be approximately $1.0m. The 2018 Adjusted EBIT of $0.2m is stated after recording $0.9m of non-recurring charges arising from the Group's review of accounting estimates.

/ Middle East Air

- Maintained size of fleet in UAE, despite geo-political challenges in the region during 2018.
- Supported a start-up operation in the Kingdom of Saudi Arabia which has secured an operating license and its first aircraft under management.

The Middle East Air business delivered revenue of $20.9m (2017: $23.5m), down by $2.6m (-11%) due to reduced pass-through revenues from a stable managed fleet. Efficiency gains have delivered an improved gross profit performance (3 percentage points higher at 11%).

The Group has supported the start-up operations in the Kingdom of Saudi Arabia under a loan and branding arrangement to complement the existing UAE business. The first aircraft under management has been secured and this business represents a major growth opportunity for the future.

Total EBIT was $0.2m (2017: $0.5m). Working capital was negatively impacted by delays in collection of a significant debt with one customer which the Board expects will be resolved in 2019.

/ Asia Air

- Doubled the size of the fleet to 6 aircraft under management and delivering profitable operations.
- Revenues and profits now fully consolidated.

Asia Air is now a wholly owned business following the acquisition of the outstanding 50% of the joint venture interest of Gama Aviation Hutchison Holdings (“Hutchison”) on 2 March 2018. As such, 100% of its revenues and costs are now consolidated at a Group level.

The business has made encouraging progress, having achieved viable scale via new managed aircraft contracts, which it will build on in 2019 via sales activity in new territories in the region.

/ Ground Division

The Ground Division provides global support to the business aviation, air ambulance, law enforcement and military sectors, deploying a service mix that is designed to deliver new capability and maintain availability of the aircraft to the operator. With a global network and increasingly rare independence from manufacturer ownership, the Division maintains all the necessary approvals to maintain aircraft from Gulfstream, Dassault Falcon, Bombardier, Embraer and Textron, providing heavy, ad-hoc and emergency maintenance as well as modifications and refurbishments.

Europe Ground figures previously included MyAirOps Software, the Group’s aviation software business, which is now reported under the Global Services Division. The 2017 comparisons below have been correspondingly restated.

The Ground Division grew revenues by 8.5% to $95.0m (2017: $87.5m), driven primarily by a strong growth in engineering hours. The Division achieved an EBIT of $8.1m (2017: $10.9m), which was impacted by the Sharjah ground lease of $0.6m for the new Business Aviation Centre under construction in the Middle East, reduced overhead capitalisation in US Ground ($0.6m down from 2017) and $1.0m of losses associated with the Oxford facility in Europe Ground, which has now been closed.

Adjusted

	US		Europe		Middle East		Asia		Total	
USD'000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	37,517	30,768	52,301	52,950	4,636	3,770	505	–	94,959	87,488
Gross Profit	8,101	6,116	16,300	17,958	1,374	1,240	90	–	25,865	25,314
GP %	22%	20%	31%	34%	30%	33%	18%	0%	27%	29%
EBIT	1,887	2,348	6,726	8,429	(342)	85	(179)	–	8,092	10,862
EBIT %	5%	8%	13%	16%	-7%	2%	-36%	0%	9%	12%

Adjustments to EBIT

	US		Europe		Middle East		Asia		Total	
USD'000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Exceptional items	(6)	(25)	(2,630)	(757)	2	–	–	–	(2,634)	(782)
Amortisation	(633)	–	(113)	(180)	(273)		(350)		(1,369)	(180)
Total adjustments	(639)	(25)	(2,743)	(937)	(271)	–	(350)	–	(4,003)	(962)

Statutory

	US		Europe		Middle East		Asia		Total	
USD'000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
EBIT	1,248	2,323	3,983	7,492	(613)	85	(529)	–	4,089	9,900
EBIT %	3%	8%	8%	14%	-13%	2%	-105%	0%	4%	11%

/ US Ground

/ Opened three new field service locations and two new base maintenance facilities, expanding overall capability and capacity – engineering hours +17% year-on-year.

/ New paint and interior facility ("Paint Shop"), acquired in January 2019, enhances the overall offer with opportunity to cross-sell.

The US Ground business delivered strong revenue growth of 22%, up $6.7m to $37.5m. Although the level of growth was not as significant as originally anticipated, this strong performance still reflects the division's success in out-performing its competitors in a robust US market, and investment in new capacity via the organic growth strategy. Engineering hours are up 17% year-on-year and productivity in the core engineering workforce has improved through a focus on operational efficiency, resulting in the GP margin increasing from 20% to 22%. The new base maintenance facilities in Miami and Dallas are performing well and the acquisition of the Paint Shop announced in January 2019 further enhances the Group's capabilities going forwards.

However, overheads have also increased year-on-year, partly due to investment in the leadership team to enable sustainable growth. The net impact of these factors is a reduction in EBIT to $1.9m (2017: $2.3m).

Cash generation is positive, and the business is well set to further increase revenue and sustainable profit in 2019.

/ Europe Ground

/ Won an eleven-year contract for support of eight government special mission aircraft, following on from an existing similar contract.
/ Won a new contract with Europe Air for support of four special mission aircraft.
/ New Bournemouth facility delivered and fully operational – removes operational inefficiencies and allows for scalable growth.

The Europe Ground business revenue was $52.3m (2017: $53.0m). The win of two major new contracts, which together are expected to deliver over $100m of Europe Ground revenues over the life of the contracts, provides long term stability and visibility of this core activity and demonstrates the strength and potential of our customer proposition.

During the second half of the year, the business opened its new maintenance facility at Bournemouth, consolidating jet and turboprop maintenance into a single large operation, providing significant new capacity for growth and efficiencies from increased scale and cross-utilisation of resources. The new facility has already delivered performance improvements in line with the business case, with the business's productivity increasing by over ten percentage points since the facility opened. The legacy Oxford jets maintenance facility has been closed.

After absorbing losses from both the Oxford and Fairoaks facilities, the business delivered an EBIT of $6.7m (2017: $8.4m). With the consolidation into Bournemouth completed and the facility performing well, the business is positioned for profitable growth in 2019.

/ Middle East Ground

/ Total engineering hours +30% year-on-year.
/ Development of key Sharjah asset remains on track.

The Middle East Ground business delivered revenues of $4.6m, up $0.8m (+21%) on last year (2017: $3.8m). Business aviation activity was affected by regional political effects which impacted aircraft movements through FBO facilities in the region, including Sharjah. However, engineering hours growth was nevertheless achieved and hangarage and parking facilities have been over-subscribed.

The development of the Business Aviation Centre in Sharjah continues as planned, with earthworks commenced and contracts for design awarded and now mostly complete. Funding the full construction project is a key priority for 2019. The business delivered a total EBIT of $(0.3)m (2017: $0.1m), largely due to the expensing of the ground lease for the Business Aviation Centre of $0.6m. Without this charge, the business would have improved profitability year-on-year.

/ Asia Ground

The joint-operation with China Aircraft Services Limited ("CASL") in Hong Kong is well positioned to capitalise on its clear growth potential. This has delivered initial revenues and gross profit from its first year of operations through its collaboration with CASL and good growth is expected in 2019.

/ Global Services Division

We are now reporting FlyerTech and MyAirOps Software in the Global Services Division, which were previously reported in Europe Air and Ground respectively. FlyerTech provides continuing airworthiness management (CAM) and airworthiness review certification (ARC) services for business aviation and commercial airline operators. MyAirOps Software has developed a suite of business aviation products deployed as "Software as a Service" (SaaS) and mobile app solutions for business aviation operators, FBOs and airports. FlyerTech has continued to deliver a robust financial performance, while MyAirOps Software has been through an investment phase in a major technology refresh and is now successfully securing sales to both existing and new clients on the new SaaS platform.

Adjusted

	Total	
USD'000s	2018	2017
Revenue	3,949	4,368
Gross Profit	2,662	3,064
GP %	67%	70%
EBIT	1,253	1,751
EBIT %	32%	40%

Adjustments to EBIT

USD'000s	Total 2018	Total 2017
Exceptional items	(121)	(32)
Total adjustments	(121)	(32)

Statutory

USD'000s	Total 2018	Total 2017
EBIT	1,132	1,719
EBIT %	29%	39%

The FlyerTech results were previously reported in Europe Air and the MyAirOps Software results were included within Europe Ground. The 2017 comparisons have been correspondingly restated in the respective Air and Ground results above.

Global Services revenues were down year-on-year at $3.9m (2017: $4.4m) because of the transition from on-premise software to "Software as a Service", with EBIT down at $1.3m (2017: $1.8m) largely due to the investment required for this transition.

Capex of $1.5m was also invested during the year to develop the "Software as a Service" platform.

Brexit is presenting a short-term risk to FlyerTech's activity within this division due to potential implications for certain regulatory approvals in the event of a so-called "hard Brexit", which have delayed some airworthiness management deals. Mitigation activities have been identified and will be implemented if necessary.

/ Associate Investments

In previous years the Group showed a "Total Division" result for the Air and Ground Divisions, which included the gross revenues of associates. The Group will now show only its share of results of associates as reported in the consolidated financial statements, which is included within the EBIT profit line, below gross margin.

Adjusted

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	2018	2017	2018	2017	2018	2017
EBIT	359	156	207	–	566	156

Adjustments to EBIT

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	2018	2017	2018	2017	2018	2017
Release of provision for associate losses	–	1,804	–	–	–	1,804
Profit on disposal of associate	–	1,564	–	–	–	1,564
Total adjustments	–	3,368	–	–	–	3,368

Statutory

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	2018	2017	2018	2017	2018	2017
EBIT	359	3,524	207	–	566	3,524

Overall, associate Adjusted EBIT has increased from $0.2m in 2017 to $0.6m in 2018. China Aircraft Services Limited (CASL) was newly acquired in 2018.

US Air Associate – Gama Aviation LLC

/ The Group owns a 24.5% share in Gama Aviation LLC (the "US Air Associate").
/ In addition to the branding fee included above in the Air Division, the Group has also consolidated $0.36m of profits from associates for the full year, which represents 24.5% of the net profit that the US Air Associate made in 2018.
/ Whilst 2018 showed strong organic revenue growth, the business continues to invest in its sales and operational infrastructure to facilitate future growth and improve profitability in the future.
/ No dividend has been declared, so the consolidated result will not be matched by cash inflow to the Group.

China Aircraft Services Limited (CASL)

/ The Group purchased a 20% share in CASL in February 2018 for $16m.
/ The business generated profits of $1m for the full year, with Gama's 20% share for the period of ownership returning $0.2m.
/ Trading in 2018 was impacted by the loss of 2 key contracts and a challenging labour market.
/ Through its representation on the Board, the Group is ensuring that CASL management are addressing their performance proactively.
/ A dividend of $1.0m has been declared by the Board and Gama's share of $0.2m will be received in 2019. Cash will therefore broadly match profit for the 2018 financial year.

/ CHIEF FINANCIAL OFFICER'S REVIEW

Group revenue is up 10.6% at $234.8m (2017: $212.4m).

David Stickland
Chief Financial Officer

Group revenue

$234.8m

Adjusted EBIT

$11.3m

Adjusted EPS

$14.6 cents

EPS

(32.3) cents

2018 dividend

2.00p

	Adjusted[1] $m			Statutory $m	
	Dec-18	Dec-17 (restated)[3]	Constant Currency[2] Dec-17	Dec-18	Dec-17 (restated)[3]
Continuing operations:					
Revenue	234.8	207.4	212.4	234.8	207.4
Gross profit	45.1	45.6	46.8	45.1	45.6
Gross Profit %	19.2%	22.0%	22.0%	19.2%	22.0%
EBITDA	13.3	19.6	19.9	(26.9)	16.8
EBIT	11.3	18.3	18.3	(30.4)	17.4
Profit/(Loss) Before Tax	11.0	16.6	16.3	(30.8)	15.7
Earnings per share (cents)	14.6	30.7	32.0	(53.5)	26.7

1 Adjusted EBIT is stated after removing impairment losses, share based payment charges; acquisition related and accelerated amortisation; and exceptional costs, which comprise: transaction costs; legal, integration and business re-organisation costs and contribution to associate.

Adjusted EBITDA is adjusted EBIT with share or results from equity accounting investments and remaining amortization and all the depreciation added back.

2 Change calculated at a constant foreign exchange rate of $1.34 to £1, being the cumulative average USD-GBP exchange rate for 2018.

3 The trading results for 2017 have been restated for:

a) an adjustment to reclassify $1,600,000 of Group charges from gross profit to administrative expenses to ensure that the Group income and costs eliminate on the same line of the income statement. This adjustment does not impact EBIT or cash.

b) the Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $460,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement.

Revenue Bridge

Revenue – 2017	207.4
Step-acquisition of Gama Aviation Hutchison Holdings	21.7
Air Division (excluding step-acquisition)	(0.9)
Ground Division	7.0
Global Services Division	(0.4)
Revenue – 2018	234.8

/ There was a $21.7m year-on-year revenue increase as a result of the Group obtaining control of Gama Aviation Hutchison Holdings in March 2018. This resulted in the Group consolidating results for the company in full instead of recording only the Group's share of profits from the associate.
/ Air Division revenue fell by $0.9m, the single largest contributing factor being difficult trading in the Middle East caused by the well publicised political events during the year.
/ Ground Division revenue growth was $7.0m in the year, mainly due to the expansion of the US Ground business, with the remainder coming from the Middle East.
/ Global Services revenue fell by $0.4m.

Statutory EBIT Bridge

Statutory EBIT – 2017 (restated)*	17.4
Impairment loss	(27.7)
Increase in exceptional costs	(9.2)
Increase in administrative expenses	(5.7)
Increase in share-based payment expense	(0.5)
Decrease in gross profit	(0.5)
Increase in depreciation and amortisation	(1.8)
Decrease in exceptional profit from associate transactions	(2.4)
Statutory EBIT – 2018	(30.4)

* The Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $460,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement.

/ The Group recorded a non-cash impairment loss of $20.4m against goodwill arising on the merger between Hangar8 plc and Gama Aviation in 2015. At the time the Goodwill was allocated evenly between the Air and Ground businesses. The impairment charge recorded in the current year reduces the Goodwill allocated to the Air business to nil. A further impairment charge of $7.3m was recorded against related acquired intangible assets, mainly of the Air business.
/ Exceptional costs increased by $9.2m, mainly due to the contribution to associate ($3.6m); corporate finance costs relating to the acquisitions ($1.6m), one-off costs associated with the Europe Ground business move from Oxford to Bournemouth ($1.5m), legal fees associated with the closure of the Dryden litigation in mid-2018 ($1.5m) and changes in accounting estimates ($1.0m), arising from the financial review. The treatment of these items as exceptional by the Directors is identified as a critical accounting judgment because the treatment involves a subjective view of those costs that are incurred in the ordinary course of business and those that are not. This comment applies to the changes in accounting estimates, which represent costs recognised on a one-time basis following the reassessment of previous judgments concerning the recoverability of amounts in the balance sheet.
/ Administration costs increased significantly in the period (see Adjusted EBIT bridge below).
/ Gross profit fell by $(0.5)m as detailed in the operational review.
/ Depreciation and amortisation have increased partly due to the effects of increased organic investment and growth in the US Ground business (+$0.8m of depreciation) as well as the Group's reassessment of the remaining useful life of two categories of intangible assets (commencing operations and part 145 approvals), both of which were previously assessed as having indefinite lives but are now determined to have remaining lives of one to two years (+$1.0m of amortisation).

Adjusted EBIT Bridge

Adjusted EBIT – 2017 (restated)*	18.3
Decrease in gross profit	(0.5)
Increase in administrative expenses:	
– Step-acquisition of Gama Aviation Hutchison Holdings	(1.6)
– Investment in US Ground expansion	(1.6)
– Increase in central costs	(1.4)
– Investment in Sharjah BAC	(0.6)
– Reduction in capitalised costs	(0.2)
– Other	(0.3)
Increase in depreciation	(0.8)
Adjusted EBIT – 2018	11.3

* The Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $460,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement.

- The gross profit impact of $(0.5)m discussed in the EBIT bridge falls straight through to the Adjusted EBIT result as there are no adjusting items at the gross profit level.
- As noted above, the step-acquisition of Gama Aviation Hutchison Holdings resulted in the gross revenues and costs of the company being consolidated in full in the Group accounts for the first time. In addition to the gross profit impact already mentioned, administrative costs of $1.6m were recorded, which represent the normal baseline operating cost for this business.
- US Ground administrative costs rose significantly as a direct result of the Group's strategy to expand operations in this key territory. The impact of this was to reduce overall Adjusted EBIT for US Ground by $0.5m year-on-year, offsetting the strong operational performance delivered by that business.
- Central costs increased by $1.4m, of which $0.3m resulted from lower overall Group cost recovery from the operating businesses. The remaining $1.1m of increase mainly comprised of travel costs ($0.2m), non-exceptional legal fees ($0.3m) and payroll related costs ($0.6m).
- The Group incurred ground and concession lease costs of $0.6m in the year in relation to its Sharjah Business Aviation Centre ("BAC") development. These costs relate to the non-cancellable Build-Operate-Transfer and Service Concession agreement entered by the Group in June 2017 with Sharjah Airport Authority, under which the Group is committed to construct a BAC at Sharjah Airport. The agreement runs from June 2017 until June 2042. Assets under construction in relation to the BAC, with a carrying value of $1,815,000 at 31 December 2018, are included within leasehold property. The total expected cost of the project is expected to be approximately $40m. The Directors' expectation is that the investment cost will ultimately be funded by an asset finance arrangement.
- Depreciation increased by $0.8m because of the Group's investments in FBO assets.

Adjustments (including exceptional costs)

Adjusting items	Dec-18	Dec-17
Transaction costs	3.6	0.4
Integration and business re-organisation costs	2.3	1.2
Legal costs	2.3	1.1
Cash contribution to associate	3.6	–
Share based payment charge	0.7	0.2
Acquisition related intangible amortisation	2.5	1.4
Profit arising on step acquisition/disposal of interest in associate	(1.0)	(3.4)
Impairment of goodwill and acquired intangibles	27.7	–
Total adjusting items	41.7	0.9

- Transaction costs of $3.6m arose primarily on the equity fund raise ($2.0m), changes in accounting estimates deemed to be exceptional ($1.0m) and corporate development activity ($0.5m).
- Integration and business re-organisation costs of $2.3m arose primarily on the Europe Ground move to Bournemouth ($1.5m); Oxford onerous lease provision ($0.3m); and legal entity restructuring costs ($0.2m).
- Legal costs of $2.3m arose primarily on resolution of the legacy Dryden litigation case ($1.5m) and abortive acquisition fees of $0.5m.
- Cash contribution to associate relates to the working capital payment as part of the BBA transaction.
- Acquisition related intangible amortisation relates to acquired intangible assets (customer lists, brands) recognised as part of the accounting for business combinations ($1.6m) and amortisation arising on internally generated intangible assets associated with organic investments, such as setting up new bases of operations in the US Ground business ($0.9m). In the current period the remaining useful lives of internally generated intangible assets, previously assessed as indefinite, were re-assessed as being between one and two years, resulting in amortisation of $0.9m. The remaining carrying value of these assets at the end of 2018 is $0.3m.
- The profit arising on the step acquisition of $1.0m relates to the Group's acquisition of control over Gama Aviation Hutchison Holdings. The profit arises as a result of re-valuing the associate interest held at cost, to fair value, immediately prior to the transaction in which control was obtained.
- The impairment charge of $27.7m resulted from the Group's annual IAS 36 impairment review and comprises a $20.4m impairment against goodwill and $7.3m impairment against acquired intangibles. As a result of the impairment charge, goodwill allocated to the Europe Air CGU grouping has been reduced to nil. The impairment charge resulted primarily from an updated outlook for 2019 for the Europe Air business, which in turn was based on the full year results for 2018 which were below expectations.

