Gama Aviation

ANNUAL REPORT AND FINANCIAL STATEMENTS / 2019

/ BUSINESS DESCRIPTION

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

/ STRATEGIC REPORT

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Safe and DEPENDABLE

Strategic Report

2019 Highlights
Chief Executive Officer's statement
Business overview, strategy and model
Operational performance review
Chief Financial Officer's review
Principal risks and uncertainties
Section 172 statement

Your mission, our passion.


AIRBUS
SCOTTISH AMBULANCE SERVICE

/ 2019 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 2019.

/ Financial Highlights:

Revenue

$246.8m

Up 7.3% on an organic and constant currency basis[1]

Pre-IFRS 16 Adjusted EBIT

$3.3m

Down 61% on a constant currency basis[2]

Net debt

$37.8m

(2018: Net Debt of $2.5m)

Operating cash outflow

$12.3m

(2018: $20.4m cash outflow)

/ Financial summary:

	Adjusted[1] $m			Statutory $m	
	Dec-19 Post-IFRS 16	**Dec-19 Pre-IFRS 16[3]**	Dec-18 Restated[4]	**Dec-19**	Dec-18 Restated[4]
Continuing operations:					
Revenue	**246.8**	**246.8**	234.9	**246.8**	234.9
Gross Profit	**39.5**	**39.3**	44.5	**39.5**	44.5
Gross Profit %	**16.0%**	**15.9%**	18.9%	**16.0%**	18.9%
EBIT	**5.6**	**3.3**	8.4	**(7.0)**	(34.0)
Profit/(Loss) Before Tax	**1.6**	**2.3**	8.3	**(11.0)**	(34.2)
Earnings per share (cents)	**0.7**	**1.8**	11.3	**(18.2)**	(57.5)

1 The Alternative Performance Measures (APMs) Adjusted EBIT, Organic Revenue and Net Debt are defined in Note 2 of the notes to the financial statements and reconciled to the nearest IFRS measure in Note 6 and Note 28.

2 To aid comparability 2018 results have also been calculated on a constant currency basis. This has been calculated using a constant foreign exchange rate of $1.28 to £1, being the cumulative average USD-GBP exchange rate for 2019 instead of the reported exchange rate of $1.34 to £1 for 2018. On a constant currency basis, 2018 Revenue is $227.9m, Gross Profit is $43.2m, Gross Profit percentage is 19.0% and Adjusted EBIT is $8.3m.

3 The Group adopted IFRS 16 from 1 January 2019 and the 2018 comparatives are not restated for IFRS 16. To achieve year on year comparability of the results, Adjusted EBIT, Gross Profit, Profit/(loss) before Tax and earning per share have been presented on a pre IFRS 16 basis for 2019 (consistent with the presentation for 2018) as well as on a post-IFRS 16 basis. The impact of IFRS 16 on the 2019 results were to increase Gross Profit by $0.2m, increase Adjusted EBIT by $2.3m, decrease Adjusted Profit before Tax by $0.7m and reduce Earnings per Share by 1.1 cents per share.

4 Restatements are detailed in Note 2 of the notes to the financial statements.

/ Revenue $246.8m (2018: $234.9m), up 5%, at constant currency up 8%[2].
/ Gross Profit $39.3m (2018: $44.5m), down 12%, at constant currency down by 9%[2].
/ Gross Profit Margin 15.9% (2018:18.9%), down 3.0ppts, at constant currency down by 3.1ppts[2].
/ Adjusted EBIT $3.3m (2018: $8.4m), down 61%, at constant currency down by 61%[2].
/ Net Debt, stated on a pre IFRS 16 basis, increased to $37.8m (post IFRS 16 $98.0m) from $2.5m at 31 December 2018.
/ No dividend recommended in view of COVID-19 uncertainties (2018: 2 pence per share).

The market environment throughout 2019 was very challenging and highly competitive across all of our operating divisions and regions. By maintaining focus on our core business and continuing to provide a suite of services that are relevant to our customers' needs, we delivered solid revenue growth. This was driven largely by organic growth in our US Ground division and by Special Mission contract wins. However, overall, the conversion of this solid top line revenue performance into Adjusted EBIT has been disappointing.

Growth opportunities through strategic and value enhancing acquisitions have been limited by the quality and pricing of available targets. This has frustrated our plans to scale up our operations across some divisions leaving us with a sub-optimal cost base, both regionally and centrally, with the corresponding adverse impact on margins and Adjusted EBIT.

Our efforts to strengthen and improve the effectiveness of the finance function and control environment were hampered by the absence, for an eight-month period between May and December, of a Group CFO to lead the required transformation. This was compounded by further churn in the senior finance team and the relocation of our HQ in the USA. Consequently, the business was deprived of direction from the finance leadership that is essential to optimise operational and financial performance. As a result, the Group was slow in identifying and implementing necessary cost reductions to mitigate margin erosion.

Following the appointment of Daniel Ruback as CFO in December 2019, together with a new Group Financial Controller and other senior finance staff in 2020, the Group's finance team now has the skills, experience and leadership necessary to deliver the transformation program and to provide much needed partnering and support to the business. I am confident that Daniel and his team will bring the necessary focus, stability, financial disciplines and controls that will help ensure the Group's financial performance again reflects the strong fundamentals of the business.

Strategy

The Group is currently undertaking a strategic review in the light of our performance and developments in the marketplace in recent years. Following a dispassionate assessment of our achievements and of the challenges we have experienced in executing the existing strategy (of increasing depth, breadth and scale), we are now developing an updated strategy to underpin our business planning for the next three years. The revised strategy will be finalised and communicated in the coming months, and will include a sharper focus on the opportunities with the greatest potential for value creation, where the Group has established capability and competitive advantage in the largest business aviation markets. Alongside defined growth imperatives will be a sustained emphasis on controlling and leveraging costs and investments globally, supported by increasingly robust business systems and processes.

COVID-19 Response
The Company continues to monitor this evolving pandemic carefully to ensure its response remains effective. Our prime concern will always be the health and well-being of our global workforce and the clients we serve, and we continue to adhere strictly to all national government guidelines. The Group's Global Leadership Team holds regular calls to review the latest developments and update its policies, procedures and controls in response to the evolving pandemic.

All our divisions remain operational, as they have been throughout this pandemic, delivering services in support of our clients' missions, particularly for those delivering critical services such as NHS Scotland, the Ministry of Defence and other government agencies.

During this period, the Group has maintained a strong focus on preserving cash in particular by eliminating discretionary spend where possible and increasing our focus on the close management of accounts receivable balances.

Outlook
As was most recently communicated on 23rd June, activity levels in certain parts of the Group have been impacted by the COVID-19 pandemic. Underlying trading in Q2 has progressed in line with management's revised assumptions on cost containment and cash preservation measures and maintaining contracted revenue streams. An exception to this is the performance of the Group's Hong Kong based associate, China Aircraft Services Limited, in which the Group owns a 20% equity stake, which has suffered significant losses in 2020 as a direct result of COVID-19 related reduced volumes. The Group continues to make use of all available government sponsored assistance measures in all regions, including the $5.75m forgivable loan received under the US Paycheck Protection Program (part of the CARES Act).

Given the continuing operational and financial uncertainties resulting from the COVID-19 pandemic, the Group's financial guidance for the year ending 31st December 2020 remains suspended.

Meanwhile, the Group's liquidity position remains strong with c$17m of cash and c$29m of its $50m revolving credit facilities available to draw down at 25 July 2020.

The Group benefits from operating to a resilient and robust business model whereby recurring revenues are derived from long standing contracts. This, together with diligent management and operation of the business, will allow the Group to maintain its strong liquidity position through this crisis.

Therefore, the Board believes that the Group is well positioned to capture new opportunities, such as the recent wins of the Jersey and Guernsey Air Ambulance contracts, to emerge out of this crisis in a stronger position.

Marwan Khalek
Chief Executive Officer

/ BUSINESS OVERVIEW, STRATEGY AND MODEL

We are a multi-disciplinary, global aviation services Group, trusted to deliver mission critical services to those who use aviation as a platform to perform.

/ The market opportunity

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

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

/ The business aviation market is highly fragmented with no single Air, Ground or Global Service competitor holding more than a low single digit percentage market share

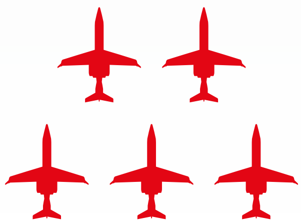
/ Larger scale prime contractors in the business aviation and defence segments are sub contracting non-core competency services to trusted, stable businesses that operate at a similar scale

/ 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 market segments and to drive further revenue growth through cross-selling opportunities.

Scale
of presence



Breadth
of geographies and services

Depth
of our capabilities and expertise

Cross selling opportunities

Scale of presence

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

Breadth of geographies 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 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 37 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 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.

Regional deployment of the Air Division business model

Air	US	Europe	Middle East	Asia
Aircraft management	Exit Part 135 operations	Hold	Hold	Hold
Special missions	Evaluate	Scale organically	Evaluate	Evaluate
Charter	Evaluate	Evaluate	Hold	Evaluate

Key

Evaluate Market analysis, market entry strategy.
Enter Market entry via a commercial opportunity. Develop via JV.
Hold Maintain position based on prevailing market conditions.
Develop Adding breadth & depth to the established launch platform via further investment and/or acquisition.
Scale Proven, mature business with established client base scaling up via further investment and/or acquisition.
Exit Sale of business.

/ Ground Division

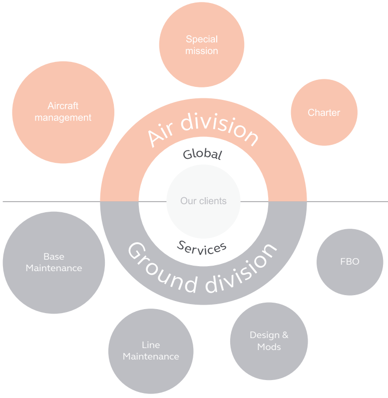
The Ground Division provides base and line maintenance, repair and overhaul, design and modification (MRO) and fixed base operations (FBO). As with the Air Division, Ground, offers its services to a variety of sectors including: Air Ambulance, Law Enforcement, Defence as well as commercial and business aviation operators.

Regional deployment of the Ground division business model

Ground	US	Europe	Middle East	Asia
Base maintenance	Develop	Develop	Evaluate	Evaluate
Line & AOG maintenance	Develop	Evaluate	Hold	Hold
Design & modifications	Evaluate	Hold	Evaluate	Evaluate
FBO services	N/A	Evaluate	Building through investment	N/A

Key

Evaluate	Market analysis, market entry strategy.
Enter	Market entry via a commercial opportunity. Develop via JV.
Hold	Maintain position based on prevailing market conditions.
Develop	Adding breadth & depth to the established launch platform via further investment and/or acquisition.
Scale	Proven, mature business with established client base scaling up via further investment and/or acquisition.
Exit	Sale of business.



/ Global Services Division

As from the 2018 Annual report, we are reporting FlyerTech and myairops Software in the Global Services Division, which were previously reported in Europe Air and Europe Ground respectively.

FlyerTech provides consultancy services for change events inø the life cycle of an aircraft such as entry into service, lease hand-backs, repossession, modification, etc. Its services include continuing airworthiness management (CAM) and airworthiness review certification (ARC) that are regulatory requirements 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. The SaaS model allows for a far easier deployment, with users being able to be widely dispersed across several locations.

Regional deployment of the Global Services division business model

Global Services	US	Europe	Middle East	Asia
FlyerTech	**Develop**			
myairops	**Develop** Organic investment: Rollout of SaaS platform			

Key

Evaluate Market analysis, market entry strategy.
Enter Market entry via a commercial opportunity. Develop via JV.
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Scale Proven, mature business with established client base scaling up via further investment and/or acquisition.
Exit Sale of business.

/ GROUP OPERATIONAL PERFORMANCE

Revenue

USD'000s	**2019**	2018 Restated*
Air Division	**140,623**	135,365
Ground Division	**102,967**	95,545
Global Services Division	**3,223**	3,949
Total	**246,813**	234,859

Gross Profit

USD'000s	**2019 (Post-IFRS 16)**	**2019 (Pre-IFRS 16)**	2018 Restated* (Pre-IFRS 16)
Air Division	**12,947**	**12,837**	15,938
Ground Division	**24,131**	**24,050**	25,868
Global Services Division	**2,395**	**2,395**	2,662
Total	**39,473**	**39,282**	44,468

Adjusted EBIT

USD'000s	**2019 (Post-IFRS 16)**	**2019 (Pre-IFRS 16)**	2018 Restated* (Pre-IFRS 16)
Air Division	**4,482**	**4,072**	4,045
Ground Division	**6,862**	**4,962**	7,573
Global Services Division	**686**	**689**	1,253
Associates Division	**918**	**918**	566
Central Costs	**(7,383)**	**(7,377)**	(5,024)
Total	**5,565**	**3,264**	8,413

Statutory EBIT

USD'000s	**2019 (Post-IFRS 16)**	2018 Restated* (Pre-IFRS 16)
Air Division	**2,278**	(28,234)
Ground Division	**748**	3,570
Global Services Division	**325**	1,132
Associates Division	**918**	566
Central Costs	**(11,271)**	(11,023)
Total	**(7,002)**	(33,988)

* Restatements are detailed in Note 2 of the notes to the financial statements

Operational highlights:

/ Air Division stable with solid performance in special mission contracts.
/ Revenue growth in Ground Division offset by increased costs.
/ Special mission contract performance remained strong with contractual KPIs achieved on all major contracts.
/ Middle East and Asia regions continue to be challenging.
/ myairops delivering software sales growth, however FlyerTech impacted by reduced revenues partly due to Brexit concerns.
/ Executive team strengthened by the appointment of new CFO Daniel Ruback in December 2019.