Earnings per share (EPS) and adjusted earnings per share

Earnings per share (cents)	Dec-18	Dec-17	Constant Currency[2] Dec-17
(Loss)/profit attributable to ordinary equity holders of the parent for basic earnings:			
Continuing operations	(32.3)	11.8	12.3
Add back:			
Amortisation	2.5	1.4	1.5
Exceptional items	39.5	2.6	2.7
Share of associate's exceptional items	–	0.4	0.4
Share-based payment expense	0.7	0.2	0.2
Add reversal of prior year losses of JV	–	(0.7)	(0.7)
Profit on disposal of interest in associate	(1.0)	(1.6)	(1.6)
Add Loss on acquisition of interest in JV/profit on disposal of interest in associates	–	(1.5)	(1.5)
Deferred tax	–	0.8	0.8
Finance FX	(0.6)	0.1	–
Profit attributable to ordinary shareholders for adjusted earnings	8.8	13.5	14.1
Denominator: Weighted average number of shares used in basic EPS	60,348,056	43,994,442	43,994,442
Adjusted Earnings per share (cents)	14.6	30.7	32.0

On 2 March 2018, 19,591,837 new ordinary shares of one pence each in Gama Aviation plc were admitted for trading on AIM. The Company raised gross proceeds of £48,000,000 ($65,460,000) pursuant to the placing. Hutchison Whampoa (China) Limited ("Hutchison") subscribed for shares in the placing and held 21.17% of the issued share capital at 31 December 2018.

/ Taxation

There is a total tax charge for the period of $1.5m (2017: charge of $3.9m). The Group operates across a number of jurisdictions and the effective rate of tax reflects the blended rate of operating in different countries.

Net debt and cash flow movements

	Dec-18	Dec-17 (restated)*
Statutory EBIT (continuing and discontinued operations)	(31.3)	15.4
Non-cash components of EBIT	31.9	(0.3)
Net movement in working capital excluding Contribution to US Air Associate	(14.8)	3.7
Contribution to US Air Associate	(3.6)	–
Gama International Saudi Arabia ("GISA") operation startup funding	(1.0)	–
Taxes paid	(1.6)	(3.6)
Interest paid	(0.9)	(1.7)
Net cash (expended on)/generated by operating activities	(21.3)	13.5
Capital expenditure net of disposals	(7.1)	(4.5)
Investment in China Aircraft Services Limited	(16.0)	–
Step-acquisition of Gama Aviation Hutchison Holdings	(2.6)	–
Consideration for disposal of non-controlling interest	–	(5.1)
Issuance of shares (net of share issue costs)	63.7	–
Dividend paid to equity holders of the parent	(2.3)	(1.5)
Net cash from/(used in) investing and financing activities	35.7	(11.1)
Decrease in net debt	14.4	2.4
Net debt at the beginning of year	(18.0)	(19.4)
Effect of foreign exchange rates and other non-cash movements	0.7	(1.0)
Net debt at the end of year	(2.9)	(18.0)

Analysis of net debt	Dec-18	Dec-17
Cash	10.0	22.3
Finance Leases	(3.0)	(3.7)
Borrowings	(9.9)	(36.6)
Net debt at the end of year	(2.9)	(18.0)

* The Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $460,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement. Net debt has also been restated (see details below).

- The significant non-cash component of EBIT is the impairment cost of $27.7m.
- Working capital increased by $14.8m, excluding associates, with significant components being:
  - Trade debtors increasing by $6.3m due to three significant outstanding trade debts, one each in the USA, Asia and Middle East.
  - Trade creditors reducing by $6.8m as the prepaid amounts received from a significant customer in December 2017 unwound.
  - Inventory increasing by $2.7m.
- A 20% equity investment was made in China Aircraft Services Limited ("CASL") in Hong Kong.
- Acquisition of the remaining 50% in Gama Aviation Hutchison Holdings was also completed in the year.

In 2018 outstanding borrowings under the previous RCF totaling $29.6m were repaid with proceeds from the equity fund raise. A further loan of $2.0m was also settled. At 31 December 2018, $10.0m of the new RCF was drawn resulting in a net reduction of RCF debt of $19.6m during the year. The reduction in RCF debt combined with a reduction in cash of $12.3m delivers net debt at the year-end of $2.9m.

/ Net Debt Restatement

In March 2019, the Board commissioned Deloitte LLP, as external advisors to the Company, in order to undertake a review of two separate cash transactions identified as potential overpayments of cash received from the Group's US Air Associate, Gama Aviation LLC, in December 2017 and June 2018. The review sought to establish the sequence of events that gave rise to the respective transactions to enable the Board to determine the nature and substance of these transactions and ensure that the correct identification of the transactions in the 2017 year end and 2018 half year balance sheets.

Following the completion of this review process, the Board has concluded that the cash receipt of $5.0m on 29 December 2017 (which was repaid on 2 January 2018) was in substance a short-term loan. The 2017 balance sheet has therefore been reclassified to remove the credit recorded in Trade Creditors and replace it with a credit in Short Term Borrowings. This increases net debt by $5.0m at the 2017 year end.

The Board has similarly concluded that $5.8m of cash received on 29 June 2018 (which was repaid on 2 July 2018) and reported in the Group's interim financial statements was also, in substance, a short-term loan. The 2018 half year balance sheet will therefore be reclassified to remove the credit recorded in Trade Creditors and replace it with a credit in Short Term Borrowings. This increases net debt by $5.8m at the half year 2018.

There was also a short-term borrowing cash transaction with the LLC of $5m at June 2017. There was no cash transaction at year end 2016, so a potential restatement of the opening balance sheet at 1 January 2017 is not necessary.

This reclassification has the effect of increasing debt at the balance sheet date but has no impact on the income statement or on earnings per share for the relevant periods.

Management have undertaken a review of internal controls in place to ensure the appropriate recording of transactions between the Group and its associates have improved and have implemented new processes accordingly, to both mitigate the risk of similar transactions occurring in future and to ensure associate accounting treatment is correct going forwards. Management is satisfied that the new processes implemented by management appropriately address the risks identified.

Line by line impact of restatement on operating cash flow and net debt:

	Year ended 2017 $'000
Decrease in reported creditors/working capital	(5,000)
Increase in reported short-term borrowings/net debt	5,000
Change in reported cash/net assets	–

/ Dividend

The directors are recommending a dividend for 2018 of 2.00 pence per share (2017: 2.75 pence per share), which subject to approval at the AGM in June 2019, will then be paid in July 2019. The directors confirm that the 2017 dividend, which was paid in June 2018, represented a lawful distribution as sufficient distributable reserves were available in the Company to declare and pay the dividend. The deficit in retained earnings in the Company at 31 December 2017 arose from the significant provision for impairment of investments in subsidiaries recorded in light of the Group's goodwill impairment exercise. This exercise was not completed until December 2018. The recommended dividend will be lawfully distributable as the Company is able to draw dividends from its subsidiaries to restore its distributable reserves to a positive position prior to payment of the dividend, which is planned for July 2019.

Litigation

Following the settlement of the disputes with Dustin Dryden (a former executive director of the Company who resigned in September 2015) and affiliated entities as reported at the half year, the remaining proceedings fall into two categories.

1. The first involves proceedings by the Company to recover long-standing trade receivables that amount to approximately $4.3m. 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, noting that the Company has already obtained summary judgments for a portion of these claims in the sum of $0.7m.

2. The second involves two proceedings brought against the Company in which the claimants seek to recover damages for alleged contractual breaches or alleged unpaid flight charges which amount to approximately $5.8m. 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.

David Stickland
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.

"Brexit" update
The UK referendum decision in June 2016 and the subsequent triggering of Article 50 in March 2017 mean that the UK is now scheduled to leave the European Union ("Brexit"), creating a new dimension to the uncertainties surrounding global economic growth.

At the time of announcing the Group's results there is considerable uncertainty surrounding the process by which the UK will leave the EU, with the scheduled withdrawal date of 29 March 2019 lapsing without the UK leaving the EU as planned, and the process delayed until October 2019. The Group continues to monitor the situation closely. No significant alteration has been made to the Group's strategy or operating model in response to the Brexit uncertainty as the range of possible outcomes and resulting impact on the Group is too difficult to model reliably.

The Group has identified the following Brexit related risks:

- / **Economic conditions:** increased overall uncertainty including the specific impacts on growth, inflation, interest and currency rates;
- / **Laws and regulations:** potential changes to UK and EU-based law and regulation; and
- / **Talent:** mobility of the workforce

The Group has held a series of workshops tasked with assessing and monitoring the impacts on its business and to communicate updates and guidance as the Brexit process has evolved.

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
The Group's activities expose it to the financial risks of changes in foreign currency (primarily Pounds Sterling, US Dollars and Euro) and interest rate changes. The Group occasionally uses derivative financial instruments to hedge these risks, but only for significant contracts, which give rise to foreign currency cash flows. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

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.

Treasury management
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.

In August 2018 the Group entered into a $50.0m revolving credit facility ("RCF") with a syndicate of UK banks including RBS and Barclays.

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 customers' credit rating. Cash flow risk is mitigated to some extent by requiring up-front payment for elements 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. Except very occasionally the Group's receivables do not contain a significant financing element.

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.

Effective risk management
On a quarterly basis the executive directors and the Group Director of Risk Management and Assurance meet to review the existing Group risk register, discuss internal and external political, economic, social, technology, legal and environmental risks that may affect or influence the execution of Group Strategy. The review includes the consideration of the regulatory frameworks and compliance obligations applicable to the Group's businesses, including the full supply chain.

Newly emerging risks identified within the business are reviewed on an ad hoc basis, with mitigating action taken when required. The Group risk register is presented to the Board twice per year. A monthly input is also provided to the Board by the Group Director of Risk Management and Assurance as part of an independent reporting process.

All processes are undertaken using tools, matrices and escalation and tolerance protocols established by the directors. For non-routine activities, such as project management, a RAID log is used, which feeds into the wider risk management framework.

The Group Director of Risk Management and Assurance holds a number of meetings and workshops throughout the year at the divisional level, which involves the divisional leadership team and other key personnel as required. This process involves a regular review of the divisional level risk registers. Workshops are used to identify the risks associated with the delivery of the respective divisional strategic plans and to implement risk mitigation plans as necessary. Progress in implementing these plans is reported regularly during divisional meetings and is escalated to the executive team meetings where appropriate.

Business unit managing directors are required to report progress on risk management activities via quarterly business reviews, which are chaired by the Chief Operating Officer. Safety related risks identified during this process, or requiring additional action, are escalated to the Safety Review Board.

In late 2018 the Group's risk function commenced an improvement program that will deliver enhanced, standardised risk reporting to the business and greater operational risk oversight. The risk function is also supporting the work being undertaken by KPMG in their capacity as the Group's newly appointed independent internal auditor.

Internal audit
In October 2018 the Group appointed KPMG as internal auditors. KPMG's work has started with a multi-site "health-check" that is designed to independently assess the strengths and weaknesses of the Group's internal control environment. The findings will be used to formulate an internal audit plan that ensures work is focused on the key risks identified by the auditors and directors.

Approval
This report was approved by the board of directors on 23 April 2019 and signed on its behalf by:

Marwan Khalek
Chief Executive Officer

23 April 2019

Continually developing our EXPERTISE

Governance

Board of Directors
Corporate governance
Directors' remuneration report
Corporate social responsibility
Directors' report

Your mission, our passion.

/ **BOARD OF DIRECTORS**

The right mix of expertise to support growth.

Chi Keung (Simon) To
Chairman

Simon is Hutchison's 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$3.0 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. 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.

Simon was appointed as non-executive Chairman of the Group and Company on 3 April 2019 (see note 36).

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 Westminster. Until 7 March 2019 Marwan was also Chairman of the BBGA.

Stephen Wright
Executive Director

Stephen co-founded Gama Aviation together with Marwan Khalek in 1983. He has been fundamental to the implementation of several 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
Chief Operating Officer

Neil, the Company's Chief Operating Officer ("COO"), has also been appointed 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.

Michael Howell
Non-Executive Director

An engineer by training, Michael Howell has a background in transportation and worked in the motor industry after graduating from Trinity College, Cambridge and before completing MBAs at INSEAD and Harvard. He worked with Cummins Engine Company and General Electric Company (GE) in the USA, latterly as general manager of GE Transportation Systems. Subsequently, he was Executive Director of Railtrack Group plc during its privatisation.

Formerly he was a Non-Executive Director of Hutchison China Meditech, the innovative biopharmaceutical company. Currently, Michael serves on the Board of Wabtec, the US$7 bn leading supplier of products and systems for the rail industry, based in Pittsburgh Pennsylvania; and on the Council of the University of Leeds.

Christopher Clarke
Non-Executive Director

Christopher Clarke has over 30 years' experience as a senior partner with leading international law firms in Asia, including Denton Hall, CMS Cameron McKenna and DLA Piper. He has acted as a professional and business advisor to a wide range of entrepreneurs and executives of international (including listed) companies; and has wide ranging corporate governance, regulatory and commercial experience.

Christopher has been a Non-Executive director of Hong Kong, UK listed and private companies. Currently, he is a Sufficiently Independent Director of London Power Networks Plc, Eastern Power Networks Plc and South Eastern Power Networks Plc; and an Independent Director of Myanmar Strategic Holdings and Arnhold Holdings Ltd. He is also currently a Non-Executive director of Green Family Holdings. He is a Council Member of the Royal Society for Asian Affairs.

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.

Governance code

The company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The Board of Gama Aviation has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code and sets out in this Annual Report how it applies the principles of the QCA Code.

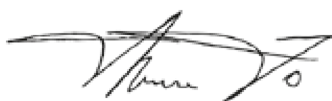
Chairman's Statement on Corporate Governance

The Board recognises the importance of effective corporate governance and, with this in mind, the Group and Company have chosen to adopt The Quoted Companies Alliance Corporate Governance Code (the QCA Code). The principles and disclosures set out by the QCA Code provide a framework to ensure Gama Aviation has appropriate corporate governance structures and processes in place to promote the success of the Company and long-term value for shareholders alongside a corporate culture that is based on ethical values and behaviours. For a further description of how the Company's corporate governance practices contribute to its culture and values please refer to the Corporate Social Responsibility report on page 32.

The Group strives to operate in line with the principles of the QCA Code, and further detail on how it applies the principles of the QCA Code is set out both in this Annual Report and the Corporate Governance Statement published on our website at https://www.gamaaviation.com/investors/corporate-governance/. Compliance will be reviewed at least annually, in line with the requirement of the QCA Code.

As a Board we commenced a detailed review of our corporate governance procedures across the business in 2018 to both address the requirements of the QCA Code, and to seek continued improvement.

Following my appointment as the Chairman as of 3 April 2019, further changes will be implemented incrementally over the next financial year and the findings of our review of the Board and Group's principles and practices in line with the QCA Code will be adopted, as a continuation of the work that the Board have started.



Simon To
Chairman of the Board

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 was made up of three executive and four non-executive directors during 2018. Whilst subsequent to the year end there have been a number of changes, the Board 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 ongoing bonus, pension or benefit schemes although they may hold shares. The executive directors are full-time employees of the Group and the non-executive directors are expected to devote at least one full working day in each calendar month to the business of the Company and to use reasonable endeavours to attend all meetings of the Board and committees of the Board of which they are members, and to attend all general meetings of the Company. The Board has not yet designated a Senior Independent Director.

The Board meets at least eight 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. The attendance record of each director is shown below.

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.

Board member	Meetings attended	Eligible to attend
Sir Ralph Robins	11	13
Marwan Khalek	13	13
Stephen Wright	12	13
Neil Medley	13	13
David Stickland	5	6
Peter Brown	12	13
Simon To	11	11
Michael Peagram	8	13

Board skills and evaluation

The Board has the appropriate balance of skills, experience, independence and knowledge of the Company and the business aviation industry in which it operates to enable it to discharge its duties effectively. The members of the Board have been selected primarily for the skills and experience that they bring to the Company. Details of the skills and experience of the directors are identified above at page 24 of this Annual Report.

The newly appointed Chairman is considering how to effectively evaluate Board performance. The Board performance evaluation will review the effectiveness of the Board's performance as a unit, as well as that of its committees and the individual directors.

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. At the next available Board meeting, the Chairman provides a verbal report of its 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's auditors may provide additional professional services and in line with its terms of reference, the Audit Committee continually assesses their objectivity and independence.

Significant matter considered in the year:

In March 2019 the Board commissioned Deloitte LLP, as external advisors to the Company, in order to undertake a review of two separate cash transactions identified as potential overpayments of cash received from the Group's US Air Associate, Gama Aviation LLC, December 2017 and June 2018. The review sought to establish the sequence of events that gave rise to the respective transactions to enable the Board to determine the nature and substance of these transactions and ensure that the correct identification of the transactions in the 2017 year end and 2018 half year balance sheets.

Following the completion of this review process, the Board has concluded that the cash receipt of $5m on 29 December 2017 (which was repaid on 2 January 2018) was in substance a short-term loan. The 2017 balance sheet has therefore been reclassified to remove the credit recorded in Trade Creditors and replace it with a credit in Short Term Borrowings. This increases net debt by $5.0m at the 2017 year end.

There was also a short-term borrowing cash transaction with the LLC of $5m at June 2017. There was no cash transaction at year end 2016, so a potential restatement of the opening balance sheet at 1 January 2017 is not necessary.

This reclassification has the effect of increasing debt at the balance sheet date but has no impact on the income statement or on earnings per share for the relevant prior periods.

Management have undertaken a review of internal controls in place to ensure the appropriate recording of transactions between the Group and its associates have improved and have implemented new processes accordingly, to both mitigate the risk of similar transactions occurring in future and to ensure associate accounting treatment is correct going forwards. Management is satisfied that the new processes implemented by management appropriately address the risks identified.

Nomination Committee

The Nomination Committee was chaired by Sir Ralph Robins until his retirement on 3 April 2019. As of 3 April 2019, the Nomination Committee is chaired by Simon To. At the next available Board meeting, the Chairman provides a verbal report of the committee's recent proceedings.

Under its terms of reference, the Nomination Committee 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.

Remuneration Committee

The Remuneration Committee is chaired by Michael Peagram, supported by Peter Brown and Simon To. At the next available Board meeting, the Chairman provides a verbal report of the committee's recent proceedings.

Under its terms of reference, the committee must meet twice a year and is responsible for ensuring that the executive directors 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 27 to 30.

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.

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 members of the Committee are Peter Brown and Simon To. The Committee met three times during the year and all Committee members attended the meetings. In the course of its work, the Committee has also liaised directly with the Company's external professional advisors as required from time to time.

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 considered 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 1 April each year. From 1 April 2018, Marwan Khalek was entitled to a base salary of £362,250, Steve Wright £198,900 and Neil Medley £335,000. David Stickland, who joined the Group on 1 September 2018 was entitled to a base salary of £250,000.

Pension & Benefits

Executive directors are entitled to a pension contribution as follows: Marwan Khalek: 22.5%; Steve Wright: 18%, David Stickland 12% 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 sum equal to 50% of the amount that the Group'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.

The following one-off awards were paid from the Employee Benefit Trust affiliated to the pre-2015 Group were made in the year and are included in the salary and fees amount shown in the Directors' Remuneration Report:

- Steve Wright £150,000
- Kevin Godley £110,000
- Neil Medley £33,000
- Sir Ralph Robins £30,000
- Peter Brown £30,000

Long-Term Incentives

No long-term incentives were paid in the year.

Director's Loan

In September 2018 the Company provided Neil Medley with a short-term loan of £52,000 against certain income tax items relating to share based payment awards. At 31 December 2018 the outstanding balance was £39,000. The loan will be repaid in full during 2019.

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 2018, the Chairman of the Board, Sir Ralph Robins, is eligible for a fee of £53,000 per annum. The remaining non-executive directors' annual fees are not exceeding £49,000.

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
Steven Wright	6 January 2015	12 months
Neil Medley	8 September 2016	6 months
David Stickland	20 April 2018	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
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 2018:

£'000	Salary & fees	Bonus award	Consultancy fees	Benefits in Kind[1]	Pension	2018 Total	2017 Total
Executive Directors							
Marwan Khalek	357	–	–	50	80	487	459
Steve Wright	205	150	–	6	36	397	238
Neil Medley (appointed 3 January 2018)	367	33	–	1	–	401	–
David Stickland (appointed 1 September 2018)	59	–	–	–	8	67	–
Kevin Godley (resigned 1 February 2018)	34	110	–	1	5	150	245
Non-Executive Directors							
Sir Ralph Robins	52	30	–	–	–	82	50
Peter Brown	48	30	–	–	–	78	46
Richard Steeves (appointed 3 January 2018, resigned 31 January 2019)	–	–	35	–	–	35	–
CK To (appointed 2 March 2018)	35	–	–	–	–	35	–
Michael Peagram	21	–	26	–	–	47	44
Aggregate Emoluments	1,178	353	61	58	129	1,779	1,082

[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 2018.