The above Group results are explained in detail below.

/ 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.

Adjusted EBIT – pre IFRS 16

	US		Europe		Middle East		Asia		Total	
USD'000s	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018*	**2019**	2018*
Revenue	**4,050**	4,921	**99,145**	88,804	**16,778**	20,966	**20,650**	20,674	**140,623**	135,365
Gross Profit	**4,050**	4,997	**6,050**	7,527	**1,519**	2,223	**1,218**	1,191	**12,837**	15,938
GP %	**100%**	102%	**6%**	8%	**9%**	11%	**6%**	6%	**9%**	12%
EBIT	**3,898**	4,892	**622**	186	**(571)**	(1,361)	**123**	328	**4,072**	4,045
EBIT %	**96%**	99%	**1%**	0%	**(3%)**	(6%)	**1%**	2%	**3%**	3%

* Restatements are detailed in Note 2 of the notes to the financial statements

Total Air Division revenue was $140.6m, representing growth of $5.2m (+4%) on last years $135.4m. This was mainly driven by a strong top-line performance in Europe Air, which increased by $10.3m partly due to a new UK special mission contract won in 2018, offset by weaker revenues in the other regions, particularly Middle East which fell by $(4.2)m due to reduced flight activity impacted by political challenges in the region. In addition, US revenues fell by $(0.9)m due to a one-off impact in the prior year relating to a branding fee termination agreement. US revenue includes $3.8m (2018: $3.8m) of licensing revenue and a $0.3m (2018: nil) modification gain in relation to a branding agreement.

Total Air Division Gross Profit was impacted by increases in direct costs (offset by overhead savings) and the impact from the prior year branding fee in the US. Total Air Division Adjusted EBIT was flat, with increased profit in Europe and reduced losses in the Middle East offset by profit reductions in the US (down by $(1.0)m) and Asia (down by $(0.2)m). The profit improvement in Europe by $0.4m to $0.6m was supported by a reduced loss allowance for doubtful debts and tighter management of costs. Losses in the Middle East reduced from $(1.4)m to $(0.6)m due to lower levels of funding of the start-up business in Saudi Arabia.

Special mission contract performance remained strong with contractual KPIs achieved on all major contracts, including the new five-year UK special mission contract won in late 2018, which commenced live operations on time in H2 2019. In addition, the in-sourcing by Europe Air of the helicopter emergency medical services (HEMS) for the Scottish Ambulance Service progressed according to plan, leading to the successful go-live of this operation on 1st June 2020.

Adjustments to EBIT

	US		Europe		Middle East		Asia		Total	
USD'000s	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018*
Exceptional items	**(250)**	(3,600)	**(2,072)**	(846)	**134**	(27)	**(16)**	(57)	**(2,204)**	(4,530)
Amortisation	**–**	–	**–**	(334)	**–**	–	**–**	–	**–**	(334)
Impairment charges	**–**	–	**–**	(24,915)	**–**	–	**–**	(3,486)	**–**	(28,401)
Profit on step acquisition	**–**	–	**–**	–	**–**	–	**–**	986	**–**	986
Application of IFRS 16	**–**	–	**396**	–	**–**	–	**14**	–	**410**	–
Total adjustments	**(250)**	(3,600)	**(1,676)**	(26,095)	**134**	(27)	**(2)**	(2,557)	**(1,794)**	(32,279)
Discontinued operations	**–**	–	**–**	(807)	**–**	–	**–**	–	**–**	(807)

* 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 EBIT

	US		Europe		Middle East		Asia		Total	
USD'000s	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018	**2019**	2018*
EBIT	**3,648**	1,292	**(1,054)**	(25,909)	**(437)**	(1,388)	**121**	(2,229)	**2,278**	(28,234)
EBIT %	**90%**	26%	**(1%)**	(29%)	**(3%)**	(7%)	**1%**	(11%)	**2%**	(21%)

* Restatements are detailed in Note 2 of the notes to the financial statements

Air Division Statutory EBIT increased from a loss of $28.2m in 2018 to a profit of $2.3m in 2019. In addition to the movements discussed above, the key items impacting profit in 2018 were impairments of $24.9m in Europe and $3.5m in Asia in 2018 that did not recur in 2019; a decrease in exceptional items from $4.5m in 2018 to $2.2m in 2019, most significantly in the US; and a profit on the step acquisition of Gama Aviation Hutchison Holdings Ltd of $1.0m in Asia in 2018 that did not recur in 2019.

/ 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.

Adjusted EBIT – pre IFRS 16

	US		Europe		Middle East		Asia		Total	
USD'000s	**2019**	2018	**2019**	2018*	**2019**	2018	**2019**	2018*	**2019**	2018*
Revenue	**48,943**	37,517	**48,176**	52,301	**4,372**	4,636	**1,476**	1,091	**102,967**	95,545
Gross Profit	**6,360**	8,101	**15,605**	15,720	**1,453**	1,374	**632**	673	**24,050**	25,868
GP %	**13%**	22%	**32%**	30%	**33%**	30%	**43%**	62%	**23%**	27%
EBIT	**(268)**	1,887	**6,247**	6,146	**(466)**	(342)	**(551)**	(118)	**4,962**	7,573
EBIT %	**(1%)**	5%	**13%**	12%	**(11%)**	(7%)	**(37%)**	(11%)	**5%**	8%

The Ground Division grew revenues by 8% to $103.0m (2018: $95.5m), resulting from continued organic growth in the US (30% growth to $48.9m) and Asia (35% growth to $1.5m) offset by reductions in Europe (8% down to $48.2m, or 3% down on a constant currency basis) and Middle East (6% down to $4.4m). In the US, the revenue growth was driven by major fleet customers including a new 'service hub' contract for a major private jet operator along with strong retail sales at our network of line maintenance stations. In Asia, growth was achieved through the Business Jet Maintenance Collaboration (BJMC) agreement with China Aircraft Services Limited (CASL) as expected. In the Middle East, FBO movements slightly reduced from 2018 with a knock-on effect on MRO revenues, while parking and hangarage remained close to capacity.

Adjusted EBIT fell by 34% to $5.0m, primarily due to an Adjusted EBIT loss in the US of $(0.3)m (2018: profit of $1.9m) as a result of start-up losses and poor gross margin performance at the Florida Paint Shop, a loss allowance for doubtful debt with a fleet operator no longer trading, growth in operational management costs, and revenue shortfalls associated with the separation and divestment of the US Air business. These factors were exacerbated by financial reporting deficiencies following a major transition of the US finance team, resulting in the business being slow to identify adjustments required to the cost base. In Europe Gross Profit was maintained, supported by increased productivity associated with the new Bournemouth facility. The Middle East and Asia businesses were impacted by increased overheads, principally ground rent on the Business Aviation Centre in Sharjah and additional overheads in Asia as a result of increased rent for a new office and a strengthened management team.

Adjustments to EBIT

	US		Europe		Middle East		Asia		Total	
USD'000s	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Exceptional items	**(657)**	(6)	**(4,891)**	(2,630)	**–**	2	**(26)**	–	**(5,574)**	(2,634)
Amortisation	**–**	(633)	**–**	(113)	**–**	(273)	**–**	(350)	**–**	(1,369)
Impairment	**(540)**	–	**–**	–	**–**	–	**–**	–	**(540)**	–
Application of IFRS 16	**538**	–	**1,169**	–	**193**	–	**–**	–	**1,900**	–
Total adjustments	**(659)**	(639)	**(3,722)**	(2,743)	**193**	(271)	**(26)**	(350)	**(4,214)**	(4,003)

Statutory EBIT

	US		Europe		Middle East		Asia		Total	
USD'000s	**2019**	2018	**2019**	2018*	**2019**	2018	**2019**	2018*	**2019**	2018*
EBIT	**(927)**	1,248	**2,525**	3,403	**(273)**	(613)	**(577)**	(468)	**748**	3,570
EBIT %	**(2%)**	3%	**5%**	7%	**(6%)**	(13%)	**(39%)**	(43%)	**1%**	4%

* Restatements are detailed in Note 2 of the notes to the financial statements

Ground division Statutory EBIT fell from a profit of $3.6m in 2018 to a profit of $0.7m in 2019. In addition to the movements discussed above, the key items impacting profit in 2019 were an increase in exceptional costs in Europe from $2.6m in 2018 to $4.9m in 2019; impairment charges in the US in 2019 of $0.5m for which there was no equivalent cost in 2018; and an increase in statutory EBIT of $1.9m in 2019 as a result of the impact of the adoption of IFRS 16.

/ GLOBAL SERVICES

The Global Services Division comprises two businesses, FlyerTech and myairops. FlyerTech provides continuing airworthiness management (CAM) and airworthiness review certification (ARC) services for business aviation and commercial airline operators. myairops has developed a suite of business aviation products deployed as "Software as a Service" (SaaS) and mobile app solutions for business aviation operators, flight support companies, FBOs and regional airports.

Adjusted EBIT – pre IFRS 16

	Total	
USD'000s	**2019**	2018
Revenue	**3,223**	3,949
Gross Profit	**2,395**	2,662
GP %	**74%**	67%
EBIT	**689**	1,253
EBIT %	**21%**	32%

After a relatively weak first half year, overall divisional performance in the second half year has improved significantly over the first half, resulting in full year revenues of $3.2m (2018: $3.9m) and EBIT of $0.7m (2018: $1.3m).

FlyerTech continues to generate healthy profit margins but results were impacted by the loss of CAM and ARC revenues from airline customers who ceased operations and by the loss of CAM work partly in relation to Brexit-related concerns from existing and prospective European customers in relation to European Aviation Safety Agency (EASA) accreditations.

myairops revenues and gross profits have grown significantly as sales of the new SaaS products have outstripped the phasing out of enhancement and support work on legacy "on premise" installations. Amortisation of product development investment has also increased significantly as new products have been launched, but EBIT has nevertheless improved. Market interest in the new products remains high with the true cloud capability of myairops offering strong differentiation.

Adjustments to EBIT

	Total	
USD'000s	**2019**	2018
Exceptional items	**(45)**	(121)
Amortisation	**(316)**	–
Application of IFRS 16	**(3)**	–
Total adjustments	**(364)**	(121)

Statutory EBIT

	Total	
USD'000s	**2019**	2018
EBIT	**325**	1,132
EBIT %	**10%**	29%

Global services Statutory EBIT fell from a profit of $1.1m in 2018 to a profit of $0.3m in 2019. In addition to the movements discussed above, statutory EBIT in 2019 also included amortisation of $0.3m in respect of software for which there was no equivalent amount in 2018.

/ ASSOCIATE INVESTMENTS

The US Air associate was sold after the end of the reporting period, see note 35 of the notes to the financial statements for further details.

Overall, associate Adjusted EBIT increased from $0.6m in 2018 to $0.9m in 2019, with improvements in both China Aircraft Services Limited (CASL) and the US Air Associate.

Adjusted and Statutory EBIT

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	**2019**	2018	**2019**	2018	**2019**	2018
EBIT	**518**	359	**400**	207	**918**	566

/ CHIEF FINANCIAL OFFICER'S REVIEW

Group revenue is up 5.1% on a reported basis at $246.8m (2018: $234.9m) and 7.3% on an organic and constant currency basis.

Daniel Ruback
Chief Financial Officer

Group revenue **$246.8m**	**Pre-IFRS 16 Adjusted EBIT** **$3.3m**
Adjusted basic EPS **$0.7 cents**	**Basic EPS** **$(18.2) cents**
Operating cash outflow **$20.4m to $12.3m**	**Loss before tax** **$34.2m to $11.0m**

The 2019 year end process has been challenging, being significantly disrupted by COVID-19 and the related adjustments required to the normal ways of working. In addition, the effect of a significant amount of change in the finance function, primarily in respect of people, processes and systems, has caused additional challenge. Furthermore, in 2019 the Group changed auditors from Grant Thornton UK LLP to PricewaterhouseCoopers LLP.

As was disclosed in a recent market update, following my arrival in December 2019 a number of initiatives had been planned to strengthen and enhance the finance function and the Group's accounting and financial reporting systems and processes. Unfortunately, these were significantly impeded and delayed by the impact of COVID-19. However, I am pleased to say that over the past weeks progress has been made in enhancing the strength of the finance team with several new appointments already in place and making a positive impact.

Progress in strengthening the financial processes, procedures and controls has also now started to accelerate. As an example, an enhanced governance and reporting framework has been implemented in parts of the Group to better manage customer collections, an area of challenge in certain areas of the business in recent years. In addition, system enhancements have been made, and continue to be made, to increase automation and reduce the quantum of manual intervention and reconciliations required between operational and financial systems. This should improve the timeliness and accuracy of management information.

The remainder of 2020 and beyond into 2021 will continue to see the Group working diligently through an improvement plan, focusing on reviewing, reassessing and revising processes, procedures and controls to position the Group with a strong platform to take advantage of its future growth and operational efficiency aspirations.

Strengthening the financial processes, procedures and controls remains a key priority for the Board. This will support and enhance the solid financing platform now available to the Group. In November a new $50m revolving credit facility was secured with HSBC and more recently in February a £20m loan was secured with HSBC to provide financing for three new Airbus H145 helicopters, purchased to strengthen the Group's position in the Helicopter Emergency Medical Service market.

	Adjusted[1] $m			Statutory $m	
	Dec-19 Post-IFRS 16	**Dec-19 Pre-IFRS 16[2]**	Dec-18 Restated[3]	**Dec-19**	Dec-18 Restated[3]
Continuing operations:					
Revenue	**246.8**	**246.8**	234.9	**246.8**	234.9
Gross Profit	**39.5**	**39.3**	44.5	**39.5**	44.5
Gross Profit %	**16.0%**	**15.9%**	18.9%	**16.0%**	18.9%
EBIT	**5.6**	**3.3**	8.4	**(7.0)**	(34.0)
Profit/(Loss) Before Tax	**1.6**	**2.3**	8.3	**(11.0)**	(34.2)
Earnings per share (cents)	**0.7**	**1.8**	11.3	**(18.2)**	(57.5)

1 The Alternative Performance Measures (APMs) Adjusted Earnings before interest and tax (Adjusted EBIT), Organic Revenue and Net Debt are defined in Note 2 of the notes to the financial statements and reconciled to the nearest IFRS measure in Note 6 and Note 28 to the financial statements.