	Ordinary Shares		Unexercised Share Options		Total Interests	
	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Executive Directors						
Marwan Khalek[1]	14,179,607	13,924,502	–	–	14,179,607	13,924,502
Steve Wright	263,188	263,188	–	–	263,188	263,188
Kevin Godley (resigned)	–	20,000	–	–	–	20,000
David Stickland	–	–	–	–	–	–
Neil Medley	50,000	–	–	–	50,000	–

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

/ CORPORATE SOCIAL RESPONSIBILITY

We recognise our commitment to society and the environment. 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:

/ seek to minimise harmful emissions and save for Gama Aviation (UK) Ltd (whose emissions for 2018 were 16,831), the remaining Group companies are exempt from the Emission Trading Scheme as each of their individual fuel burn was less than 10,000 tonnes for 2018.
/ 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 2018.

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, resigned 31 January 2019)
CK To (appointed 2 March 2018)
D Stickland (appointed 1 September 2018)

Dividends
The Group remains committed to maintaining a progressive dividend policy. However, given the statutory result of the Group for the year the directors are recommending a one-off deviation from this policy and are proposing a dividend of 2.00 pence per share.

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's 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 judgments 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 covering the period through to the financial year ended 31 December 2019 and beyond. The key assumptions in this forecast include the profitable growth of the trading businesses and the knowledge that the Group has significant headroom in its debt covenants after consideration of existing commitments.

The directors note that at the time of the approval of the financial statements the Group had access to a $50m revolving credit facility, of which $30m was undrawn at the signing of the accounts.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

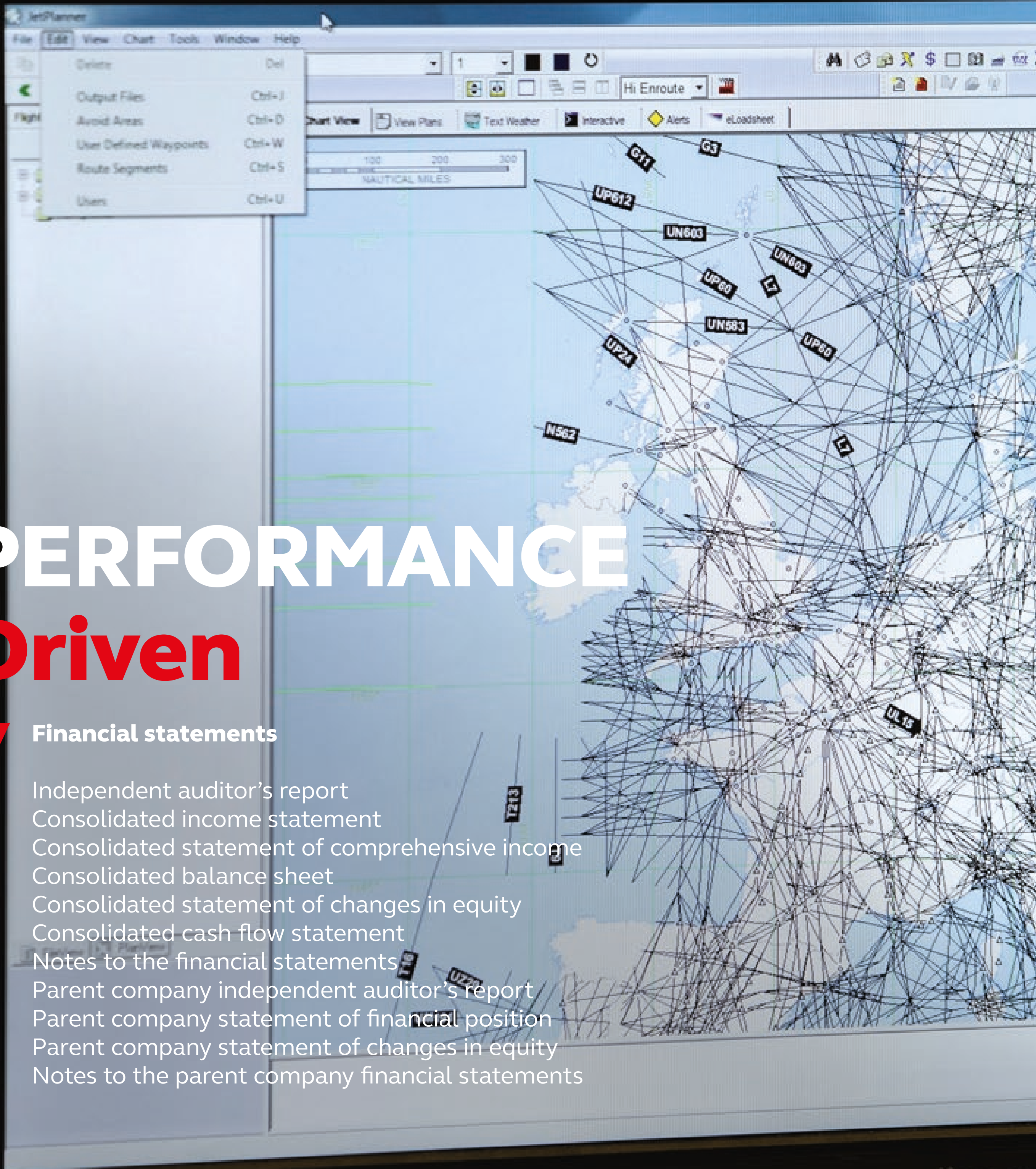
Disclosure of information to the auditor
Each of the persons who is a director at the date of the approval of this report confirms that:

/ 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 to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditors
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.

Marwan Khalek
Director

23 April 2019



PERFORMANCE Driven

Financial statements

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

Your mission, our passion.

Ready

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 2018, 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 2018 and of its loss 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.

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.

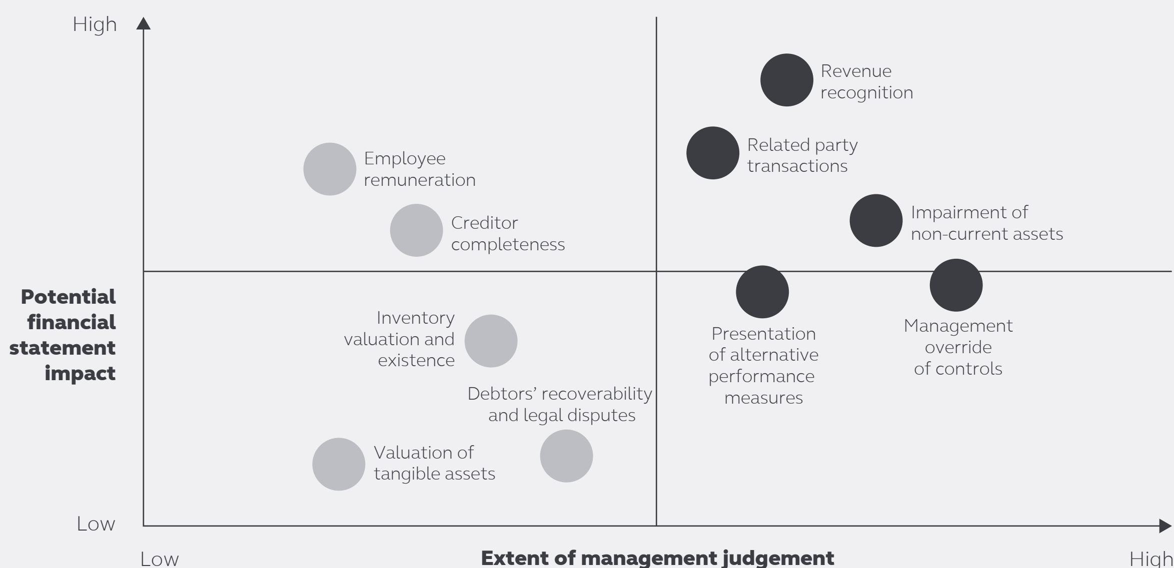
Overview of our audit approach

- Overall materiality: $500,000, 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, related party transactions, presentation of alternative performance measures, impairment of non-current assets and management override of controls.
- The components of the group that were subject to full-scope or targeted audit procedures made up 90% of consolidated revenues and 89% 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 $234.8 million have been recognised in the year ended 31 December 2018, 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 / specific significant and complex contracts 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: / Assessing the stated accounting policies by reference to the requirements of IFRS 15 / Testing a sample of revenue transactions to confirm whether revenue has been recognised in accordance with the terms of the contract and the requirements of IFRS 15 / Challenging management's assessment of the impact of IFRS 15 and corroborating their conclusions by reference to contract terms / 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 / Performing analytical review procedures to identify significant fluctuations and trends and obtain supporting evidence of unusual variances. The group's accounting policy on revenue is shown in note 2 to the financial statements and related disclosures are included in note 4. **Key observations** No material misstatements were identified.
Related party transactions The group financial statements include a number of related party transactions which leads to a risk that the financial results are influenced through favourable terms being applied to transactions with such parties. In addition a prior year restatement has been processed in the financial statements related to a transaction with Gama Aviation LLC, an associate entity. We therefore identified the completeness together with presentation and disclosure of related party transactions 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: / assessing management's process to ensure the completeness of disclosures in relation to related parties and evaluating its effectiveness. / Using data analytics and data interrogation techniques to identify journal entries relating to related party transactions; including corroborating any entries to source documentation; / Consideration of management judgments in relation to what constituted a related party and evaluating these in the context of the requirements and definitions in IAS 24, the Companies Act and the AIM rules; and / Comparing the financial statement disclosure to the information obtained from component auditors, to third party evidence and to other information and knowledge obtained during the audit to evaluate whether the disclosures are complete / Evaluating the appropriateness of management's accounting for the prior year restatement in respect of the transactions with the group's associate entity, and the adequacy of the associated disclosures in the financial statements / Evaluating the evidence supporting specific cash transactions between the Group and its US associate in the current and prior year. The group's related party disclosures are included in note 37. The explanation for the prior year restatement is included within note 2. **Key observations** Based on our audit work, we concluded that the presentation and disclosure of related party transactions was appropriate.

Key Audit Matters	How the matter was addressed in the audit
Presentation of alternative performance measures The group financial statements comprise $11.9m (2017: $2.6m) of costs incurred in the year, which have been classified as exceptional (excluding impairments). The group presented adjusted performance measures on the face of its consolidated income statement. These measures included adjusted EBITDA, EBIT and profit/loss. 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. As this is an area of judgment we identified 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, agreeing to third party support and considering the sufficiency of disclosures explaining the nature of the exceptional items; / Checking items presented as exceptional are consistent and appropriately classified in accordance 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 2 to the financial statements and related disclosures are included in note 6. **Key observations** The financial statements include extensive disclosure over the presentation and calculation of these alternative performance measures. Based on our audit work, we concluded that this is a very judgmental area but that those items presented as exceptional are consistent with the disclosure provided, as they are significant to the underlying results of the Group. We identified misstatements amounting to $1,395k which management adjusted to remove these costs from exceptional as it was not considered appropriate to include them in such a presentation.
Impairment of non-current assets The directors are required to make an annual assessment to determine whether the Group's goodwill which stands at $20.1 million is impaired. As a result of indicators of impairment the Group also assessed if its $8.4 million of intangible assets was also 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 / engaging Grant Thornton valuation specialists to support with 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 2 to the financial statements and related disclosures are included in notes 14 and 15. **Key observations** The group has recognised an impairment in the year of $27.7m. Based on our audit work, we have identified no further impairment of the intangible assets required to be recognised in the financial statements.

Key Audit Matters	How the matter was addressed in the audit
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 $500,000, 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.

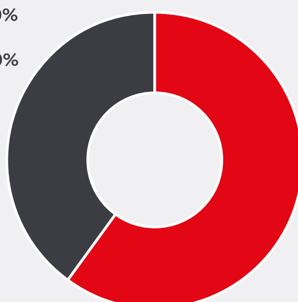
Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017, reflecting the change in reported results.

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

Performance materiality **60%**
Tolerance for potential uncorrected mistatements **40%**



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 $25,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

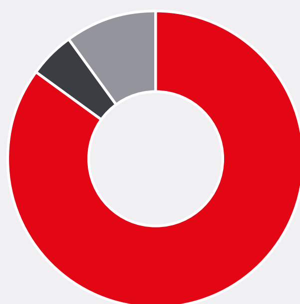
An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Group's business and is risk-based. An interim visit was conducted before the year end for all significant components of the Group to complete advance substantive audit procedures and to evaluate the 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, Gama Aviation (Engineering) Limited, Flyertech Limited, Gama Aviation (Engineering) Inc. Component auditors performed full scope audits of Gama Group Inc, Gama Aviation FZE and Gama Support Services FZC. We performed targeted procedures over the other component entities in Jersey. The operations that were subject to full-scope or targeted audit procedures made up 90% of consolidated revenues, and 89% of total assets. Statutory audits of subsidiaries, where required by local laws, were performed to lower materiality where applicable.

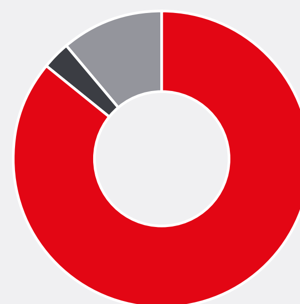
Revenues

- Full scope
- Targeted procedures
- Analytical procedures



Total assets

- Full scope
- Targeted procedures
- Analytical procedures



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 33, 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 2018. 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.

Use of our report

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.

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

23 April 2019

/ CONSOLIDATED INCOME STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018			Year ended 31 December 2017 (restated)*		
	Note	Statutory result $'000	Adjust-ments $'000	Adjusted result $'000	Statutory result $'000	Adjust-ments $'000	Adjusted result $'000
Continuing operations:							
Revenue	4	**234,837**	**–**	**234,837**	207,360	–	207,360
Cost of sales		**(189,784)**	**–**	**(189,784)**	(161,742)	–	(161,742)
Gross profit	4	**45,053**	**–**	**45,053**	45,618	–	45,618
Administrative expenses		**(44,242)**	**12,533**	**(31,709)**	(28,828)	2,817	(26,011)
– impairment loss	6	**(27,708)**	**27,708**	**–**	–	–	–
– depreciation and amortisation	5	**(5,067)**	**2,484**	**(2,583)**	(3,286)	1,440	(1,846)
Total administrative expenses		**(77,017)**	**42,725**	**(34,292)**	(32,114)	4,257	(27,857)
Operating (loss)/profit		**(31,964)**	**42,725**	**10,761**	13,504	4,257	17,761
Share of results from equity accounted investments	18	**566**	**–**	**566**	2,327	(1,804)	523
Profit on step acquisition/profit on disposal of interest in associates		**986**	**(986)**	**–**	1,564	(1,564)	–
Earnings before interest and taxation	5	**(30,412)**	**41,739**	**11,327**	17,395	889	18,284
Finance income	9	**586**	**–**	**586**	–	–	–
Finance expense	10	**(954)**	**–**	**(954)**	(1,709)	–	(1,709)
(Loss)/profit before tax from continuing operations		**(30,780)**	**41,739**	**10,959**	15,686	889	16,575
Taxation	11	**(1,521)**	**–**	**(1,521)**	(3,886)	–	(3,886)
(Loss)/profit after tax from continuing operations		**(32,301)**	**41,739**	**9,438**	11,800	889	12,689
Discontinued operations:							
Loss after tax for the year from discontinued operations	7	**(767)**	**–**	**(767)**	(1,952)	–	(1,952)
(Loss)/profit for the year		**(33,068)**	**41,739**	**8,671**	9,848	889	10,737
Attributable to:							
Owners of the Company		**(33,082)**	**41,757**	**8,675**	9,802	885	10,687
Non-controlling interests		**14**	**(18)**	**(4)**	46	4	50

* The cash transaction restatement is detailed in Note 2

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
/ FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**Year ended 2018 $'000**	Year ended 2017 (restated)* $'000
(Loss)/profit for the year		**(33,068)**	9,848
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(7,211)**	2,732
Gains on cash flow hedges	35	**–**	127
Total comprehensive (loss)/income for the year		**(40,279)**	12,707
Total comprehensive (loss)/income is attributable to:			
Owners of the Company		**(40,265)**	12,753
Non-controlling interest		**(14)**	(46)
		(40,279)	12,707
Earnings per share attributable to the equity holders of the parent	12		
basic (cents)		**(54.82)c**	22.28c
diluted (cents)		**(54.82)c**	22.05c
basic – continuing operations (cents)		**(53.55)c**	26.72c
diluted – continuing operations (cents)		**(53.55)c**	26.45c

* The cash transaction restatement is detailed in Note 2

/ CONSOLIDATED BALANCE SHEET
/ AS AT 31 DECEMBER 2018

	Note	2018 $'000	2017 (restated)* $'000
Non-current assets			
Goodwill	14	**20,114**	40,716
Other intangible assets	15	**8,355**	11,564
Total intangible assets		**28,469**	52,280
Property, plant and equipment	16	**22,248**	20,051
Investments accounted for using equity method	18	**18,287**	1,721
Deferred tax asset	22	**2,665**	2,689
		71,669	76,741
Current assets			
Assets held for resale	16	**–**	1,500
Inventories	19	**10,680**	9,705
Trade and other receivables	20	**58,300**	47,718
Cash and cash equivalents		**10,020**	22,349
		79,000	81,272
Total assets		**150,669**	158,013
Current liabilities			
Trade and other payables	24	**(50,160)**	(49,496)
Obligations under finance leases	21, 23	**(1,669)**	(1,654)
Provisions for liabilities	30	**–**	(540)
Borrowings	21	**(9,850)**	(35,655)
Deferred revenue	34	**(4,300)**	(4,388)
		(65,979)	(91,734)
Total assets less current liabilities		**84,690**	66,279
Non-current liabilities			
Borrowings	21	**–**	(1,012)
Obligations under finance leases	21, 23	**(1,387)**	(2,013)
Deferred tax liabilities	22	**(1,639)**	(1,549)
		(3,026)	(4,574)
Total liabilities		**(69,005)**	(91,924)
Net assets		**81,664**	61,705
Shareholders' equity			
Share capital	25	**953**	684
Share premium	25	**63,473**	–
Other reserves	25	**62,369**	61,699
Foreign exchange reserve		**(28,015)**	(20,797)
Accumulated (loss)/profit		**(18,654)**	18,595
Total shareholders' equity		**80,126**	60,181
Non-controlling interest	26	**1,538**	1,524
Total equity		**81,664**	61,705

* The cash transaction restatement is detailed in Note 2

The financial statements were approved by the Board of directors and authorised for issue on 23 April 2019, and are signed on their behalf by:

David Stickland
Director

/ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2018

	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 31 December 2016 (restated)*	**684**	**–**	**61,377**	**(23,529)**	**16,286**	**54,818**	**581**	**55,399**
Profit for the year	–	–	–	–	9,802	9,802	46	9,848
Other comprehensive income	–	–	127	2,732	–	2,859	–	2,859
Total comprehensive income for the year	**–**	**–**	**127**	**2,732**	**9,802**	**12,661**	**46**	**12,707**
Cost of share-based payments	–	–	195	–	–	195	–	195
Dividend paid	–	–	–	–	(1,496)	(1,496)	–	(1,496)
Acquisition of non-controlling interest	–	–	–	–	(5,997)	(5,997)	897	(5,100)
Balance at 31 December 2017	**684**	**–**	**61,699**	**(20,797)**	**18,595**	**60,181**	**1,524**	**61,705**
IFRS 9 adjustment	–	–	–	–	(327)	(327)	–	(327)
IFRS 15 adjustment	–	–	–	–	(1,534)	(1,534)	–	(1,534)
Balance at 31 December 2017 (restated)	**684**	**–**	**61,699**	**(20,797)**	**16,734**	**58,320**	**1,524**	**59,844**
Loss for the year	–	–	–	–	(33,082)	(33,082)	14	(33,068)
Other comprehensive income	–	–	–	(7,218)	–	(7,218)	–	(7,218)
Total comprehensive loss for the year	**–**	**–**	**–**	**(7,218)**	**(33,082)**	**(40,300)**	**14**	**(40,286)**
Issuance of shares	269	63,473	–	–	–	63,742	–	63,742
Cost of share-based payments	–	–	670	–	–	670	–	670
Dividend paid	–	–	–	–	(2,306)	(2,306)	–	(2,306)
Balance at 31 December 2018	**953**	**63,473**	**62,369**	**(28,015)**	**(18,654)**	**80,126**	**1,538**	**81,664**

* The 2016 balance sheet was restated in the 2017 financial statements for a late revision to the original merger accounting, which had omitted a legacy liability acquired from Hangar8 plc at the time of the merger.