2 The Group adopted IFRS 16 from 1 January 2019 and the 2018 comparatives are not restated for IFRS 16. To achieve year on year comparability of the results, Adjusted EBIT, Gross Profit, Profit/(loss) before Tax and earning per share have been presented on a pre IFRS 16 basis for 2019 (consistent with the presentation for 2018) as well as on a post-IFRS 16 basis. The impact of IFRS 16 on the 2019 results were to increase Gross Profit by $0.2m, increase Adjusted EBIT by $2.3m, decrease Adjusted Profit before Tax by $0.7m and reduce Earnings per Share by 1.1 cents per share.

3 Restatements are detailed in Note 2 of the notes to the financial statements.

Revenue Bridge

Revenue – 2018 (restated)**	234.9
Impact of foreign exchange movements	(7.0)
Revenue – 2018 at 2019 exchange rate*	227.9
Acquisition of Florida Paint-Shop	2.3
Air Division	9.5
Ground Division	7.7
Global Services Division	(0.6)
Revenue – 2019	**246.8**

* The Alternative Performance Measures (APMs) are defined in Note 2 of the notes to the financial statements and reconciled to the nearest IFRS measure in Note 6. Constant currency calculations using a constant foreign exchange rate of $1.28 to £1, being the cumulative average USD-GBP exchange rate for 2019 instead of the reported exchange rate of $1.34 to £1 for 2018. On a constant currency basis, 2018 Revenue is $227.9m, Gross Profit is $43.2m, Gross Profit percentage is 19.0% and Adjusted EBIT is $8.3m.

** Restatements are detailed in Note 2 of the notes to the financial statements.

/ Air Division was mainly driven by a strong performance in Europe Air, which increased partly as a result of the new UK special mission contract won in 2018, offset by weaker revenues in the other regions, particularly Middle East which fell by $4.2m due to reduced flight activity impacted by political challenges in the region.
/ The Ground Division grew revenues by 8% to $103.0m (2018: $95.5m), resulting from continued growth in the US (30% growth to $48.9m) and Asia (35% growth to $1.5m) offset by reductions in Europe (8% down to $48.2m, or 3% down on a constant currency basis) and Middle East (6% down to $4.4m).
/ Global Services revenue fell by $0.6m following a weak first half.

Adjusted EBIT Bridge

Adjusted EBIT – 2018 (restated)*	8.4
Decrease in gross profit	(5.2)
Increase in administrative expenses	(0.2)
– Decrease in impairment of financial assets	0.4
– Increase in depreciation and amortisation	(0.9)
– Increase in inventory obsolescence	(2.9)
– Decrease in other administrative expenses	3.2
Increase in associates	0.3
Adjusted EBIT – 2019	**3.3**

* Restatements are detailed in Note 2 of the notes to the financial statements.

/ The impact of the application of IFRS 16 is set out in further detail in Note 23 of the notes to the financial statements. The Adjusted EBIT bridge is pre-IFRS 16 and excludes the impact of IFRS 16 on adjusted gross profit of $0.2m, on administrative expenses of $2.1m and on EBIT of $2.3m.
/ Gross profit is down by $5.2m because of a fall of $3.1m in Air, $1.8m in Ground and $0.3m in Global Services. Further detail is provided in the operational review.
/ The loss allowance for impairment of financial assets decreased by $0.4m to $0.4m (2018: $0.8m).
/ Depreciation and amortisation of $3.5m is up by $0.9m from the $2.6m reported in the prior year. This includes increased depreciation of $0.3m on fixtures, fittings and equipment related to office moves and $0.4m increased amortisation of software on internally developed software costs arising in myairops as well as purchased software, relating to operational and financial systems.
/ Inventory obsolescence increased due to $1.4m write-down in Europe Ground in line with the accounting policy set out in Note 2 of the financial statements, $0.4m write-down in US Ground to measure inventories at the lower of cost or net realisable value and $1.1m write-back in the prior year.
/ Associates are up following increased profit in both China Aircraft Services Limited (CASL) and Gama Aviation LLC year on year.

Statutory EBIT Bridge

Statutory EBIT – 2018 (restated)*	(34.0)
Impact of application of IFRS 16 on adjusted EBIT	2.3
Decrease in adjusted EBIT as tabulated above	(5.1)
Decrease in exceptional costs	1.7
– Decrease in exceptional transaction costs	3.5
– Increase in impairment of right-of-use asset	(2.3)
– Decrease in other exceptionals	0.5
Increase in share-based payment expense	(0.3)
Decrease in acquired intangible amortisation	1.5
Decrease in profit on step acquisition	(1.0)
Decrease in goodwill and intangible impairment	27.9
Statutory EBIT – 2019	**(7.0)**

* Restatements are detailed in Note 2 of the notes to the financial statements.

/ The fall in exceptional costs is largely due to significant transaction costs of $3.5m in the prior year, partially offset by $2.3m impairment of the right of use asset associated with the Fairoaks lease. Note 6 of the notes to the financial statements provides further detail on other movements in exceptional items year on year.
/ Share based payment is up following reduced forfeitures year on year.
/ Amortisation of acquired intangibles is $1.5m lower following changes in useful lives in the prior year and as well as significant impairment of acquired intangibles in the prior year.
/ The prior year impairment of goodwill and acquired intangibles of $28.4m comprises $18.3m of goodwill in Europe Air, $2.8m goodwill on Gama Aviation Hutchison Holdings Ltd (GAHH) in Asia Air and $7.3m impairment of acquired customer relationship intangibles comprising $2.8m on GAHH in Asia Air and $4.5m in Europe Air. In the current year $0.5m of acquired intangibles relating to the acquisition of the Florida Paint-Shop have been impaired.

Interest
There is a net interest charge for the period of $4.0m (2018: charge of $0.2m). The increase in the charge is as a result of $3.1m discounting on lease liabilities following the application of IFRS 16 and $0.6m of loan arrangement fees upon refinancing. Interest on borrowings remains in line with prior year at $1.0m.

Taxation
There is a total tax charge for the period of $0.5m (2018: charge of $0.5m). The Group operates across a number of jurisdictions and the effective rate of tax reflects the blended rate of operating in different countries.

Earnings per share (EPS) and adjusted earnings per share
While shares in issue remain unchanged year on year, the weighted average number of shares in issue has increased from 60.3m to 63.6m shares due to the share issue on 2 March 2018 weighting more heavily on 2019 than the prior year.