/ CONSOLIDATED CASH FLOW STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 2018 $'000	Year ended 2017 (restated)* $'000
Net cash (expended on)/generated by operating activities	27	**(21,371)**	13,475
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**(5,425)**	(8,498)
Purchases of intangibles		**(3,171)**	(1,573)
Proceeds on disposal of assets held for sale	7	**1,500**	5,550
Purchase of interest in associate	18	**(16,000)**	–
Acquisition of subsidiary, net of cash acquired		**(2,590)**	–
Net cash used in investing activities		**(25,686)**	(4,521)
Cash flows from financing activities			
Issue of shares (net of share issue costs)		**63,742**	–
Consideration for acquisition of non-controlling interest		**–**	(5,100)
Repayments of obligations under finance leases	28	**(611)**	(1,953)
Proceeds from borrowings	28	**10,304**	13,237
Repayment of borrowings	28	**(35,680)**	(4,000)
Dividend paid to equity holders of the parent		**(2,313)**	(1,495)
Net cash from/(used in) financing activities		**35,442**	689
Net (decrease)/increase in cash and cash equivalents		**(11,615)**	9,643
Cash and cash equivalents at the beginning of year		**22,349**	11,174
Effect of foreign exchange rates		**(714)**	1,532
Cash and cash equivalents at the end of year		**10,020**	22,349

Cash and cash equivalents

	2018 $'000	2017 $'000
Cash and bank balances	**10,020**	22,349

* The cash transaction restatement is detailed in Note 2

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 is incorporated in the United Kingdom. The address of the registered office is the Business Aviation Centre, Farnborough Airport, Farnborough, 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. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and IFRS Interpretations Committee (IFRS IC) interpretations issued and effective at the time of preparing these accounts.

The principle Group accounting policies are explained below and have been applied consistently throughout the years ended 31 December 2017 and 31 December 2018 other than those noted below.

The Group accounts have been prepared under the historical cost convention.

Restatements

The balance sheet for 2017 has been restated for the following items:

To reflect the first-time adoption of IFRS 9 and IFRS 15, the Group has chosen to apply the modified retrospective restatement method permitted under transitional provisions in both new standards. See next section of note 2 for further details.

In addition, the Group's financial statements for the year ended 31 December 2017 included a cash receipt of $5.0m from the Group's US Air Associate, Gama Aviation LLC, which the Board has now determined is, in substance, a short-term loan. The cash, which was received on 29 December 2017 and repaid on 2 January 2018, was previously included in Trade and Other Payables but has now been reclassified to Borrowings in the comparative figures for 2017.

This has the effect of increasing borrowings and net debt by $5.0m at 31 December 2017 and reducing operating cashflows and increasing financing cashflows in the Cash Flow Statement for the year ended 31 December 2017. The 2017 opening balance sheet is unaffected by this transaction. This reclassification does not change the previously disclosed amounts for Current Liabilities or Net Assets, nor does it impact the Income Statement or Earning Per Share for the prior period.

There was also a short-term borrowing cash transaction with the LLC of $5.0m at June 2017. There was no cash transaction at year end 2016, so the 2017 opening balance sheet is also unaffected by the June 2017 transaction.

The results for 2017 have been restated for the following items:

- An adjustment to reclassify $1,600,000 of Group charges from cost of sales to administrative expenses to ensure that the Group income and costs eliminate on the same line of the income statement, which was properly determined to be below the gross profit line. This adjustment does not impact operating profit; and
- The effects of discontinuing an operation in the current year. Gama Aviation SA, the Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $460,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement.

Adoption of new and revised standards

IFRS 9 'Financial Instruments'

For the Group, transition to IFRS 9 is effective from 1 January 2018. The Group has elected not to restate comparatives on initial application of IFRS 9, the opening impact of adoption of IFRS 9 will be recognised in reserves.

IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments. An accounting policy choice is available with regards to applying the new hedge accounting requirements or retaining IAS 39. The Group has elected to retain IAS 39.

Prior to adoption of IFRS 9 the Group has undertaken an impact assessment of this new standard on its financial statements. The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables and therefore, the standard impacts the Group's classification of financial instruments and the measurement of impairment of short-term financial assets.

As part of the impact assessment, using the simplified approach allowed by the standard, the Group established an appropriate impairment model and accompanying processes to be applied to receivables by its companies and has required them to recalculate their provision for impairment at 31 December 2017 using this new methodology. The impact was the recognition of an increase in provision of $327,000 across the Group arising where certain companies have historically held lower provisions than the new impairment loss model implies is appropriate.

2. Accounting policies (continued)
In accordance with IFRS 9, this adjustment has been reflected as an opening retained earnings adjustment in these consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers'
For the Group, transition to IFRS 15 is effective from 1 January 2018. The Group has chosen to retain prior period figures as reported under the previous standards, recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

IFRS 15 replaces existing revenue guidance including:

/ IAS 18 Revenue
/ IAS 11 Construction contracts
/ IFRIC 13 Customer loyalty programmes

IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a stand-alone selling price basis, based on a five-step model.

The Group has successfully completed its transition exercise in quantifying the full impact of this standard. Having performed an impact assessment in 2017, during 2018 the Group has worked through a comprehensive transition exercise at each of its subsidiaries. The autonomous nature of the Group means that each subsidiary sets its own terms and conditions and operating procedures and as such this was the appropriate level for the transition exercise. The transition exercise has involved scoping the Group's revenues to identify revenue streams with similar commercial terms and performing sample contract reviews to determine the appropriate revenue recognition under IFRS 15.

The following area of potential difference was identified from our initial impact assessment and was investigated as part of our transition exercise:

/ Some of the companies have variable consideration arrangements with their customers. Having reviewed the details of these arrangements against IFRS 15 and current accounting practices, except for the specific transition adjustments noted below, which represent one-time adjustments, there is no change in the timing or quantum of revenue recognition.

Based on our work, most of our companies are unaffected, but have implemented process changes to comply with IFRS 15 now and in the future. A small number of our companies have individually material adjustments to their balance sheets through acceleration or deferral of revenue on the opening balance sheet.

Specific transition adjustments
The net impact to the opening balance sheet is a credit to accrued income of $1,534,000 with a corresponding debit to retained earnings. The credit of $1,534,000 comprises the following:

/ A credit to accrued income of $475,000 relating to a new aircraft management contract in the US Air Division. The formal contract, including agreed payment terms, was established in 2018 and settled later in the year. Under IAS 18 the Group had previously concluded that substantial risks and rewards had been transferred to the customer;
/ A credit to accrued income of $1,000,000 relating to a branding fee termination agreement with Merritt Property LLC (see note 37), which was determined to have been recognised prior to a formal contract being established as defined in IFRS 15. Under IAS 18 the Group had previously concluded that substantial risks and rewards had been transferred to the customer; and
/ A net credit of $59k arising in the US Ground Division representing an immaterial adjustment to the 2017 opening and closing balance sheets resulting from adjustments to engineering labour hour revenue on work in progress. The adjustment arose as a result of process changes designed to ensure that outstanding performance obligations could be measured accurately for the purposes of disclosure under IFRS 15.

Line by line impact on loss for the year:

	Year ended 2018 $'000
Increase in revenue due to changes in the timing of aircraft management revenue	475
Increase in revenue due to adjustment to accrued income for delay to contract formation	1,000
Increase in revenue for other timing differences	59
Total increase in revenue and reduction of loss for the year	**1,534**

There was no change in cost of sales relating to any item disclosed above, because costs were determined to have been recorded in line with the revised revenue recognition treatment.

Line by line impact on assets, liabilities and equity at 1 January 2018:

	Year ended 2018 $'000
Decrease in accrued income presented within current assets	1,534
Total decrease in opening retained earnings	1,534

Line by line impact on operating cash flow for the year:

	Year ended 2018 $'000
Increase in revenue and reduction of loss for the year	1,534
IFRS 15 adjustment to opening balance sheet in net loss generated from operations (see note 27)	(1,534)
Net impact on operating cash flow for the year	–

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 16 Leases

IFRS 16 'Leases'
For the Group, transition to IFRS 16 will take effect from 1 January 2019. The half year results for the period ending 30 June 2019 will be IFRS 16 compliant with the first Annual Report published in accordance with IFRS 16 being for the year ending 31 December 2019.

IFRS 16 replaces existing lease guidance including:

/ IAS 17 Leases
/ IFRIC 4 Determining whether an arrangement contains a lease
/ SIC 15 Operating leases – Incentives
/ SIC 27 evaluating the substance of transactions involving the legal form of a lease

IFRS 16 provides a single on-balance sheet accounting model for lessees which recognises a right of use asset, representing its right to use the underlying asset, and lease liability, representing its obligations to make payment in respect of the use of the underlying asset. The distinction between finance and operating leases for lessees is removed. Lessor accounting remains similar to the existing standard with no significant impact expected.

The Group will opt to apply the exemptions available in respect of leases which are less than 12 months long and those which have been classified as leases of low-value items. In addition, the Group will apply the practical expedient allowing for IFRS 16 to be applied to all contracts previously assessed as containing a lease under IAS 17 and IFRIC 4 without reassessing whether such contracts meet the definition of a lease under IFRS 16. The Group expects to apply the modified approach, which will be taken with optional practical expedients.

The most significant impact currently identified is that the Group's aircraft and hangar operating leases will be brought on to the balance sheet. Further assessment of other leases is currently ongoing. The actual impact of applying IFRS 16 is dependent on future economic conditions including:

/ movements in the Group's borrowing rate to 31 December 2019;
/ the composition of the Group's lease portfolio at transition date;
/ the Group's view on whether renewal options will be exercised; and
/ the Group's final decisions regarding the use of recognition exemptions and practical expedients for transition.

The Group's future lease commitments for aircraft and hangar operating leases at the balance sheet date, which provides an indicator of the value to be brought on to the balance sheet, is $55m.

In addition, the profile of expenses related to leasing arrangements will change. Straight line operating lease expenses will be replaced by the recognition of depreciation of the right-of-use asset and interest charges on lease liabilities.

No significant impacts are expected in relation to leases currently classified as finance leases in the Group financial statements.

2. Accounting policies (continued)

Use of Alternative performance measures (APMs)

In the reporting of financial information, the Group refers to certain measures of performance that are not specified or required under IFRS, the Generally Accepted Accounting Principles (GAAP) applied in the preparation of the annual report and accounts. The directors believe that adjusted profit and earnings per share measures provide additional and more consistent measures of underlying performance to shareholders by removing certain trading and non-trading items that are not closely related to the Group's operating cash flows.

These and other alternative performance measures are used by the directors for internal performance analysis and incentive compensation arrangements for employees. The term 'adjusted' is not defined under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The principal items which are included in adjusting items are set out below in the Group's accounting policy and in note 6. The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding adjusting items.

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 Operational Review and Chief Financial Officer's report 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 2019 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 after consideration of existing commitments.

The directors note that at the time of the approval of the financial statements the Group had access to a $50.0m revolving credit facility, of which $30.0m was undrawn at the time of signing of the accounts.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Business combinations

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.

Step-acquisition

For acquisitions achieved in stages the Group first assesses the fair value of the associate interest held immediately prior to the Group obtaining control and the associate becoming a subsidiary. The difference between the fair value measured and the carrying value of the associate interest is recognised as a step-acquisition gain or loss, which the Group excludes from its adjusted performance measures. Once the associate interest has been revalued to fair value, the transaction is accounted for using the acquisition method applicable to normal business combination transactions.

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.

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.

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 computer software.

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

/ Part 145 approvals	20% per annum, straight line method
/ Licences	10% per annum, straight line method
/ Brand	10% per annum, straight line method
/ Customer relations	10% per annum, straight line method
/ Software	20%-33% per annum, straight line method

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.

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.

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 associates 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.

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

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.

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.

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

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

Impairment of financial assets
The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses are updated at each reporting date.

The new impairment model only applies to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI as well as the Group's finance lease receivables, contract assets and issued financial guarantee contracts. The Group has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and contracts assets as required or permitted by IFRS 9.

Expected credit losses are calculated with reference to average loss rates accurately incurred in the three most recent reporting periods to which a country risk premium is added, based on the location of each business. The combined loss rate represents the maximum expected credit default risk, which is expressed as a percentage. The Group average combined loss rate is approximately 1%.

This percentage rate is then applied to current receivable balances using a probability risk spread as follows:

- 80% of debt not yet due (i.e. the Group's average combined loss rate of 1% is discounted by 20%, meaning a 0.8% provision would be made to debt not yet due);
- 85% of debt that is <30 days overdue;
- 90% of debt that is 30-60 days overdue;
- 95% of debt that is 60-90 days overdue; and
- 100% of debt that is >90 days overdue.

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 from time to time in order 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.

Segmental reporting
An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed regularly by the Chief Operating Decision Maker (the Group Chief Executive) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments.

2. Accounting policies (continued)

Exceptional items

These items are analysed under the following categories:

/ **Transaction costs** – arising on acquisitions, debt refinancing and share issues.
/ **Integration and business reorganisation** – legal and professional fees and non-recurring operating costs arising from significant acquisition integration or business reorganisation activities. Non-recurring operating costs means those costs that are related to a specific integration or reorganisation event that will not be repeated because they are unique to the event and which are not expected to follow a consistent level of expense from one accounting period to the next.
/ **Litigation** – legal events may result in costs being incurred in more than one accounting period. These costs are treated as exceptional because they relate to specific commercial legal events that will not be repeated because they are unique to the event and which are not expected to follow a consistent level of expense from one accounting period to the next.
/ **Cash contribution to associate** – where the Group provides cash or forgives of a loan to its associates and the contribution does not result in an increase in its ownership interest, this will be recognised as exceptional item of expense. This type of exceptional item is expected to occur very infrequently.

Supplier rebates

The Group has significant supplier contracts for the provision of training and insurance, which attract a rebate of cost based on the Group's expenditure with those suppliers. The anticipated rebate receivable is accrued throughout the year based on the agreement terms. Rebate credits are typically received and recorded prior to completion of the Group financial statements and so the estimation risk is deemed to be low.

Revenue recognition

In the current year the Group has applied IFRS 15 *Revenue from contracts with customers* (as amended in April 2016). IFRS 15 introduces a five-step approach to revenue recognition. The Group has applied the modified retrospective approach to the adoption of the standard in the year.

The Group recognises revenue from the following major sources:

/ Managed aircraft contracts and specific air services
/ Maintenance of aircraft
/ Design and modification projects

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Managed aircraft contracts and specific air services

These activities are provided by the Group's Air Division. Services provided under managed aircraft contracts include flight training, cost management, flight planning and scheduling, crew management, maintenance oversight and regulatory compliance as separate performance obligations falling into one or more of the contract components identified below. The services are contract based with costs such as fuel, insurance, crew and maintenance being recharged to the client. Specific air services provided under this heading include a variety of specific contracts with customers where one or more elements of a fully managed services are provided.

The managed aircraft contracts have three components:

1. Pre-delivery services and services prior to aircraft's entry into service (if appropriate)
2. Management services
3. Variable fees based on flying hours and related rechargeable costs

Most specific services provided arise in components 1 and 3, whilst management services relate to overarching administrative services relating to ongoing regulatory compliance requirements, billed on a regular basis over the life of the contract. These components are distinct as the customer can benefit from the services on their own and the Group's promise to provide the service is separately identifiable from other promises in the contract. The three components are therefore deemed to be separate performance obligations. Revenue recognition associated with the above performance obligations is as follows:

1. Revenue is recognised once the service has been performed (at a point in time).
2. The customer simultaneously receives and consumes the benefits provided by the Group, therefore revenue is recognised over time.
3. Variable flying hours revenue is recognised monthly based upon actual flight information and other relevant information held on the internal billing system (at a point in time). Rechargeable costs are recognised gross, as revenue and related cost of sales and are recognised at a point in time (for example, monthly) based upon either actual rechargeable costs or estimated costs to be recharged.

The Group has considered whether it is acting as agent or principle in the context of its managed aircraft contracts and has concluded that it is the principle in relation to the entirety of these contracts. Rechargeable costs are recognised gross because the Group controls the services before they are transferred to customers and because they are linked to wider management services. For practical purposes management services and rechargeable costs (and other variable fees based on flying hours) are itemised separately in billing to customers, but for the purposes of revenue recognition there is an allocation of management fee revenue to rechargeable costs to reflect the standalone selling price of that revenue stream.

Maintenance of aircraft

These activities are provided by the Group's Ground Division. The Group provides both base and line maintenance services. Base maintenance relates to the planned maintenance that is required by the aircraft manufacturer or component supplier. This work is complex, highly regulated and location specific. Line maintenance covers irregular maintenance activities, component failure or simple wear and tear. Both types are services are provided on a fee or contract basis.

Maintenance revenue is recognised over time as the Group's performance of maintenance services do not create assets with an alternative use and the Group has an enforceable right to payment for performance completed to date. In most cases work is carried out and billed to the customer in the same accounting period. However, for work ongoing at the end of an accounting period an assessment of the extent to which contracted work is completed is made and a corresponding amount of revenue is accrued.

This assessment is made using the input method of labour hours expended and costs incurred.

Design and modification projects

The Group undertakes certain equipment design and modification activities for some customers. These activities are provided by both Air and Ground Divisions of the Group. Revenue is recognised over time for design projects because the Group's performance of its contractual obligations creates or enhances an asset that the customer controls as the asset is created or enhanced. Work that is outstanding under design and modification contracts at the end of an accounting period is accrued and a work in progress asset (accrued income) is recognised on the balance sheet, based upon the input method of measuring progress (cost and labour hours expended to date).

Branding fees from associates

The Group receives a branding fee from its US Air Associate in addition to its equity accounted share of profit from associate. The branding fee is payable quarterly in arrears and the Group recognises revenue over time as the customer simultaneously receives and consumes the benefits provided by the Group.

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 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. The Company's functional currency is determined to be Pounds Sterling because this is the currency of the primary economic environment in which the Company 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.

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.

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.

2. Accounting policies (continued)

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.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may 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.

Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

First time application of IFRS 15

In applying IFRS 15 for the first time, the Group has made judgments in determining the timing of satisfaction of performance obligations. The application of IFRS 15 had a material impact on transition but is not expected to have a material impact on future revenue recognition. Management have been required to assess in detail how the disclosure requirements should be applied and whether any existing revenue recognition policies required amendment.

Control over Gama International Saudi Arabia ("GISA")

In 2018 the Group has advanced a $1m loan to a start-up business operating in The Kingdom of Saudi Arabia using the Gama brand. The Group does not own any interest in this company. In February 2019 the Group entered into an arrangement with the sole shareholder and operator of GISA to secure the loan provided by obtaining a call option over the share capital of GISA. This was obtained via an agreement entered into by the Group with an Abu Dhabi registered company that is also solely owned by owner of GISA. Management judge that at 31 December 2018 the Group does not control GISA, which they believe operates on an arm's length basis. The results of GISA have therefore not been consolidated in these financial statements. Related party transactions with GISA are disclosed in note 37 to the accounts.

Classification of items of cost or income as "Exceptional" (exclusion of items from Adjusted EBIT)

Management consider exceptional costs to be those that do not contribute to the underlying performance of the Group. This requires judgment as the management and Group's view of what qualifies as an exceptional item may differ from similar judgments made by others. Exceptional items are treated as adjusting items to enable more relevant and reliable financial information to be presented. The exceptional items recorded in the income statement relate to transaction costs; business integration and re-organisation costs; legal costs arising primarily from historic Hangar 8 activity; and other non-recurring items that management judge to be exceptional.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Goodwill and acquired intangible asset impairment review

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.