The fall in adjusted EPS from 11.3c to 0.7c includes the reduction in adjusted EBIT referred to earlier (7.8c), the adverse impact of shares in issue referred to above (0.3c), increased finance costs as a result of the write-off of existing arrangement fees on refinancing (0.6c) and the application of IFRS 16 (1.1c).

The loss per share improved from 57.5c to 18.2c, primarily due to the impairment of goodwill and intangibles impacting prior year EPS by 43.1c.

Net debt and cash flow movements

	Dec-19	Dec-18 Restated*
Statutory EBIT (continuing and discontinued operations)	**(7.0)**	(34.0)
Non-cash components of EBIT	**23.3**	31.9
Net movement in working capital excluding Contribution to US Air Associate	**(13.6)**	(12.1)
Contribution to US Air Associate	**–**	(3.6)
Gama International Saudi Arabia ("GISA") operation startup funding	**–**	(1.0)
Taxes paid	**(1.0)**	(1.6)
Net cash expended on operating activities	**1.7**	(20.4)
Lease payments	**(14.0)**	–
Pre-IFRS 16 net operating cash flow	**(12.3)**	(20.4)
Capital expenditure net of disposals	**(18.2)**	(7.1)
Investment in China Aircraft Services Limited	**–**	(16.0)
Step-acquisition of Gama Aviation Hutchison Holdings	**–**	(2.6)
Acquisition of subsidiary, net of cash acquired	**(1.3)**	–
Issuance of shares (net of share issue costs)	**–**	63.7
Net interest paid	**(0.9)**	(0.9)
Dividend paid to equity holders of the parent	**(1.6)**	(2.3)
Net cash from/(used in) investing and financing activities	**(22.0)**	34.8
(Increase)/ decrease in net debt	**(34.3)**	14.4
Net debt at the beginning of year	**(2.5)**	(18.0)
Movement in capitalised arrangement fees	**0.3**	0.4
Application of IFRS 16 resulting in Obligations under leases	**(60.2)**	–
Effect of foreign exchange rates and other non-cash movements	**(1.3)**	0.7
Net debt at the end of year	**(98.0)**	(2.5)

Analysis of net debt	Dec-19	Dec-18 Restated*
Cash	**8.4**	10.0
Borrowings	**(46.2)**	(12.5)
Net Debt pre IFRS 16	**(37.8)**	(2.5)
Leases	**(60.2)**	–
Net debt at the end of year	**(98.0)**	(2.5)

* Restatements are detailed in Note 2 of the notes to the financial statements

/ Refinancing completed on 14 November 2019, providing a new $50.0m revolving credit facility.
/ Operating cash outflow pre-IFRS 16 decreased from $20.4m to $12.3m, due to improvement in working capital with the exception of collections on receivables, which is being actively addressed.
/ Capex of $18.2m comprises, $8.4m down payment on helicopters, $3.1m on software predominately in myairops, $2.3m investment in Sharjah, $2.3m Furniture, Fittings & Equipment, $1.1m Aircraft & hull refurbishment and $0.8m leasehold improvement.
/ On 10 January 2019, the Group acquired a paint and interior completion business previously operated by Lotus Aviation Group at Fort Lauderdale Executive Airport ("Paint-Shop") for $1.3m.
/ $14.0m of lease payments include $5.5m for helicopters, which will end in 2020 following the insourcing and purchase of helicopters, $1.9m on aircraft in Europe Air, $2.6m in Europe Ground on hangars and facilities, and $3.7m in US Ground on facilities.
/ Net Debt increased by $35.3m, as a result of increased Borrowings, including the initial funding for the three Helicopters for helicopter emergency medical services (HEMS) to support the Scottish Ambulance Service. In addition, on application of IFRS 16 obligation under leases of $60.2m have been included in net debt.

/ Dividend

Given the desirability of conserving cash during the ongoing COVID-19 pandemic, the Board does not recommend a dividend for 2019 (2018: 2.0 pence per share).

Litigation

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 SPC Aviation Limited. The Company reached an agreement with SPC Aviation Limited to settle the legal proceedings between the parties on 9 December 2019 under the terms of a settlement agreement which was in full and final settlement of the court proceedings between the parties.

Following the settlement of the disputes with SPC Aviation Limited, the remaining proceedings in which the Company and a number of its subsidiaries are parties relate to disputes where the Company and its subsidiaries are claimants.

The Company has issued proceedings to recover long-standing trade receivables that amount to approximately $3m. The Company has made adequate provisions against these claims and as a result the Board does not expect any further provisions will be required.

Daniel Ruback
Chief Financial Officer

/ PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider the principal risks to the business are:

- Poor operational performance or air accident damaging the Group's reputation.
- Changes in economic climate that make air transport less attractive such as the ongoing COVID-19 pandemic.
- Following the UK departure from the EU any changes to the open skies arrangement that may impact air travel, and a slow-down in customs processes that may lead to delays in the cross-border flow of fuel, materials and engines, both for Gama Aviation, our suppliers and their upstream supply chains, and customers shipping engines for repair and overhaul.
- 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 and COVID-19

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 and given the ongoing COVID-19 pandemic 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 left the European Union on 31 January 2020 and we continue to monitor the impact of Brexit on the business through the transition period. 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 assets and liabilities comprise:

- Bank balances;
- Trade payables;
- Trade receivables;
- Obligation under leases; and
- 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 no formal overdraft facility with National Westminster Bank Plc (2018: £2.0m overdraft facility). The Group's principal banker in the UK is National Westminster Bank Plc, formerly called Royal Bank of Scotland. 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.

On 14 November the Group entered into a $50.0m revolving credit facility ("RCF") with HSBC Bank Plc that replaced the existing facilities.

Refer to note 35 of the financial statements for details on a new £20m term loan secured with HSBC after the balance sheet date.

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. 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. Loss allowances are made against amounts for which the recoverability is uncertain.

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.

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.

The Group's risk function continues to focus on enhanced and standardised risk reporting to the business as well as greater operational risk oversight.

Internal audit
In the prior year, the Group appointed KPMG as internal auditors. KPMG's work included a multi-site "health-check" designed to independently assess the strengths and weaknesses of the Group's internal control environment. The findings are being 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 6 August 2020 and signed on its behalf by:

Marwan Khalek
Chief Executive Officer

7 August 2020

/ SECTION 172 STATEMENT

Section 172 of the Companies Act requires every director to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

1. The likely consequences of any decision in the long term;
2. The interests of the company's employees;
3. The need to foster the company's business relationships with suppliers, customers and others;
4. The impact of the company's operations on the community and the environment;
5. The desirability of the company maintaining a reputation for high standards of business conduct; and
6. The need to act fairly as between members of the company.

This section aims to describe how the directors apply and comply with these principles and aim to discharge their duties under company law.

Likely consequence of any decision in the long term
The Board takes a long-term view which helps form the background of all decisions. Growth opportunities, either through acquisitions or organic growth, are evaluated carefully in a disciplined and diligent way and only executed on where they meet strategic objectives and enhance the company's investment proposition for shareholders.