Impairment provision for trade receivables
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 and overseas Groups, 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.

Expected outcome of litigation and claims
Management exercise judgment in measuring and recognising provisions and exposures to contingent liabilities related to pending litigation and outstanding claims. Judgment 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.

Estimation of amounts owed and receivable in relation to long-term contracts – Europe Ground Division
Management exercise judgment in determining the costs to complete and the revenue recognised in relation to long-term contracts. Judgment is required specifically around the estimated outcome of commercial discussions at the time of contract conclusions and during renegotiation periods.

4. Segment information (restated)

The Group has eleven reportable segments (Air Division – four regional businesses; Ground Division – four regional businesses; Global Services Division – two businesses combined as one reportable segment; the Associates Division – two businesses; and Central Costs), which are defined by markets rather than product type. Each segment includes businesses with similar operating and marketing characteristics. These segments are consistent with the internal reporting reviewed each month by the Group Chief Executive.

Segment information has been restated for the following:

/ Following the appointment of the new Chief Financial Officer in late 2018, the Group changed the way that information was presented to the Chief Operating Decision Maker (the Group Chief Executive). As required by IFRS 8 the segment information disclosed here has therefore been updated to reflect the internal change.
/ As part of the Group's review of its financial reporting methodology, the operating segment disclosure has been enhanced to ensure that reconciliation between statutory and adjusted performance is clear.
/ Discontinued operations have been restated in the applicable reportable segment in line with the adjustments presented in the consolidated income statement.

Group Operational Performance
Revenue
USD'000s

	2018	2017
Air Division	135,929	115,504
Ground Division	94,959	87,488
Global Services Division	3,949	4,368
Total	234,837	207,360

Adjusted EBIT
USD'000s

	2018	2017
Air Division	5,617	8,468
Ground Division	8,092	10,862
Global Services Division	1,253	1,751
Associates Division	566	156
Central Costs	(4,201)	(2,953)
Total	11,327	18,284

4. Segment information (restated) (continued)
Statutory EBIT
USD'000s

	2018	2017
Air Division	(25,969)	6,830
Ground Division	4,089	9,900
Global Services Division	1,132	1,719
Associates Division	566	3,524
Central Costs	(10,230)	(4,578)
Total	(30,412)	17,395

Air Divisional Performance
$'000s
Adjusted
USD'000s

	US		Europe		Middle East		Asia		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	4,921	5,000	88,804	86,902	20,944	23,528	21,260	74	135,929	115,504
Gross Profit	4,997	5,076	7,527	10,204	2,228	1,886	1,774	74	16,526	17,240
GP %	102%	102%	8%	12%	11%	8%	8%	100%	12%	15%
EBIT	4,892	5,643	186	2,281	150	470	389	74	5,617	8,468
EBIT %	99%	113%	0%	3%	1%	2%	2%	100%	4%	7%

Adjustments to EBIT
USD'000s

	US		Europe		Middle East		Asia		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Exceptional items	(3,600)	(36)	(846)	(1,082)	(27)	(13)	(57)	–	(4,530)	(1,131)
Profit arising on step acquisition	–	–	–	–	–	–	986	–	986	–
Amortisation	–	–	(334)	(507)	–	–	–	–	(334)	(507)
Impairment charges	–	–	(24,915)	–	–	–	(2,793)	–	(27,708)	–
Total adjustments	(3,600)	(36)	(26,095)	(1,589)	(27)	(13)	(1,864)	–	(31,586)	(1,638)
Discontinued operations*	–	–	(807)	(858)	–	–	–	–	(807)	(858)

* The effects of discontinued operations are shown on a single line on the face of the consolidated income statement. This effect is included already within the statutory result shown below and is split out in the table above to aid understanding.

Statutory
USD'000s

	US		Europe		Middle East		Asia		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
EBIT	1,292	5,607	(25,909)	692	123	457	(1,475)	74	(25,969)	6,830
EBIT %	26%	112%	-29%	1%	1%	2%	-7%	100%	-19%	6%

Ground Divisional Performance
$'000s
Adjusted

	US		Europe		Middle East		Asia		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue	**37,517**	30,768	**52,301**	52,950	**4,636**	3,770	**505**	–	**94,959**	87,488
Gross Profit	**8,101**	6,116	**16,300**	17,958	**1,374**	1,240	**90**	–	**25,865**	25,314
GP %	**22%**	20%	**31%**	34%	**30%**	33%	**18%**	0%	**27%**	29%
EBIT	**1,887**	2,348	**6,726**	8,429	**(342)**	85	**(179)**	–	**8,092**	10,862
EBIT %	**5%**	8%	**13%**	16%	**-7%**	2%	**-36%**	0%	**9%**	12%

Adjustments to EBIT
USD'000s

	US		Europe		Middle East		Asia		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Exceptional items	**(6)**	(25)	**(2,630)**	(757)	**2**	–	**–**	–	**(2,634)**	(782)
Amortisation	**(633)**	–	**(113)**	(180)	**(273)**	–	**(350)**	–	**(1,369)**	(180)
Total adjustments	**(639)**	(25)	**(2,743)**	(937)	**(271)**	–	**(350)**	–	**(4,003)**	(962)

Statutory
USD'000s

	US		Europe		Middle East		Asia		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
EBIT	**1,248**	2,323	**3,983**	7,492	**(613)**	85	**(529)**	–	**4,089**	9,900
EBIT %	**3%**	8%	**8%**	14%	**-13%**	2%	**-105%**	0%	**4%**	11%

Global Services Divisional Performance
$'000s
Adjusted

	Total	
	2018	2017
Revenue	**3,949**	4,368
Gross Profit	**2,662**	3,064
GP %	**67%**	70%
EBIT	**1,253**	1,751
EBIT %	**32%**	40%

Adjustments to EBIT

	Total	
	2018	2017
Exceptional items	**(121)**	(32)
Total adjustments	**(121)**	(32)

Statutory

	Total	
	2018	2017
EBIT	**1,132**	1,719
EBIT %	**29%**	39%

4. Segment information (restated) (continued)
Associate Divisional Performance
$'000s

Adjusted

	US Air Associate		China Aircraft Services Limited		Total	
	2018	2017	**2018**	2017	**2018**	2017
EBIT	**359**	156	**207**	–	**566**	156

Adjustments to EBIT

	US Air Associate		China Aircraft Services Limited		Total	
	2018	2017	**2018**	2017	**2018**	2017
Release of provision for associate losses	**–**	1,804	**–**	–	**–**	1,804
Profit on disposal of associate	**–**	1,564	**–**	–	**–**	1,564
Total adjustments	**–**	3,368	**–**	–	**–**	3,368

Statutory

	US Air Associate		China Aircraft Services Limited		Total	
	2018	2017	**2018**	2017	**2018**	2017
EBIT	**359**	3,524	**207**	–	**566**	3,524

Reconciliation of divisional to overall Group performance:

	2018		2017	
	Revenue	**EBIT**	Revenue	EBIT
US Air	**4,921**	**4,892**	5,000	5,643
US Ground	**37,517**	**1,887**	30,768	2,348
Europe Air	**88,804**	**186**	86,902	2,281
Europe Ground	**52,301**	**6,726**	52,950	8,429
Middle East Air	**20,944**	**150**	23,528	470
Middle East Ground	**4,636**	**(342)**	3,770	85
Asia Air	**21,260**	**389**	74	74
Asia Ground	**505**	**(179)**	–	–
Global Services	**3,949**	**1,253**	4,368	1,751
Associates	**–**	**566**	–	156
Central Costs	**–**	**(4,201)**	–	(2,953)
Adjusted	**234,837**	**11,327**	207,360	18,284
Exceptional costs		**(11,863)**		(2,622)
Share based payment charge		**(670)**		(195)
Impairment charges		**(27,708)**		–
Acquisition related amortization		**(2,484)**		(1,440)
Adjustments to associate profit		**–**		1,804
Profit on step acquisition/profit on disposal of interest in associates		**986**		1,564
Before adjustments		**(30,412)**		17,395

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

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
US Air*	**10,131**	**(1,322)**	19,177	(6,342)
US Ground	**13,170**	**(3,163)**	10,141	(1,481)
Europe Air	**25,461**	**(25,681)**	34,066	(31,192)
Europe Ground	**32,328**	**(15,543)**	43,634	(20,771)
Middle East Air	**6,276**	**(4,745)**	5,970	(5,974)
Middle East Ground	**3,068**	**(1,649)**	2,049	(758)
Asia Air	**10,903**	**(8,092)**	889	(15)
Asia Ground*	**16,207**	**–**	–	–
Global Services	**8,307**	**(4,720)**	5,695	(3,211)
Central Costs	**24,818**	**(4,090)**	36,392	(26,564)
Total	**150,669**	**(69,005)**	158,013	(96,308)

* includes equity investments in associates

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

	Year ended 2018 $'000	Year ended 2017 $'000
Continuing operations		
Sale of business aviation services	**231,087**	186,472
Sale of aircraft	**–**	12,885
Sale of inventories	**–**	3,929
Branding fees	**3,750**	4,074
Totals	**234,837**	207,360

No single customer represents more than 10% of the Group's total revenue (2017: none)

The Group has not separately disclosed revenue by country because this is not tracked internally and because management believe that the Group's operating segments align very closely to country reporting with European divisions representing the UK and Channel Islands; the US divisions representing the United States; the Asia divisions representing Hong-Kong and the Middle East divisions mainly representing the U.A.E.

Geographic information

	2018 $'000	2017 $'000
Non-current assets		
US	**3,869**	2,720
Europe	**15,893**	16,148
Asia	**301**	–
Middle East	**2,089**	1,183
Group	**96**	–
	22,248	20,051

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

4. Segment information (restated) (continued)
Performance obligations that are unsatisfied as at the end of the reporting period.
As permitted under the transitional provision of IFRS 15, the transaction price allocated to partially unsatisfied performance obligations as of 31 December 2017 is not disclosed.

The Group has applied the practical expedient to service contracts of less than one year in duration, which are omitted from the total outstanding performance obligations.

Outstanding performance obligations as at 31 December 2018 are as set out below:

$'000	1 Year	2 Years	3 Years	4 Years	5 Years	Greater than 5 years	Total
Outstanding performance obligations to be fulfilled in	46,566	39,561	38,567	39,036	29,200	35,811	**228,741**

5. EBIT for the year
EBIT for the year has been arrived at after charging/(crediting):

	Year ended 2018 $'000	Year ended 2017 $'000
Net foreign exchange gain	**(581)**	(425)
Depreciation of property, plant and equipment (see note 16)	**2,544**	1,845
Amortisation of intangibles (see note 15)	**2,523**	1,441
Impairment of goodwill and acquired intangibles (see note 14 and 15)	**27,708**	–
Cost of inventories recognised as an expense (see note 19)	**20,380**	13,998
Change in provision for inventory obsolescence	**1,107**	(384)
Staff costs (see note 8)	**61,049**	53,107
Impairment losses recognised on trade receivables (see note 20)	**965**	384
Reversal of impairment losses recognised on trade receivables (see note 20)	**(131)**	(68)
Auditors' remuneration:		
Audit of the company's annual accounts	**130**	95
Audit of the accounts of subsidiaries	**301**	260
Tax advisory services	**96**	–
Other assurance services	**15**	18

6. Adjusted performance measures

EBITDA:

	Year ended 2018 $'000	Year ended 2017 $'000
Gross profit	**45,053**	45,618
Administrative expenses	**(44,242)**	(28,828)
Impairment loss	**(27,708)**	–
EBITDA	**(26,897)**	16,790
Exceptional items	**11,863**	2,622
Share-based payments expense (note 32)	**670**	195
Impairment of goodwill and acquired intangibles	**27,708**	–
Adjusted EBITDA	**13,344**	19,607

Adjustments to EBIT within administrative expenses:

	Year ended 2018 $'000	Year ended 2017 $'000
Exceptional items:		
– Transaction costs	**3,581**	403
– Integration and business re-organisation costs	**2,364**	1,160
– Legal costs	**2,318**	1,059
– Contribution to associate	**3,600**	–
Total exceptional items	**11,863**	2,622
Share-based payments expense (note 32)	**670**	195
Adjustments to EBIT within administrative expenses	**12,533**	2,817
Impairment of goodwill and acquired intangibles	**27,708**	–
Total adjustments to EBIT within administrative expenses	**40,241**	2,817

Analysis of exceptional costs by type

	Year ended 2018 $'000
Cash contribution to associate	**3,600**
Corporate finance costs	**2,073**
Bournemouth move and setup costs	**1,539**
Dryden litigation	**1,500**
Changes in accounting estimates	**1,001**
Other litigation	**818**
Aborted Acquisition related fees	**502**
Integration costs	**360**
Oxford onerous lease provision	**327**
Legal entity reorganisation costs	**143**
Total exceptional items	**11,863**

Contribution to associate
In January 2018 the Group made a cash payment of $3.6m to Gama Aviation LLC.

Corporate finance costs
Corporate finance costs relate to the acquisitions of both the remaining 50% of the Hutchinson Whampoa JV and the investment in CASL, both following the equity fund raise.

Bournemouth move and setup costs
In June 2018 the Group commenced the relocation of its Ground business from Oxford and Farnborough to Bournemouth. Costs included as exceptional in relation to this move included:

/ Redundancy and relocation costs;
/ Provision for exiting certain contracts at the Group's Oxford site;
/ Expenses associated with planning and execution of the move;
/ Expenses associated with setting up the new site and bringing it to a state of readiness; and
/ Initial facilities costs of the sites whilst the Group was operating both Oxford and Bournemouth locations.

Dryden litigation
The Group incurred approximately $1,500,000 in professional fees in relation to the successful conclusion of the legacy Dryden litigation.

Changes in accounting estimates
In December 2018 the Group concluded a comprehensive balance sheet review, the result of which were that certain accounting estimates were revised. The total net impact of the revision to accounting estimates was a charge to profit and loss of $1,001,000.

6. Adjusted performance measures (continued)
Most of this amount related to receivables that were deemed to be irrecoverable due to the ageing of the items. The receivable balances comprised:

- Expected costs contractually recoverable under long-term contracts that were assessed to be lower than previously estimated; and
- Recharges receivable due under managed aircraft contracts where the age of the receivable indicates that recoverability is unlikely.

Other litigation
The Group incurred $818,000 in professional fees in relation to ongoing litigation.

Aborted acquisition related fees
Costs of $502,000 were incurred in relation to aborted acquisitions in the year ending December 2018.

Integration costs
The Group has removed from its adjusted results costs totalling $360,000, which relate to certain internal staff who have been involved in project work in the year that is not expected to be repeated, or where the project role that the internal staff are carrying out is temporary. In the current year the costs that have been included in this category include:

- System integration costs where an internal resource has been used in lieu of an external consultant; and
- Certain business development activities in relation to acquisition targets that will not be repeated in future.

Oxford onerous lease provision
The Group incurred $327,000 of closure costs relating to its Oxford facility, most of which related to an onerous lease provision, which has been judged to be exceptional.

Legal entity reorganisation costs
The Group incurred professional fees and other costs of $143,000 in relation to its legal entity reorganisation project. This project formed part of the Group's strategic financial review conducted in late 2018. The project is partially completed at the balance sheet date and exceptional costs are expected to be at a similar level for this item in 2019 when the project concludes.

Impairment of goodwill and acquired intangibles
The impairment charge of $27,708,000 resulted from the Group's annual IAS 36 impairment review and comprises $20,380,000 charged against goodwill and the remaining $7,328,000 against acquired intangibles. As a result of the impairment charge, goodwill allocated to the Europe Air cash generating unit ("CGU") grouping has been reduced to nil. The impairment charge resulted primarily from an updated outlook for 2019 for the Europe Air business, which in turn was based on the full year results for 2018 for this operating segment, which were below expectations.

Adjustments to EBIT within depreciation and amortisation:

	Year ended 2018 $'000	Year ended 2017 $'000
Acquisition related and accelerated intangible amortisation	**2,484**	1,440

Adjustments to EBIT relating to investments in associates:

	Year ended 2018 $'000	Year ended 2017 $'000
Profit on step acquisition	**986**	–
Profit on disposal of interest in associates	**–**	1,564
Release of impairment provision related to associate interest	**–**	1,804
	986	3,368

7. Discontinued operations

Discontinued operations primarily relate to the losses generated by the formerly owned aircraft within the Group that were 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. A further aircraft was held for sale at the end of 2017 and was sold in 2018.

At the beginning of 2018 the Group announced the closure of its Swiss operation, Gama Aviation SA and has treated this as a discontinued operation. This treatment results in losses of $243,000 being removed from continuing operations in 2018 and profit of $460,000 being removed from the restated 2017 comparative results. In the judgment of the directors, Gama Aviation SA was deemed to meet the criteria for discontinued operations because the closure represented the exit of a standalone geographical operation for which separate financial information was publicly available.

The results of these discontinued operations are presented below:

Discontinued operations	Year ended 2018 $'000	Year ended 2017 (restated)* $'000
Revenue	**538**	141
Expenses	**(1,345)**	(2,103)
Operating loss	**(807)**	(1,962)
Net finance income	**40**	10
Loss before and after tax from discontinued operations	**(767)**	(1,952)
Earnings per share		
Basic – cents	**(1.27c)**	(4.44c)
Diluted – cents	**(1.27c)**	(4.44c)
The weighted average number of ordinary shares is included in Note 12.		
The net cash flows incurred by discontinued operations are as follows:		
Operating activities	**1,516**	5,579
Investing activities	**(1,500)**	(5,550)
Net cash outflow	**16**	29

* Discontinued operations for 2017 have been restated to show the effects of operations discontinued in 2018. The 2017 comparatives therefore comprise both discontinued operations as originally presented in the 2017 consolidated financial statements and the required restatement for operations that were continuing in 2017 but are treated as discontinued in 2018. The net adjustment to 2017 is a reduction in discontinued expenses of $460,000. This arose because of the closure of the Group's Swiss operation, Gama Aviation SA, which reported a net credit to expenses in 2017.

Net cash from investing activities in both 2018 and 2017 represents the proceeds of sale from assets designated as held for sale in the prior year.

8. Staff costs

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

	Year ended 2018 Number	Year ended 2017 (restated)* Number
Operations and administration	**359**	310
Pilots and cabin crew	**110**	107
Aircraft engineering	**226**	228
	695	645

* the 2017 comparative employee numbers have been restated because it was found that they included Gama Aviation Hutchison Holdings employees in error as Gama Aviation Hutchison Holdings Ltd was not consolidated by the Group until the current year.

8. Staff costs (continued)

Their aggregate remuneration comprised:

	Year ended 2018 $'000	Year ended 2017 $'000
Wages and salaries	52,360	45,363
Social security costs	7,555	6,702
Other pension costs (see note 33)	1,134	1,042
	61,049	53,107

Gross costs for Gama Aviation Hutchison Holdings are included for the first time in 2018 following the Group's acquisition of the company and its inclusion in the consolidated results of the Group.

Details of directors' remuneration are given in the Remuneration Report. The share option costs relating to these directors amounted to $118,000 (2017: $56,000).

9. Finance income

	Year ended 2018 $'000	Year ended 2017 $'000
Foreign currency translation on intercompany balances	581	–
Interest income on bank deposits	5	
Total finance income	586	–

10. Finance expense

	Year ended 2018 $'000	Year ended 2017 $'000
Interest on bank overdrafts and loans	784	1,526
Interest on obligations under finance leases	170	141
Other similar charges payable	–	42
Total finance costs	954	1,709

11. Taxation

	Year ended 2018 $'000	Year ended 2017 $'000
Corporation tax:		
Current year charge	1,411	2,110
Deferred tax (note 22)	110	1,776
Total tax charge for the year	1,521	3,886

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 2018 $'000	Year ended 2017 $'000
Continuing operations	**(30,780)**	16,146
Discontinued operations	**(767)**	(2,412)
(Loss)/Profit before tax	**(31,547)**	13,734
Tax at the corporation tax rate of 19% (2017: 19%)	**(5,993)**	2,609
Effects of:		
Expenses not deductible for tax purposes	**3,950**	(88)
Utilisation of tax losses	**3,407**	(71)
Effect of tax rates in different jurisdictions	**(349)**	1,593
Other timing differences	**506**	(157)
Total tax charge for the year	**1,521**	3,886

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

	Year ended 2018 $'000	Year ended 2017 (restated)* $'000
Numerator		
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	**(32,315)**	11,754
Discontinued operations	**(767)**	(1,952)
Profit attributable to ordinary equity holders of the parent for basic earnings	**(33,082)**	9,802
Denominator		
Weighted average number of shares used in basic EPS	**60,348,056**	43,994,442
Effect of dilutive share options	**434,837**	450,572
Weighted average number of shares used in diluted EPS	**60,782,893**	44,445,014
Earnings per share		
Basic (cents)	**(54.82c)**	22.28c
Diluted (cents)	**(54.82c)**	22.05c
Basic – continuing operations (cents)	**(53.55c)**	26.72c
Diluted – continuing operations (cents)	**(53.55c)**	26.45c

* Earnings per share for the prior year has been restated for the effects of discontinuing an operation in the current year. Gama Aviation SA, the Group's Swiss operation was closed at the beginning of 2018, accordingly, in line with IFRS 5 the results for the comparative period have been restated to remove $600,000 of profit from continuing operations. This has been included within total discontinued operations loss of $1,952,000 shown within the income statement.

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

	Year ended 2018 $'000	Year ended 2017 $'000
Loss from discontinued operations for the basic and diluted EPS calculations	**(767)**	(1,952)

13. Acquisitions
On 2 March 2018, the Group acquired Hutchison Whampoa (China) Limited's 50% stake in Gama Aviation Hutchison Holdings Ltd for $3.1m.

The following table summarises the consideration paid for Gama Aviation Hutchison Holdings Ltd, the preliminary fair value of assets acquired, and the liabilities assumed at the acquisition date.

Consideration at 2 March 2018

	$'000
Cash consideration	3,050
Total consideration transferred	3,050

Recognised amounts of identifiable assets acquired and liabilities assumed

	$'000
Property, plant and equipment	249
Customer relationships (included within intangibles)	4,202
Trade and other receivables	5,069
Cash	460
Trade and other payables	(7,842)
Deferred revenue	(165)
Goodwill	2,063
	4,036

Profit recognised on acquisition in respect of pre-existing shareholding (see below)	(986)
Total consideration	3,050

The Group already held 50% of the shares in Gama Aviation Hutchison Holdings Limited and the acquisition of the remaining 50% is treated as a step acquisition under IFRS 3 resulting in a profit on acquisition of $1.0m.

14. Goodwill

	$'000
Cost	
At 1 January 2017	41,328
Reclassification to intangibles	(549)
Exchange differences	3,634
At 1 January 2018	**44,413**
Recognised on acquisition	**2,063**
Exchange differences	**(2,285)**
At 31 December 2018	**44,191**

	$'000
Accumulated impairment losses	
At 1 January and 31 December 2017	3,697
Impairment loss for the year	20,380
At 31 December 2018	**24,077**
Carrying amount	
At 31 December 2018	**20,114**
At 31 December 2017	40,716

The recoverable amount of goodwill is allocated to the following cash generating units ("CGUs"):

	2018 $'000	2017 $'000
Europe: Air	**–**	18,972
Europe: Ground	**20,114**	21,744
	20,114	40,716

Key assumptions used in 'value in use' calculations
The calculation of 'value in use' is most sensitive to the following assumptions:

/ CGU specific operating assumptions that are reflected in the budget period for the financial year to 31 December 2019;
/ Discount rates; and
/ Growth rates used to extrapolate risk adjusted cash flows beyond the budget period.

CGU specific operating assumptions are applicable to the budgeted cash flows for the year to 31 December 2019 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the budgets are built up from the underlying operating companies within each CGU Group. A long-term growth rate is applied to the budget values for 2019 to extrapolate expected values.

Long-term growth rates are capped at the weighted average GDP growth rates of the markets that the CGU Group sells into.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to the Group would make, using the Group's economic profile as a starting point and adjusting appropriately. The directors do not currently expect any significant change in the present base discount rate of 15.6% (2017: 11.5%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC). Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU Group. This results in the impairment testing using discount rates ranging from 15.6% to 16.3% (2017: 11.5%) across the CGU Groups.

CGU Groups to which 10% or more of the total goodwill balance is allocated are deemed to be significant. The assumptions used to determine 'value in use' for these CGU Groups are:

Europe Ground
/ CGU specific discount rate of 15.6%
/ Long-term growth rate of 1.7%
/ Risk free rate 1.2%

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 2017	1,453	2,761	1,146	10,720	17	16,097
Reclassification 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**
Additions	–	–	–	–	3,171	3,171
Recognised on acquisition	–	–	–	4,202	–	4,202
Foreign exchange differences	(7)	(145)	(77)	(682)	(220)	(1,131)
At 31 December 2018	**1,481**	**3,444**	**1,306**	**15,690**	**4,000**	**25,921**
Amortisation and accumulated impairment losses						
At 1 January 2017	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**
Amortisation	273	633	24	1,552	41	2,523
Impairment loss	–	–	–	7,328	–	7,328
Foreign exchange differences	(7)	(145)	(62)	(186)	–	(400)
At 31 December 2018	**1,481**	**3,077**	**1,230**	**11,720**	**58**	**17,566**
Carrying amount						
At 31 December 2018	**–**	**367**	**76**	**3,970**	**3,942**	**8,355**
At 31 December 2017	273	1,000	115	9,144	1,032	11,564

Customer relationship assets are amortised over their useful economic lives estimated to be ten years. Within this balance individually material balances relate to:

/ FlyerTech: $1,835,000 (2017: $2,080,000); and
/ Hangar8 (Europe Air and Europe Ground): $2,135,000 (2017: $7,064,000).

Licenses and brands (which include protected intellectual property) are amortised over their useful economic lives estimated to be ten years. There are no individually material items within this balance.

Commence operations and part 145 approvals are legacy intangible balances comprising internally generated costs relating to new operations. These assets were previously identified as having an indefinite useful life. In 2018, management reassessed the remaining useful lives of the existing commence operations assets to be one year. Management also re-evaluated the appropriate useful economic lives of Part 145 approvals at 5 years. In connection with this, the remaining useful economic life of existing Part 145 was determined to be between 1 and 2 years. These revisions to useful lives have been accounted for prospectively in accordance with IAS 8.

Computer software costs comprise internally developed software costs arising in the Group's MyAirOps Software Limited business as well as purchased software, such as Enterprise Resource Planning systems. All costs are amortised over their useful economic lives estimated to be between three and five years. The carrying value of internally developed software within this balance is $3,199,000 (2017: $950,000).

The recoverable value of intangible assets has been assessed as part of the Group's annual IAS 36 impairment review exercise. As a result of the impairment review it was determined that an impairment charge of $4,535,000 was required against the Europe Air CGU Grouping to reduce the carrying value of intangible assets to the calculated value in use of that CGU Grouping.

Intangible assets recognised on acquisition in the year of $4,202,000 and allocated to the Asia Air CGU were also impaired by $2,793,000.

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 2017	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**
Additions	2,425	106	1,762	1,132	5,425
Acquisitions	5	207	14	23	249
Exchange differences	(665)	(443)	(108)	(12)	(1,228)
At 31 December 2018	**16,073**	**7,745**	**7,617**	**2,550**	**33,985**
Accumulated depreciation					
At 1 January 2017	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**
Charge for the year	666	476	1,087	315	2,544
Exchange differences	(139)	(97)	(51)	(8)	(295)
At 31 December 2018	**4,321**	**1,762**	**4,753**	**901**	**11,737**
Carrying amount					
At 31 December 2018	**11,752**	**5,983**	**2,864**	**1,649**	**22,248**
At 31 December 2017	10,514	6,492	2,232	813	20,051

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 $7.3 million (2017: $6.7 million), being $5.8 million of aircraft and $1.5 million of motor vehicles (2017: $6.0 million of aircraft and $0.7 million of motor vehicles).

In June 2017 the Group entered into a non-cancellable Build-Operate-Transfer and Service Concession agreement with Sharjah Airport Authority under which the Group is committed to construct a Business Aviation Centre ("BAC") at Sharjah Airport. The agreement runs from June 2017 until June 2042. Assets under construction in relation to the BAC, with a carrying value of $1,815,000 at 31 December 2018, are included within leasehold property. The total expected cost of the project is expected to be approximately $40m. The directors' expectation is that the purchase will ultimately be funded by an asset finance or sale and leaseback arrangement.

Included within leasehold property are costs arising from related party transactions of $754,000 (see note 37).

On 21 December 2018 the Group entered into cancellable commitments totalling €25,759,000 to purchase three Airbus H145 rotary aircraft. A first €500,000 down payment was made on 17 December 2018. The second payment of €573,000 was made on 9 January 2019. The third payment of €4,078,000 was made on 1st February 2019. The fourth payment of €2,576,000 will be made on 1st July 2019. The remaining commitments will be settled on delivery acceptance which is expected to be in December 2019 for one aircraft requiring a final payment of €6,010,000 and early 2020 for the remaining two aircraft requiring final payments totalling €12,021,000. The directors' expectation is that the purchase will ultimately be funded by an asset finance or operating lease arrangement.

16. Property, plant and equipment (continued)

Assets held for resale

During the year the Group disposed of its remaining asset held for sale.

	Assets held for resale $'000
Net book value at 1 January 2018	1,500
Disposals	(1,500)
Net book value at 31 December 2018	**–**

17. Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Aerstream Limited[(1)]	England and Wales	100%	Dormant
Airops Software Limited[(1)]	England and Wales	100%	Aviation software
Aravco Limited[(1)]	England and Wales	100%	Aviation management
Avialogistics Limited[(2)]	England and Wales	100%	Non-trading
Aviation Crewing Limited	England and Wales	100%	Dormant
FlyerTech Limited[(1)]	England and Wales	100%	Airworthiness management
Gama Aviation (Asset 2) Limited[(1)]	England and Wales	100%	Aircraft operation
Gama Aviation (Engineering) Limited[(1)]	England and Wales	100%	Holding company
Gama Aviation Group Limited[(4)]	England and Wales	100%	Holding company
Gama Aviation (Training) Limited[(2)]	England and Wales	100%	Dormant
Gama Aviation (UK) Limited[(1)]	England and Wales	100%	Aviation management
GA 259034 Limited[(1)]	England and Wales	100%	Dormant
Gama (Engineering) Limited[(1)]	England and Wales	100%	Dormant
GA FM54 Limited[(1)]	England and Wales	100%	Aircraft leasing
Gama Group Limited	England and Wales	100%	Holding company
Gama Leasing Limited[(1)]	England and Wales	100%	Aviation management
Gama Support Services Limited[(1)]	England and Wales	100%	Dormant
Hangar8 AOC Limited	England and Wales	100%	Aviation charter
Hangar8 Engineering Limited	England and Wales	100%	Aviation maintenance
Hangar8 Management Limited	England and Wales	100%	Aviation management
Infinity Flight Crew Academy Limited	England and Wales	100%	Dormant
International JetClub Limited	England and Wales	100%	Aviation management
Optimum Aviation Limited	England and Wales	100%	Aviation management and charter
Ronaldson Airmotive Limited[(1)]	England and Wales	100%	Dormant
Aviation Beauport Holdings Limited[(4)]	Jersey	100%	Dormant
Ferron Trading Limited[(4)]	Jersey	100%	Dormant
Gama Aviation (Beauport) Limited[(1)]	Jersey	100%	Aviation management
Gama Aviation (Engineering) Jersey Limited[(1)]	Jersey	100%	Aviation maintenance
Gama Aviation SA[(1)]	Switzerland	100%	Aviation management
Oasis Flight Malta	Malta	100%	Dormant
Gama Aviation FZC[(6)]	UAE	49%	Aviation management
Gama Group Mena FZE	UAE	100%	Holding company
Gama Holding FZC	UAE	100%	Holding company

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Support Services FZE[1]	UAE	100%	Aviation design and engineering
Gama Aviation (Engineering) Inc.[1]	USA	100%	Aviation design and engineering
Gama Aviation (Management) Inc.[1]	USA	100%	Aviation management
Gama Group Inc.	USA	100%	Holding company
Gama Aviation Limited[1]	Hong Kong	100%	Aviation management
Gama Aviation Hutchison Holdings Limited[1]	Hong Kong	100%	Holding company
Gama Aviation Hutchison (Hong Kong) Limited[1]	Hong Kong	100%	Aviation management
Gama Group (Asia) Limited	Hong Kong	100%	Holding company
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	Holder of South African AOC
Hangar8 Nigeria Limited[3]	Nigeria	100%	Applicant of Nigerian AOC
Hangar8 Mauritius Limited	Mauritius	100%	Holding company
GB Aviation Holdings LLC[5]	USA	50%	Joint Venture
Gama Aviation Beijing WOFE	China	100%	Dormant

(1) indicates indirect holding

(2) For the year ending 31 December 2018 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

(3) 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.

(4) On 1 January 2019 these companies became dormant as part of the Group's legal entity restructuring activities.

(5) GB Aviation Holdings LLC is the entity jointly held with BBA Aviation plc. The company's sole asset is its 49% investment in Gama Aviation LLC, the Group's US Air associate. The Group's ownership interest in Gama Aviation LLC is 24.5%.

(6) 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.

17. Subsidiaries (continued)

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*	England and Wales	100%	Airworthiness management
Airops Software Limited*	England and Wales	100%	Aviation software
Aravco Limited*	England and Wales	100%	Aviation management
Avialogistics Limited**	England and Wales	100%	Non-trading
Aviation Crewing Limited	England and Wales	100%	Dormant
FlyerTech Limited*	England and Wales	100%	Airworthiness management
Gama Aviation (Asset 2) Limited*	England and Wales	100%	Aircraft operation
Gama Aviation (Engineering) Limited (formerly Gama Engineering Group Limited)*	England and Wales	100%	Holding company
Gama Aviation Group Limited*	England and Wales	100%	Holding company
Gama Aviation (Training) Limited**	England and Wales	100%	Aviation training
Gama Aviation (UK) Limited*	England and Wales	100%	Aviation management
GA 259034 Limited*	England and Wales	100%	Dormant
Gama (Engineering) Limited*	England and Wales	100%	Dormant
GA FM54 Limited*	England and Wales	100%	Aircraft leasing
Gama Group Limited	England and Wales	100%	Holding company
Gama Leasing Limited*	England and Wales	100%	Aviation management
Gama Support Services Limited*	England and Wales	100%	Dormant
Hangar8 AOC Limited	England and Wales	100%	Aviation charter
Hangar8 Engineering Limited	England and Wales	100%	Aviation maintenance
Hangar8 Management Limited	England and Wales	100%	Aviation management
Infinity Flight Crew Academy Limited	England and Wales	100%	Aviation training
International JetClub Limited	England and Wales	100%	Aviation management
Optimum Aviation Limited	England and Wales	100%	Aviation management and charter
Ronaldson Airmotive Limited*	England and Wales	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	100%	Aviation design and engineering
Gama Aviation (Engineering) Inc. (formerly Gama Support Services Inc.)*	USA	100%	Aviation design and engineering
Gama Aviation (Management) Inc. (formerly Gama Aviation Inc.)*	USA	100%	Aviation management

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Group Inc.*	USA	100%	Holding company
Gama Aviation Limited*	Hong Kong	100%	Aviation management
Gama Group (Asia) Limited*	Hong Kong	100%	Holding company
Gama Support Services Limited*	Hong Kong	100%	Aviation design and engineering
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	Holder of South African AOC
Hangar8 Nigeria Limited***	Nigeria	100%	Applicant of Nigerian AOC
Hangar8 Mauritius Limited	Mauritius	100%	Holding company
GB Aviation Holdings LLC	USA	50%	Joint Venture****
Gama Aviation Beijing WOFE	China	100%	Dormant

* indicates indirect holding

** For the year ending 31 December 2017(prior year) 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.

****GB Aviation Holdings LLC is the entity jointly held with BBA Aviation plc. The company's sole asset is its 49% investment in Gama Aviation LLC, the Group's US Air associate. The Group's ownership interest in Gama Aviation LLC is 24.5%. 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.

18. Investments accounted for using the equity method
Details of the Group's investments accounted for using the equity method at 31 December 2018 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 Ltd*	Joint venture	Hong Kong	100.0%	100.0%
China Aircraft Services Limited	Associate	Hong Kong	20.0%	20.0%

* Until 2 March 2018 when the remaining 50.0% of the company not already owned by the Group was acquired.

Details of the Group's investments accounted for using the equity method at 31 December 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 Ltd	Joint venture	Hong Kong	50.0%	50.0%

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. Consequently, 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 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.

On 2 March 2018 the Group acquired the remaining 50.0% of Gama Aviation Hutchison that it did not already own. This transaction resulted in the Group obtaining control of Gama Aviation Hutchison, and the results of that company have been consolidated from the date of the transaction. A gain of $986,000 was recognised as part of the accounting for the step-acquisition. On the same date the Group acquired a 20.0% ownership interest in China Aircraft Services Limited from Hutchison Whampoa (China) Limited. Consideration paid for the interest was $16,000,000 which was settled in cash.

The results of the equity accounted investments are as follows:

	Associate		Joint venture	
	Year ended 2018 $'000	Year ended 2017 $'000	**Year ended 2018 $'000**	Year ended 2017 $'000
Revenue	**494,075**	387,366	**–**	14,793
Expenditure	**(491,784)**	(386,730)	**–**	(15,335)
Profit/(loss) before tax	**2,291**	636	**–**	(542)
Income tax credit	**209**	–	**–**	–
Profit/(loss) after tax	**2,500**	636	**–**	(542)
Group's share of net profit/(loss)	**566**	157	**–**	–
Reversal of prior year losses	**–**	1,501	**–**	669
Share of results from equity accounted investments	**566**	1,658	**–**	669

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

	Associate		Joint venture	
	Year ended 2018 $'000	Year ended 2017 $'000	**Year ended 2018 $'000**	Year ended 2017 $'000
At 1 January	**1,721**	–	**–**	–
Acquisition	**16,000**			
Share of net profit/(loss)	**566**	157	**–**	–
Profit on disposal of interest in associate	**–**	1,564	**–**	–
At 31 December	**18,287**	1,721	**–**	–

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

	Associate		Joint venture	
	Year ended 2018 $'000	Year ended 2017 $'000	**Year ended 2018 $'000**	Year ended 2017 $'000
Total assets	**126,195**	41,276	**–**	5,500
Total liabilities	**(43,749)**	(37,317)	**–**	(7,381)
Net assets/(liabilities)	**82,446**	3,959	**–**	(1,881)
Group's share of net assets/(liabilities)	**16,899**	970	**–**	(941)

19. Inventories

	2018 $'000	2017 $'000
Raw materials and consumables	**7,348**	7,085
Work in progress	**3,332**	2,620
	10,680	9,705

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 $20,380,000 (2017: $13,998,000), this includes an amount of $1,107,000 resulting from a write back of inventories (2017: write down of $384,000).

20. Other financial assets

Trade and other receivables

	2018 $'000	2017 (restated)* $'000
Amount receivable for the sale of services	**28,242**	22,995
Allowance for doubtful debts	**(3,198)**	(2,968)
	25,044	20,027
Other debtors	**4,150**	3,092
Amounts due from associates	**2,654**	2,745
Prepayments	**8,237**	6,558
Accrued income	**18,215**	15,868
	58,300	47,718

* the 2017 comparatives have been restated to disclose amounts due from associates separately from other debtors. This has been done to aid reconciliation to amounts disclosed in the related party transactions note 37.

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 (2017: 28 days). No interest is charged on overdue receivables (2017 – 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, $3.8 million (2017: $3.3 million) is due from the Group's largest 5 customers who comprise 15% (2017: 16%) 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 a specific allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. However, the Group carries a provision for IFRS 9 expected credit losses of $419,000. As permitted by IFRS 9, Group companies are required to use a provision matrix as a practical expedient to calculate the provision for expected credit losses for trade receivables without a significant financing component.