For example, in terms of acquisitions, in January 2019 the Group completed a trade and asset purchase of a paint and interior completion business currently operated by the Lotus Aviation Group at Fort Lauderdale Executive Airport in the US. This represented a significant milestone for the Group's long-term organic growth strategy in the US including scaling up its US maintenance business in light of future development opportunities.

The Board also considered a number of other possible acquisition opportunities during 2019, both in Europe and the US, which were ultimately not taken forward because they were not considered sufficiently value accretive in the longer term according to the Group's investment criteria or because of a longer-term focus on preserving covenant headroom under key banking facilities.

Interest of the Company's employees
The Board takes a rigorous and diligent approach to the health, safety and wellbeing of its people and actively promotes equality and diversity among its workforce. Regular investments are made in employee training and education and a proactive approach is taken to developing peoples' careers, including making opportunities available internationally where appropriate. Employees are regularly provided with information about the Group's activities through internal media and otherwise and regular meetings are held between local management and employees to facilitate a free flow of information and ideas.

In 2019, the Group established an intranet facility called Horizon which serves as a platform for employees to share access to online training and other materials including accessing various courses on health and safety and key operational matters.

Foster business relationships with suppliers, customers and others
Long-term relationships with key customers and suppliers is fundamental to the sustainability of the Group's business and, as such, there is an ongoing focus on standards of customer service and supplier relations. The Board is regularly updated on interactions and broader relationships with key customers and suppliers, which inform both specific and general decision making.

For example, in 2019, the Board was regularly updated on KPI performance under its major contracts with the Ministry of Defence and the Scottish Air Ambulance Service. Through detailed examination of operational reports in Board meetings, the Board was able to measure the Group's contractual performance with key customers and analyse possible areas of growth. As a result, decisions were taken in 2019 to extend air ambulance services to other geographical areas and new contracts were entered into with the State of Guernsey and the Government of Jersey.

The Board also has a strong focus on relationships with lenders and on long-term compliance with covenants under its major banking facilities. During 2019, due to the strength of the Group's relationship with HSBC, it was able to transfer its revolving credit facility to HSBC on improved terms.

Impact of the Company's operations on the community and the environment
The directors are conscious of the possible environmental impact of the Group's activities and do their utmost to reduce it wherever possible. The Group has been awarded the internationally recognised Carbon Footprint Standard for demonstrating low carbon credentials and the directors work hard to identify and carry out carbon and energy reduction opportunities where possible. Responsible flight procedures and operations are followed in order to minimise emissions and waste recycling schemes are implemented throughout the Group's operations to limit environmental impact.

All divisions of the business allow employees time to volunteer to support local environmental projects, including coppicing, beach cleaning, land clearance and maintenance of charity gardens.

The Group also works with an independent external organisation to monitor its Greenhouse Gas Emissions and the results for this exercise during 2019 are set out in the Governance section of this Annual Report. This is the first carbon footprint assessment the Group has carried out and will serve as a basis for ongoing future assessments.

As regards the community, among other things, the Group invests in schemes that support local communities, provides internship and apprenticeship opportunities and provides volunteering opportunities in the local community. For example, in 2019, employees volunteered at Bells Piece Day Service, Urban Root and Green Spaces at Basingstoke and Deane Borough Council.

The desirability of the Company maintaining a reputation for high standards of business conduct
High standards of ethical business conduct and a reputation for maintaining these standards are critical to the ability of the Group to run a sustainable business. The directors aim to create and maintain a corporate culture based on ethical values and behaviours.

All directors and employees are expected to act with integrity and to comply at all times with the laws of the countries in which the they operate. Employees are provided with resources to obtain advice, report grievances or any alleged or actual wrongdoing. During 2019, the Group's employee handbook and code of conduct were updated and are regularly reviewed and augmented as appropriate in order to reflect the Group's development and in light of any recent events.

The need to act fairly between members of the company
As a company with a number of major shareholders, the Board recognises the need to act fairly as between all its members. Decisions are taken on the basis of the Board's objective appraisal of whether a particular course of action will benefit shareholders as a whole and any conflicts of interest are carefully managed. All directors, including independent non-executive directors, are entitled to obtain independent professional advice at the Group's expense if required.

Where considered necessary and in line with customary market standards, the Board enters into appropriate contractual arrangements with major shareholders in order to ensure that minority shareholders are not prejudiced, that transactions with major shareholders are on arm's-length commercial terms and that the Company is able to maintain and preserve its independence.

Continually developing our EXPERTISE

Governance

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

Your mission, our passion.


Aviation

/ **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$3.0bn. 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.

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 several 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.

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.

Daniel Ruback
Chief Financial Officer

Daniel was appointed as Chief Financial Officer in December 2019 having previously held the position of Finance Director, Signature Flight Support EMEA, a part of Signature Aviation plc. From 2006 to 2015 Daniel worked in several different roles at Smiths Group plc, the FTSE 100 global technology company, including a two-year assignment as Director, Operational Finance, Smiths Detection USA and finally as Head of Divisional Business Partnering, Smiths Detection. Daniel is a qualified chartered accountant.

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 an 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$7bn leading supplier of products and systems for the rail industry, based in Pittsburgh Pennsylvania.

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.

Peter Brown
Non-Executive Director

Peter is a chartered accountant with over 30 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.

Stephen Mount
Non-Executive Director

Stephen is a member of the Audit Quality Review Committee of the Financial Reporting Council and of the Regulatory Decisions Committee of the Financial Conduct Authority, chairs the Finance & Investment Committee and is a member of the Audit Committee of a major NHS Foundation Trust. He also acts internationally as an expert witness on corporate governance, financial reporting, accounting and auditing matters. He retired in 2016 as a senior partner with PwC after a career spanning three decades auditing and advising companies across a broad range of industry sectors including aviation, engineering, defence, software, technology, services and long-term contracting. He acted as lead engagement and global relationship partner for clients ranging from Fortune 500/FTSE to smaller NASDAQ/AIM companies listed on UK, US, European and Asian stock exchanges and was frequently involved in major capital market transactions including IPOs, rights issues, mergers and acquisitions as well as advising on strategic, performance improvement, regulatory and structuring issues. Stephen is a Chartered Accountant and an MBA.

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.

Chairman's Statement on Corporate Governance
Recognising the importance of effective corporate governance, the Board last year adopted the QCA. Its principles and disclosures 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.

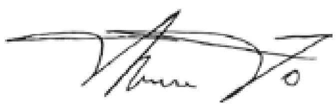
Since my appointment as Chairman in April 2019, we have made a number of key INED appointments, leading to changes in the compositions of the Audit Committee, Remuneration Committee and the Nomination Committee. All these were aimed at enhancing governance and generally strengthening the skills and expertise of the Board.

We also appointed PriceWaterhouseCoopers in May 2019 as our new auditors and in addition, appointed Daniel Ruback as the new Chief Financial Officer (in December 2019) with a clear mandate to transform the finance functions of the Company.