20. Other financial assets (continued)
Ageing of past due but not impaired receivables

	2018 $'000	2017 $'000
Not yet due	**10,869**	7,853
Less than 30 days	**3,568**	2,768
30-60 days	**3,624**	2,246
61-90 days	**938**	464
91-120 days	**857**	217
Greater than 120 days	**5,188**	6,479
Total	**25,044**	20,027

Amounts due from associates
Amounts due from associates of $2,654,000 represent balances arising in the ordinary course of business between the Group and its associate companies, China Aircraft Services Limited and Gama Aviation LLC. Amounts due to associates of $3,067,000 (see note 24) also arise in the ordinary course of business between the Group and the same two associate companies. The net payable to associates of $415,000 represents:

/ A receivable due to the Group of $330,000 from Gama Aviation LLC; and
/ A payable due by the Group of $745,000 to China Aircraft Services Limited.

These amounts are disclosed as related party transactions in note 37.

Movement in the allowance for doubtful debts

	2018 $'000	2017 $'000
At 1 January	**2,968**	3,985
Opening IFRS 9 adjustment	**327**	–
Impairment losses recognised in income statement	**965**	384
Amounts written off as uncollectible	**(780)**	(1,664)
Amounts recovered during the year	**(131)**	(68)
Foreign exchange translation gains and losses	**(151)**	331
At 31 December	**3,198**	2,968

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

	2018 $'000	2017 $'000
< 30 days	**264**	40
30-60 days	**60**	39
61-90 days	**47**	6
91-120 days	**498**	2
121+ days	**2,329**	2,881
Total	**3,198**	2,968

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

	2018 $'000	2017 (restated)* $'000
Secured borrowings at amortised cost		
Finance lease liabilities (note 23)	**3,056**	3,667
Short term loan from associate	**–**	5,014
Other loans	**9,850**	31,654
	12,906	40,335

	2018 $'000	2017 (restated)* $'000
Total borrowings		
Finance lease liabilities	**1,669**	1,654
Short term loan from associate	**–**	5,014
Other loans	**9,850**	30,642
Amount due for settlement within 12 months	**11,519**	37,310
Finance lease liabilities	**1,387**	2,013
Other loans	**–**	1,012
Amount due for settlement after 12 months	**1,387**	3,025

Analysis of borrowings by currency:

	Sterling $'000	US Dollars $'000	Total $'000
31 December 2018			
Finance lease liabilities	–	3,056	3,056
Other loans	9,850	–	9,850
	9,850	3,056	12,906
31 December 2017 (restated)*			
Finance lease liabilities	–	3,667	3,667
Short term loan from associate	–	–	5,014
Other loans	31,654	–	31,654
	31,654	3,667	40,335

* The cash transaction restatement is detailed in Note 2

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

2018

(i) Finance lease liabilities are secured by the assets leased. Interest arises at an average of 5.4% (2017: 4.4%) and the leases expire in 2022.

(ii) Other loans in 2018 comprise a $10.0m revolving credit facility with a repayment term of less than 1 year and which carries an interest rate of LIBOR + 1.90%.

(iii) Other loans in 2017 included a loan amounting to £1.5 million, which had no fixed repayment term and carried an interest rate of 9.5% per annum was repaid in 2018.

21. Borrowings (continued)

2017 (restated)
The disclosure detail below has been restated to show the correct amount for the £1.5m loan, which was incorrectly disclosed as £0.75m.

(i) £1.5 million (2016: £1.5 million), which has no fixed repayment term and carries an interest rate of 9.5% per annum (2016: 9.5%).

(ii) £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%

(iii) 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 2017	(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
Movement in year	(36)	(74)	(110)
Exchange differences	(2)	(2)	(4)
At 31 December 2018	**(1,753)**	**2,779**	**1,026**

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:

	2018 $'000	2017 $'000
Deferred tax asset	**2,665**	2,689
Deferred tax liability	**(1,639)**	(1,549)
Net deferred tax asset	**1,026**	1,140

The Group has not recognised a deferred tax asset in respect of losses brought forward of $3.7m (2017: $3.6m) 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	
	2018 $'000	2017 $'000
Amounts payable under finance leases:		
Within one year	**1,810**	1,751
In the second to fifth years inclusive	**1,400**	2,121
After more than five years	**93**	–
	3,303	3,872
Less: future finance charges	**(247)**	(205)
Present value of lease obligations	**3,056**	3,667

	Present value of minimum lease payments	
	2018 $'000	2017 $'000
Amounts payable under finance leases:		
Within one year	**1,669**	1,654
In the second to fifth years inclusive	**1,301**	2,013
After more than five years	**86**	–
Present value of lease obligations	**3,056**	3,667

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 2018, the average effective borrowing rate was 5.4% (2017: 4.4%). Interest rates are variable.

The fair value of the Group's lease obligations is different to their carrying amount as shown in note 31.

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

	2018 $'000	2017 (restated)* $'000
Trade and other payables	**29,015**	38,523
Accruals	**18,078**	9,442
Amounts due to associates	**3,067**	1,531
	50,160	49,496

* the 2017 comparatives have been restated to disclose amounts due to associates separately from Trade and other payables. This has been done to aid reconciliation to amounts disclosed in the related party transactions note 37. Total trade and other payables have also been restated to reclassify $5.0m from amounts due to associates (which were combined with Trade and other payables in the prior year) to short term borrowings (see note 2).

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 (2017: 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.

Amounts due to associates of $3,067,000 represent balances arising in the ordinary course of business between the Group and its associate companies, China Aircraft Services Limited and Gama Aviation LLC. Amounts due from associates of $2,654,000 (see note 20) also arise in the ordinary course of business between the Group and the same two associate companies. The net payable to associates of $415,000 represents:

- A receivable due to the Group of $330,000 from Gama Aviation LLC; and
- A payable due by the Group of $745,000 to China Aircraft Services Limited.

These amounts are disclosed as related party transactions in note 37.

25. Issued capital and reserves

	Number	GBP	$'000
Ordinary shares: authorised, issued and fully paid			
At 1 January 2017	43,994,442	439,944	684
At 31 December 2017	43,994,442	439,944	684
Issue of share capital	19,641,837	195,918	269
At 31 December 2018	**63,636,279**	**635,862**	**953**

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.

25. Issued capital and reserves (continued)

On 2 March 2018, 19,591,837 new ordinary shares of one pence each in Gama Aviation plc were admitted for trading on AIM. The Company raised gross proceeds of £48,000,000 ($65,460,000) pursuant to the placing. Hutchison Whampoa (China) Limited ("Hutchison") subscribed for shares in the placing and held 21.17% of the issued share capital at 30 June 2018. A further 50,000 shares were issued to a director of the Company (see page 38).

	$'000
Share premium	
At 1 January 2017	–
Issue of new shares	63,473
Balance at 31 December 2018	63,473

Share premium represents the amount subscribed for share capital in excess of nominal value, net of placement fees of £1,526,000 ($1,987,000).

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 2017	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
Share-based payment expense (Note 32)	–	–	–	670	–	670
Gains recognised on cash flow hedge (Note 35)	–	–	127	–	(127)	–
Balance at 31 December 2018	**136,996**	**(95,828)**	**20,336**	**865**	**–**	**62,369**

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 2017	581
Total comprehensive profit attributable to minority interests	46
Non-controlling interest movement	897
Balance at 31 December 2017	1,524
Total comprehensive profit attributable to minority interests	14
Balance at 31 December 2018	**1,538**

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 was converted to an FZE. On the same date, Gama Aviation Plc acquired the remaining 51% shareholding in Gama Group Mena FZE. The net liabilities acquired as part of this transaction resulted in the recognition of the non-controlling interest movement of $897,000 shown in the prior year.

27. Net cash generated by operating activities

	2018 $'000	2017 (restated)* $'000
(Loss)/profit before tax from continuing operations	**(30,890)**	15,686
Loss before tax from discontinued operations	**(767)**	(1,952)
(Loss)/profit before tax	**(31,657)**	13,734
Adjustments for:		
Finance income	**(586)**	–
Finance costs	**954**	1,699
Depreciation of property, plant and equipment	**2,544**	1,845
Amortisation of intangible assets	**2,523**	1,441
IAS 36 impairment of goodwill and acquired intangibles	**27,708**	–
Loss on disposal of assets held for sale	**–**	150
Share of profit of associate and joint venture	**(566)**	(2,327)
Profit arising on step acquisition/disposal of interest in associates	**(986)**	(1,564)
Share-based payment	**670**	195
Unrealised foreign exchange movements	**(2,897)**	(2,037)
Operating cash inflow before movements in working capital	**(2,293)**	13,136
Increase in inventories	**(1,585)**	(543)
(Increase)/decrease in receivables	**(9,281)**	699
(Decrease)/increase in payables	**(5,039)**	5,936
Decrease in deferred revenue	**(26)**	(223)
Decrease in provisions	**(560)**	(249)
Cash (expended on)/generated by operations	**(18,784)**	18,756
Taxes paid	**(1,633)**	(3,624)
Interest received	**–**	–
Interest paid	**(954)**	(1,657)
Net cash (expended on)/generated by operating activities	**(21,371)**	13,475

* The cash transaction restatement is detailed in Note 2.

28. Changes in liabilities arising from financing activities

	Borrowings		Finance lease liabilities		
	Long-term $'000	Short-term $'000	Long-term $'000	Short-term $'000	Total $'000
At 1 January 2018	1,012	35,656	2,013	1,654	40,335
Cash flows:					
Repayments	(966)	(34,714)	–	(1,654)	(37,334)
Proceeds	–	10,304	–	–	10,304
Non-cash:					
Acquisitions	–	–	86	987	1,073
Foreign exchange movement	(46)	(1,396)	–	(30)	(1,472)
At 31 December 2018	**–**	**9,850**	**2,099**	**957**	**12,906**

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 was previously 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. The Company reached an agreement with the Dryden Parties (Dustin Dryden and associated entities) to settle the legal proceedings between the parties. Under the terms of the agreement, which was in full and final settlement of the court proceedings between the parties, the Dryden Parties undertook to withdraw their various damages claims against the Company, and to transfer value to the Company by a cash payment and transfer of certain assets; and the Company undertook to withdraw its debt recovery claims against the Dryden Parties.

Following the settlement of the disputes with Dustin Dryden (a former executive director of the Company who resigned in September 2015) and affiliated entities as reported at the half year, the remaining proceedings fall into two categories.

/ The first involves proceedings by the Company to recover long-standing trade receivables that amount to approximately $4.3m. 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, noting that the Company has already obtained summary judgments for a portion of these claims in the sum of $0.7m.

/ The second involves two proceedings brought against the Company in which the claimants seek to recover damages for alleged contractual breaches or alleged unpaid flight charges which amount to approximately $5.8m. 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.

30. Provisions for liabilities

	2018 $'000	2017 $'000
Consideration for subsidiary acquisition	**–**	540
	–	540
Total provisions		
Amount due for settlement within 12 months	**–**	540
Amount due for settlement after 12 months	**–**	–
Total provisions	**–**	540

	Losses of associate $'000	Losses of joint venture $'000	Consideration for subsidiary acquisition $'000	Total $'000
Provision brought forward	–	–	540	540
Utilisation of provision	–	–	(540)	(540)
Provision carried forward	–	–	–	–

31. Operating lease arrangements

The Group as lessee

	2018 $'000	2017 $'000
Lease payments under operating leases recognised as an expense in the year	**14,258**	7,204

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:

	2018 $'000	2017 $'000
Within one year	**7,121**	3,837
In the second to fifth years inclusive	**17,774**	10,115
After five years	**38,364**	6,181
	63,259	20,133

Included in the commitments above is a non-cancellable Build-Operate-Transfer and Service Concession agreement with Sharjah Airport Authority under which the Group is committed to construct a Business Aviation Centre ("BAC") at Sharjah Airport. The agreement runs from June 2017 until June 2042. The present value of the minimum lease payments is estimated at $8,000,000. The contract is being accounted for under IAS 17 'Leases' as the contract did not meet the criteria established in IFRIC 12 to be treated as a service concession arrangement. Assets under construction in relation to the BAC, with a carrying value of $1,814,989 at 31 December 2018, are included within Property, Plant and Equipment (see note 16).

Other 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 five years.

32. Share-based payments

Equity-settled share option scheme

Options were granted on 6 January 2017 to certain employees of the Group. Options are exercisable at a price equal to $1.55. 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.

Options were granted on 22 June 2018 to certain employees of the Group. Options are exercisable at a price equal to $2.06. The vesting period is 2-3 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:

	2018 000	2017 000
At 1 January	**1,310**	–
Granted during the year	**2,132**	1,390
Forfeited during the year	**(40)**	(80)
At 31 December	**3,402**	1,310
Exercisable at 31 December	**–**	–

The estimated fair values of the options granted is $3,047,216 (2017: $585,753).

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

	2018	2017
Share price, US$ cents	**207.50**	154.00
Exercise price, US$ cents	**205.50**	155.00
Expected volatility	**37.49%**	28.36%
Expected life, years	**10**	10
Risk-free rate	**1.26%**	1.18%
Expected dividend yields	**1.30%**	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 $670,000 (2017: $195,000) related to equity settled share-based payment transactions in 2018.

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. As at 31 December 2018, contributions of $156,000 (2017: $124,000) due in respect of the current reporting period had not been paid over to the schemes.

34. Deferred revenue

	2018 $'000	2017 $'000
Deferred revenue	**4,300**	4,388

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

35. Financial instruments

The Group's financial assets and liabilities at 31 December 2017 are presented in accordance with IAS 39. Under IFRS 9 the loans and receivables category of financial asset is renamed financial assets at amortised cost. The Group's financial assets and liabilities at 31 December 2018, as defined under IFRS 9 and their estimated fair values are as follows:

At 31 December 2018	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Book Value total $'000	Fair value total $'000
Financial assets				
Cash and cash equivalents	10,020	–	10,020	10,020
Trade and other receivables	49,754	–	49,754	49,754
Financial liabilities				
Trade and other payables	–	(48,638)	(48,638)	(48,638)
Borrowings	–	(9,850)	(9,850)	(9,850)
Net financial assets/(liabilities)	58,658	(59,604)	(946)	(946)

At 31 December 2017 (restated)*	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 (restated)	–	(36,668)	(36,668)	(38,859)
Net financial assets/(liabilities)	63,162	(87,731)	(24,569)	(26,760)

* The cash transaction restatement is detailed in Note 2.

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 2017.

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	**2018**	2017	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Cash flow hedges								
Floating USD forward up to 31 December 2018	**$1.335/£**	$1.345/£	**–**	12,000	**–**	8,922	**–**	127

There were no outstanding contracts at 31 December 2018.

This forward contract was 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 was $127k. The forecast was that the sales and purchases would 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.

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	USD/EUR $'000	USD/HKD $'000	GBP/EUR $'000	GBP/CHF $'000	USD/Other $'000
At 31 December 2018						
Entities with functional currency USD	(58)	(104)	1,065	–	–	(7)
Entities with functional currency GBP	(893)	–	–	1,287	87	–
Entities with functional currency CHF	–	–	–	–	(4)	–
Entities with functional currency HKD	–	–	(78)	–	–	–
Total	(951)	(104)	987	1,287	83	(7)
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)

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:

35. Financial instruments (continued)

	USD/GBP $'000	USD/EUR $'000	USD/HKD $'000	GBP/EUR $'000	GBP/CHF $'000
At 31 December 2018					
Total effect on profit of positive movements	(95)	(10)	99	129	8
Total effect on profit of negative movements	95	10	(99)	(129)	(8)
At 31 December 2017					
Total effect on profit of positive movements	(655)	–	–	(12)	(66)
Total effect on profit of negative movements	655	–	–	12	66

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:

/ loss for the year ended 31 December 2018 would decrease by $130,000 (2017: -$454,000); and
/ other comprehensive income would not be impacted (2017: 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
At 31 December 2018					
Trade & other payables	n/a	50,160	–	–	50,160
Finance lease creditors	5.4%	1,815	1,398	–	3,213
Loans	3.3%	9,850	–	–	9,850
At 31 December 2017 (restated)					
Trade & other payables	n/a	49,496	–	–	49,496
Finance lease creditors	2.8%	1,751	2,126	–	3,877
Loans	4.4%	35,656	1,012	–	36,668

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 10 January 2019 the Group completed a trade and asset purchase of a paint and interior completion business operated by Lotus Aviation Group at Fort Lauderdale Executive Airport for $1,000,000 in cash. The purchase was made by the Group's subsidiary, Gama Aviation Engineering Inc. and will be operated as a bolt-on to the company's existing operations.

On 29 March 2019 the Group announced that, as part of a commercial agreement with a key customer, it had agreed to purchase a consignment of spare parts from Oneti Lebanon SARL ("Oneti") for $2.1m for onward sale to that key customer. The majority shareholder of Oneti is Mr G A Khalek, a related party to Mr M A Khalek, CEO and a substantial shareholder of Gama Aviation Plc. The Group achieved a margin on the onward sale to the key customer that is in the normal range for this type of transaction. The transaction between Gama Aviation and Oneti is considered to be a related party transaction for the purposes of AIM Rule 13, and accordingly the Board (excepting Mr M A Khalek), having consulted with Jefferies International, the Company's nominated adviser, considered the terms of the transaction to be fair and reasonable insofar as the Company's shareholders are concerned.

On 3 April 2019 the Group announced the appointment of Simon To, a current non-executive Director of the Company, as Chairman with immediate effect. Following the announcement, Sir Ralph Robins retired from the Board with immediate effect.

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.

List of related parties, including associates:

The following list is presented in accordance with the objectives of IAS 24 *Related party disclosures* and all relationships are disclosed according to their substance rather than their legal form.

Oneti Lebanon Sarl ("Oneti") and connected parties

/ **Oneti** – is a company that is majority owned and controlled by Mr G A Khalek, brother of Mr M A Khalek (Chief Executive Officer);
/ **Mr G Khalek** – the brother of Mr M A Khalek; and
/ **Cedar Trading Investment Corporation** – is a company beneficially owned by Mr G A Khalek.

Other related parties

/ **Mr M A Khalek** – has significant influence over the company through his position as Chief Executive Officer and his ownership interest >20%;
/ **BBGA Ltd** – is the national trade association in which Mr M A Khalek served as a director and Chairman until March 2019;
/ **EBAA** – is the European trade association in which Mr M A Khalek serves on the Board of Governors;
/ **Merritt Property LLC** – owns a 39% membership interest in Gama Aviation LLC and is owned by Thomas Connelly and John Tesei, who control Gama Aviation LLC;
/ **Valentia Properties Limited** – is owned by Mr M Peagram, a non-executive director of the Group, which invoices the Group for professional services;
/ **Golconda Investments Ltd** – is owned by Mr R Steeves, a non-executive director of the Group until January 2019, which invoices the Group for professional services;
/ **Air Arabia/ Felix Trading Company LLC** – Felix Trading Company LLC ("Felix") has a significant ownership interest in Gama Aviation FZE, which is controlled by the Group (see note 17). The principals of Felix also have significant ownership interest in Air Arabia, which is a client of the Group;
/ **Gama Aviation SPV** – is a company registered in Abu Dhabi Global Market – a related party through potential ownership and control rights via the terms of a loan agreement and because the Group has significant influence over its operations (but not control); and
/ **Gama International Saudi Arabia ("GISA")** – a related party through the potential ownership and control rights over Gama Aviation SPV and because the Group has significant influence over its operations (but not control).

Associates

/ **GB Aviation Holdings LLC** – is a joint venture in which the Group owns a 50% membership interest;
/ **Gama Aviation LLC** – is an associate in which GB Aviation Holdings LLC owns a 49% member interest; and
/ **China Aircraft Services Limited** – is an associate in which the Group owns a 20% equity interest.

Entities previously reported as related parties

/ **Saudi Bin Laddin Group (SBG) and Crescent Investment LLC** – These entities were previously reported as a related party but have been removed in the current period, reflecting the substance of the relationship, which is one of a minor shareholder who is also a customer.

37. Related party transactions (continued)

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	
	2018 $'000	2017 (restated)* $'000	**2018 $'000**	2017 (restated)* $'000
Gama Aviation LLC (branding fee)	**3,750**	4,000	**–**	–
Gama Aviation LLC (other trading balances)**	**5,675**	4,286	**643**	172
Merritt Property LLC	**–**	1,000	**–**	–
Valentia Properties Limited	**–**	–	**26**	33
Golconda Investments Ltd	**–**	–	**35**	–
Air Arabia	**318**	212	**–**	–
Gama Aviation Hutchison Holdings Ltd***	**–**	2,072	**–**	17
Gama International Saudi Arabia	**525**	–	**–**	–
China Aircraft Services Limited	**1,034**	–	**2,222**	–
BBGA Ltd	**–**	–	**15**	–
Oneti and connected parties	**–**	4,112	**776**	681

* As part of the Group's financial review a thorough review of related party transactions was undertaken. As a result of this work, the 2017 comparatives have been restated to correct for an omission of balances relating to Gama Aviation LLC, which was incorrectly disclosed as Gama Charters LLC with no balances reported. The comparatives also omitted an amount recognised in the Group's consolidated revenue balance of $1,000,000 from Merritt Property LLC, arising from a modification to the Group's branding fee agreement with Gama Aviation LLC, which was agreed in 2017 (details below).

** For ease of understanding the branding fee and other trading balances have been separated in the summary table above. The 2017 restated balance for other trading balances represents management's estimate of sales and purchases of services based on information available from the prior period.

*** Gama Aviation Hutchison Holdings became a subsidiary in the year ended 31 December 2018 and balances between this company and the Group are no longer included in related party disclosures. The 2017 (restated) balances are shown here to aid reconciliation to disclosures in notes 20 and 24.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2018 $'000	2017 (restated)* $'000	**2018 $'000**	2017 (restated)* $'000
Gama Aviation LLC	**322**	–	**–**	5,390
Oneti Ltd and connected parties	**–**	–	**407**	369
Merritt Property LLC	**1,000**	1,000	**–**	–
Gama Aviation Hutchison Holdings**	**–**	1,522	**–**	–
Air Arabia	**138**	–	**–**	–
Gama International Saudi Arabia	**1,000**	–	**–**	–
China Aircraft Services Limited	**–**	–	**745**	–

* As part of the Group's financial review a thorough review of related party transactions was undertaken. As a result of this work, the 2017 comparatives have been restated to correct for omission of the following balances:

/ Gama Aviation LLC, which was incorrectly referred to as Gama Charters LLC, which is the previous name of the same legal entity; and
/ Merritt Property LLC, from which the Group was owed $1,000,000 arising from termination of the Group's historic branding agreement with Gama Aviation LLC, which was agreed in 2017 (details below).

** Gama Aviation Hutchison Holdings became a subsidiary in the year ended 31 December 2018 and balances between this company and the Group are no longer included in related party disclosures. The 2017 (restated) balances are shown here to aid reconciliation to disclosures in notes 20 and 24.

Material Transactions with Related Parties

Oneti and connected parties

In the prior year the Group entered into an Equipment Purchase and Utilisation Agreement (the "Agreement") with Oneti. Under the Agreement, Oneti agreed to purchase the Disposable Spare Part inventory (the "Inventory") held by the Group's subsidiary, Gama Aviation Engineering Limited for $4.1m representing the value at the then applicable manufacturer list price of the parts.

Concurrent with the above transaction, the Group repaid the $4.0m loan from Oneti. The balance of interest due to Oneti under the terms of the loan of $0.2m, which had accrued during 2017, was still outstanding as at 31 December 2018 and was settled in cash in February 2019.

Included within amounts capitalised in relation to the Group's construction of the Business Aviation Centre in Sharjah, U.A.E (see note 16) are consultancy and other costs totaling $0.8m, which was incurred by the Group under its consultancy agreement with Oneti. These costs have been incurred over the period February 2016 to December 2018.

The Group provided charter flights to Mr G A Khalek and to Mr M A Khalek totaling $79,000 and $53,000 respectively which were charged at cost to the respective individuals and settled against amounts due to Oneti at the time. The Group also made some other incidental disbursements on behalf of Mr G A Khalek and to Mr M A Khalek totaling approximately $35,000 and $10,000 respectively, which were also settled against amounts due to Oneti at the time.

Gama Aviation LLC

The Group's financial statements for the year ended 31 December 2017 included a cash receipt of $5.0m from Gama Aviation LLC, which the Board has now determined was, in substance, a short-term loan. The cash, which was received in December 2017 and repaid in January 2018, was previously included in Trade and Other Payables but has now been reclassified to Borrowings in the comparative figures for 2017.This has the effect of increasing borrowings by $5.0m at 31 December 2017. This reclassification does not change the previously disclosed amounts for Current Liabilities or Net Assets, nor does it impact the Income Statement or Earning Per Share for the prior period.

In April 2018 the Group made a cash contribution to working capital of $3.6m to Gama Aviation LLC.

In June 2018 the Group recorded cash from and corresponding payables due to Gama Aviation LLC totalling $5.8m. This cash was returned and the payable extinguished in July 2018. In the Group's 2018 interim results the payable balance was presented within trade payables in the statement of cash flows.

At 31 December 2018 the Group's had a net receivable position with Gama Aviation LLC of $0.3m. These amounts are due in the ordinary course of business and the value of consideration received is considered to be at market value and is recorded on an arm's length basis. The Group derives income from the provision of certain IT support, hangarage and engineering services provided to Gama Aviation LLC in line with its Ground Division business model.

Gama International Saudi Arabia ("GISA")

During the year ended 31 December 2018 the Group has made loans of approximately $1.0m to GISA for the purpose of establishing a start-up business under the Gama brand. The outstanding loan balance at the year-end was $1.0m. Revenue of $0.5m has also been included in the consolidated income statement representing the sale of services by the Group's Middle East business to GISA.

On 31 January 2019 GISA novated the loan owing to the Group to Gama Aviation SPV. At the same time the sole shareholder of GISA pledged the shares of GISA to Gama Aviation SPV and the Group entered into a franchise agreement with Gama Aviation SPV. The share pledge grants the Group a charge over the shares of Gama Aviation SPV Ltd enforceable in accordance with its terms in the event of default under the loan agreement signed with Gama Aviation SPV.

Merritt Property LLC

In January 2017 the Group entered into a Termination Agreement (the "Agreement") with Gama Aviation LLC. The Agreement brought the previous branding agreement between the Group and Gama Aviation LLC to a close at the same time as the Group entered into a new branding agreement with GB Aviation Holdings LLC.

The Termination Agreement made provision for a final payment from Merritt Property LLC (which was a 39% owner of Gama Aviation LLC at the time) to the Group of $1.0m in lieu of branding fees forgone, which was recognised as income by the Group in the year ended 31 December 2017.

The arrangement was reviewed as part of the Group's transition to IFRS 15 and it was determined that the conditions for revenue recognition under IFRS 15 had not been met in 2017 because the payment terms were not agreed until the end of 2018. This determination resulted in an adjustment to the balance sheet at 1 January 2018 to de-recognise the accrued income from 2017 and to recognise the income in 2018, when the payment terms were established.

China Aircraft Services Limited ("CASL")

The Group is engaged in a collaboration with CASL, it's 20% associate, for the provision of business jet maintenance services by CASL from its Hong Kong facilities supporting both the Group's managed aircraft as well as third parties. Under this collaboration the Group derives certain revenues. In addition, CASL derives revenues from the Group for the provision of maintenance services to its managed aircraft.

37. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the executive directors of the Group, who are also the key management personnel of the Group, are set out below in aggregate for each of the categories specified in IAS 24 *Related party disclosures*. The amounts disclosed in 2017 include short-term employee benefits in relation to Neil Medley, who is Chief Operating Officer, but was not an executive director in the prior year as he was considered to be part of the key management personnel of the Group. As all the key management personnel are remunerated in Pounds Sterling, the disclosure has been presented in that currency.

	2018 £'000	2017 £'000
Short-term employee benefits	**1,370**	1,100
Post-employment benefits	**129**	142
Total	**1,499**	1,242

Details of directors' remuneration are given in the Remuneration Report on pages 27 to 30.

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.

	2018 $'000	2017 $'000
At 1 January	**333**	296
Amounts charged for the year	**124**	109
Paid during the year	**(14)**	(72)
At 31 December	**443**	333

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 2018, 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 2018;
- 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.

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:

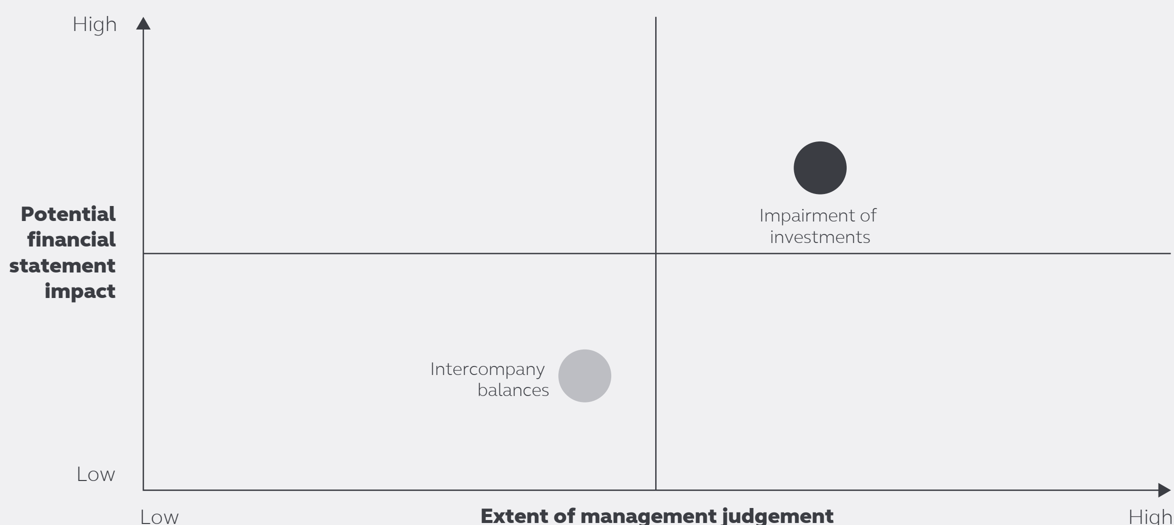
- the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's 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: £249,000, which is 2% of the parent company's total assets, restricted to 50% of group materiality
- Key audit matters were identified as impairment of investments

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 investments The directors are required to make an annual assessment to determine whether the Company's investments of £122.1m 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 investments 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 investments / 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** The company has recognised an impairment charge of £21.1m in the year. Based on our audit work, we have concluded that there is no further 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 £249,000, which is 2% of the parent company total assets restricted to 50% 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.

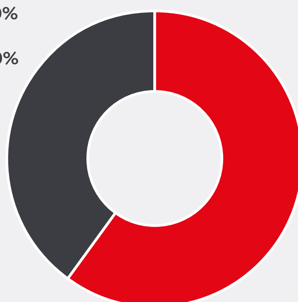
Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017, reflecting the change in reported results.

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 £12,000. 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 34, 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 2018. 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.

Use of our report
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.

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

23 April 2019

/ PARENT COMPANY STATEMENT OF FINANCIAL POSITION
/ FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	3	**–**	–
Investments	4	**122,082**	92,619
		122,082	92,619
Current assets			
Trade and other receivables	5	**22,168**	33,486
Cash at bank and in hand		**2,247**	111
		24,415	33,597
Creditors: amounts falling due within one year	6	**(21,323)**	(25,348)
Net current assets		**3,092**	8,249
Total assets less current liabilities		**125,174**	100,868
Provision for liabilities			
Deferred tax liability		**–**	–
Net assets		**125,174**	100,868
Capital and reserves			
Called up equity share capital	7	**636**	440
Share premium account		**46,278**	–
Merger reserve		**89,495**	89,495
Share-based payment expense		**648**	195
Profit and loss account		**(11,883)**	10,738
Equity shareholder funds		**125,174**	100,868

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 £20,889,000 for the year (2017: loss of £155,000).

The financial statements were approved by the Board of directors and authorised for issue on 23 April 2019, and are signed on their behalf by:

David Stickland
Director

The notes on pages 108 to 115 form part of these parent company financial statements.

/ PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2017	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
Loss for the year	–	–	–	–	(20,889)	(20,889)
Total comprehensive income for the year	–	–	–	–	(20,889)	(20,889)
Issuance of shares	196	46,278	–	–	–	46,474
Share-based payment contribution	–	–	453	–	–	453
Dividend paid	–	–	–	–	(1,732)	(1,732)
At 31 December 2018	**636**	**46,278**	**648**	**89,495**	**(11,883)**	**125,174**

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 £20,889k for the year (2017: loss of £155k), had net current assets of £3,092k (2017: £8,249k net current assets), and had net assets of £125,174k (2017: £100,868k).

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.

Financial assets

Trade receivables and other receivables are measured at amortised cost less provision for doubtful debts, determined as set out in "impairment of financial assets" in note 2 to the consolidated accounts. Any write-down of these assets is expensed to the income statement. The effects of application of the IFRS 9 expected credit loss model to amounts owed from Group companies is deemed to be immaterial because intercompany balances are repayable on demand and attract an interest rate of 0%. Such balances are also covered by parent company letters of support where liquidity is not readily available.

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 £20,889k for the year (2017: loss of £155,000).

The Company paid an ordinary dividend of £1,732,000 to shareholders in the period. The Directors note that at the time of the dividend payment sufficient distributable reserves were available to make the distribution. The Company has closed the year with a significant deficit in retained earnings, but this arises almost entirely from an impairment provision recorded in relation to the Company's Europe Air investments. The Company has a positive dividend stream receivable from subsidiaries, which will serve to recapitalise the Company in the 2019 financial year and facilitate the payment of a dividend to shareholders in 2019 as planned and indicated in the Group Strategic Review.

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.

The average monthly number of employees (including executive Directors) was nil (2017: nil). There are no employees of the Company and the Directors are employed and remunerated by other companies within the Group. Details of the total average employee numbers and employee costs are included in note 8 to the consolidated financial statements.

3. Tangible fixed assets

	Total £'000
Cost	
Balance at 1 January 2017	53
Eliminated on disposal	(53)
Balance at 31 December 2017 and 31 December 2018	–
Accumulated depreciation	
Balance at 1 January 2017	53
Eliminated on disposal	(53)
Balance at 31 December 2017 and 31 December 2018	–
Carrying amount	
At 31 December 2017 and 31 December 2018	–

4. Investments

	Total £'000
Balance at 1 January 2017	85,583
Additions	3,859
Transfers from subsidiary undertaken	2,982
Contributions to subsidiaries and associates	195
Balance at 31 December 2017	92,619
Additions	50,548
Provision for impairment	(21,085)
Closing balance at 31 December 2018	**122,082**

The provision for impairment related primarily to the Company's legacy investment in Hangar8 business, mainly as attributable to the Group's Europe Air Division (see note 14 to the Group accounts)

Included in additions of £50,548,000 is £648,000 in respect of share-based payment charges arising in relation to subsidiaries of the Company.

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Aerstream Limited[1]	England and Wales	100%	Dormant
Airops Software Limited[1]	England and Wales	100%	Aviation software
Aravco Limited[1]	England and Wales	100%	Aviation management
Avialogistics Limited[2]	England and Wales	100%	Non-trading
Aviation Crewing Limited	England and Wales	100%	Dormant
FlyerTech Limited[1]	England and Wales	100%	Airworthiness management
Gama Aviation (Asset 2) Limited[1]	England and Wales	100%	Aircraft operation
Gama Aviation (Engineering) Limited[1]	England and Wales	100%	Holding company
Gama Aviation Group Limited[4]	England and Wales	100%	Holding company
Gama Aviation (Training) Limited[2]	England and Wales	100%	Dormant
Gama Aviation (UK) Limited[1]	England and Wales	100%	Aviation management
GA 259034 Limited[1]	England and Wales	100%	Dormant
Gama (Engineering) Limited[1]	England and Wales	100%	Dormant
GA FM54 Limited[1]	England and Wales	100%	Aircraft leasing
Gama Group Limited	England and Wales	100%	Holding company
Gama Leasing Limited[1]	England and Wales	100%	Aviation management
Gama Support Services Limited[1]	England and Wales	100%	Dormant
Hangar8 AOC Limited	England and Wales	100%	Aviation charter
Hangar8 Engineering Limited	England and Wales	100%	Aviation maintenance
Hangar8 Management Limited	England and Wales	100%	Aviation management
Infinity Flight Crew Academy Limited	England and Wales	100%	Dormant
International JetClub Limited	England and Wales	100%	Aviation management
Optimum Aviation Limited	England and Wales	100%	Aviation management and charter
Ronaldson Airmotive Limited[1]	England and Wales	100%	Dormant
Aviation Beauport Holdings Limited[4]	Jersey	100%	Dormant
Ferron Trading Limited[4]	Jersey	100%	Dormant
Gama Aviation (Beauport) Limited[1]	Jersey	100%	Aviation management
Gama Aviation (Engineering) Jersey Limited[1]	Jersey	100%	Aviation maintenance
Gama Aviation SA[1]	Switzerland	100%	Aviation management
Oasis Flight Malta	Malta	100%	Dormant
Gama Aviation FZC[6]	UAE	49%	Aviation management
Gama Group Mena FZE	UAE	100%	Holding company
Gama Holding FZC	UAE	100%	Holding company
Gama Support Services FZE[1]	UAE	100%	Aviation design and engineering
Gama Aviation (Engineering) Inc.[1]	USA	100%	Aviation design and engineering
Gama Aviation (Management) Inc.[1]	USA	100%	Aviation management
Gama Group Inc.	USA	100%	Holding company
Gama Aviation Limited[1]	Hong Kong	100%	Aviation management
Gama Aviation Hutchison Holdings Limited[1]	Hong Kong	100%	Holding company
Gama Aviation Hutchison (Hong Kong) Limited[1]	Hong Kong	100%	Aviation management
Gama Group (Asia) Limited	Hong Kong	100%	Holding company

4. Investments (continued)

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	Holder of South African AOC
Hangar8 Nigeria Limited[3]	Nigeria	100%	Applicant of Nigerian AOC
Hangar8 Mauritius Limited	Mauritius	100%	Holding company
GB Aviation Holdings LLC[5]	USA	50%	Joint Venture
Gama Aviation Beijing WOFE	China	100%	Dormant

(1) indicates indirect holding

(2) For the year ending 31 December 2018 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

(3) 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.

(4) On 1 January 2019 these companies became dormant as part of the Group's legal entity restructuring activities.

(5) GB Aviation Holdings LLC is the entity jointly held with BBA Aviation plc. The company's sole asset is its 49% investment in Gama Aviation LLC, the Group's US Air associate. The Group's ownership interest in Gama Aviation LLC is 24.5%.

(6) 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.

5. Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by Group companies	**21,718**	33,351
Other debtors	**64**	128
Tax and social security	**50**	–
Prepayments and accrued income	**336**	7
	22,168	33,486

Amounts due from Group companies are repayable on demand and do not carry any interest charge. The Company classifies its financial assets as at amortised cost only if both of the following criteria are met, the asset is held within a business model whose objective is to collect the contractual cash flow and the contractual terms give rise to cash flows that are solely payments of principal and interest. Amounts due from Group companies carried at amortised cost total £7,287,000 (2017: £33,351,000).

Balances totalling £14,431,000 are recorded at fair value as the balances were assessed and failed the solely payments of principal and interest test. A fair value loss totalling £2,464,000 has been recorded in the year.

6. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	**12,360**	2,982
Trade creditors	**217**	231
Other payables	**6**	19
Bank loan	**7,848**	21,962
Accruals and deferred income	**892**	154
	21,323	25,348

Amounts due to Group companies are carried at amortised cost and are repayable on demand and do not carry any interest charge.

The bank loan is a revolving credit facility with a repayment term of less than 1 year and carries an interest rate of LIBOR +1.90 % for non-Euro drawdowns and EURIBOR + 1.90% for Euro drawdowns (2017: LIBOR +1.95%).

7. Share capital

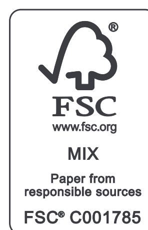
	Nominal value	2018 number	2018 £'000	2017 number	2017 £'000
Issued and fully paid ordinary shares					
At the beginning of the period	1p	43,994,442	440	43,994,442	440
Other issues for cash during the year	1p	19,641,837	196	–	–
At the end of the period	1p	63,636,279	636	43,994,442	440

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.

/ NOTES



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