In that connection, we have also taken steps both to strengthen our resources within the finance team and are developing accountability and Board assurance frameworks for the Group that address mechanisms, systems and processes within the Group's various functions, in particular the finance function. This will provide timely assurance to the Board on the Group's short and long term performances against budget and market expectations and progress against its long-term strategies. It will also reinforce risk management.

The Board measures adherence to the ten Principles of the QCA Code at least once annually, in line with the Code's requirements, and against individual principles more frequently, whenever deemed appropriate and to encourage continuous improvement. Further information on how the Company is applying the ten Principles of the QCA Code is contained in the Corporate Governance Statement published on the group's website at https://www.gamaaviation.com/investors/corporate-governance. This will be updated by the Company after the date of the Annual Report detailing the steps taken by the Company to comply with the ten principles and other improvements to be made.

Progress on compliance continues to be made in 2020 despite the impediments of the COVID-19 pandemic. The Board continues to monitor diligently the progress of these initiatives and to ensure that the Company has sufficient resources, procedures and controls in place to meet its other regulatory obligations.



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 four executive and five non-executive directors during 2019. 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
Simon To	14	14
Marwan Khalek	14	14
Stephen Wright	13	14
Neil Medley	14	14
Daniel Ruback	–	–
Stephen Mount	4	5
Peter Brown	14	14
Christopher Clarke	7	7
Michael Howell	7	7
Sir Ralph Robins (resigned 3 April 2019)	6	6
Michael Peagram (resigned 30 April 2019)	6	8
Richard Steeves (resigned 31 Jan 2019)	4	4
David Stickland (resigned 31 May 2019)	8	9

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 pages 32 and 33 of this Annual Report.

Audit Committee

The Audit Committee is chaired by Stephen Mount, who is deemed by the Board to have recent and relevant financial expertise, supported by Peter Brown and Michael Howell. The Audit Committee was previously chaired by Peter Brown until Stephen Mount's appointment on 27 June 2019. 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.

Audit Committee Report

The purpose of any Audit Committee is to provide oversight of, and governance over, the financial integrity of the Group's financial reporting to ensure that the interests of the Company's shareholders are well protected; to assess the robustness of the systems, processes and controls the Group has in place to identify and manage risk and account for the results of its operations and financial position, and to oversee the independence and quality of external audit.

As noted above, a number of steps had already been taken to strengthen the Company's governance arrangements. Shareholders will be aware of the various RNS the Company issued in 2019 relating to overpayments and related party transactions, potential re-classification of 2017 and 2018 accounts, resignation of the Group's Chief Financial Officer and changes in Non-Executive Director appointments and Board Chairman. PwC were appointed in May 2019, to replace Grant Thornton as independent auditors, and an initial report was commissioned from KPMG identifying areas for improvement in internal control.

The Group's determination to improve its control environment and finance function effectiveness was significantly frustrated by the absence of a Group CFO for more than half the year, compounded by further churn in the senior finance team and reorganisation in the USA. Although this has now been resolved by the appointment of Daniel Ruback as CFO in December 2019, together with a new Group Financial Controller and senior finance staff in 2020, most of the finance team's attention to date has necessarily focused on meeting the Company's regulatory requirements. The Board engaged proactively with its primary regulators, AIM and the Financial Reporting Council, who have been constructively supportive of the approach we have taken.

The Audit Committee met formally 5 times during the period from April 2019 following release of the 2018 Annual Report and Accounts, and has met informally on many further occasions both in person, by telephone and more recently virtually. The external auditors, PwC, have been closely involved in many of these meetings. During this period the Committee's main focus has necessarily been on ensuring the Group's compliance with its various financial reporting obligations, and the robustness with which those obligations have been met. As shareholders will again have seen, this has resulted in a number of RNS updating on the Group's performance including some prior year restatements. The Committee was involved in the selection of both the new CFO and Group Financial Controller.

As part of its review of the 2019 Annual Report and Accounts the Committee gave careful consideration to the completeness of key risks identified, and reasonableness of judgements made, by the CFO and PwC; and whether the overall Report and Accounts present a fair, balanced and understandable view of the Group's results, financial position and cashflows on both a statutory and adjusted basis. This has involved consideration of legacy inventory and receivables balances, some of which date back to Hangar 8, and the likely future impact of COVID-19 on those parts of the aviation sector in which the Group is active.

Priorities for the Committee in 2020 will include management's plan to strengthen and enhance the finance function and the Group's financial planning and reporting framework, addressing control and accounting observations raised by PwC and KPMG and assessing the impact of the strategic review currently being undertaken by the Board on culture, values, structure, people, systems, controls, financial planning, timeliness and quality of reporting, regulatory compliance and carrying values of investments.

Nomination Committee

The Nomination Committee was chaired by Sir Ralph Robins until his resignation in April 2019 and since that date 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 ("Committee") comprised of three members, of which two are independent non-executive directors and one non-executive director (Chairman of the Board). Since 29 April 2019, the Committee is chaired by Christopher Clarke, supported by Michael Howell and Simon To. The Committee met three times during the year.

At the next available Board meeting, the Chairman of the Committee will provide a verbal report of the Committee's recent proceedings.

During the year, the Committee has

- Reviewed the annual salary awards and bonus of the executive directors and senior management;
- Reviewed the share option scheme and proposed awards;
- Engaged the services of MM&K so that, with respect to each of the executive director, it has a better insight into the appropriateness of the pay levels; the composition and structure of remuneration packages; and benchmarkings against comparable companies;
- Approved salary, bonus and share option proposals put forward by the executives;
- Participated in the appointment of the new CFO;
- Discussed LTIPs proposals put forward by the executive directors.

As the Company is listed on the AIM, requirements of the remuneration reporting regulations do not apply to it. Notwithstanding, the Committee endeavours to adopt such of those requirements that it so determines that will best serve the interests of the shareholders in the longer term. Progress is being made during the year and will continue to do so in 2020 despite impediments from COVID-19.

A remuneration report is included on pages 36 to 39.

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. The Remuneration Committee was chaired by Michael Peagram until his resignation on 29 April 2019 and since that date by Christopher Clarke. The other members of the Committee are Michael Howell 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.

In particular the Committee instructed remuneration consultants MM&K to undertake a detailed benchmark report and review and recommend changes to the Company's remuneration policy (including advice on matters such as annual bonus award to executive directors, long-term incentive plans and benefits). These are currently being considered by the Committee in conjunction with management and the Board, in the context of a review of the Group's strategy (including the impact of and response to the COVID-19 pandemic) and a consequent re-assessment of the Group's prospects, projections, targets, management structure, roles and responsibilities.

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;
- 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.

The committee's Terms of Reference are available on the company's website at https://www.gamaaviation.com/investors/corporate-governance.

Pay Policy

The Committee believes that the overall level of compensation for directors and senior managers should compare favourably with similar-sized industry and other peer groups, such that they are sufficiently rewarded for their responsibility and experience, incentivised for strong performance and that the Group is able to retain and develop the management capability and qualities needed for timely delivery of its strategy. The setting of corporate, divisional and personal targets, mix of short and longer-term remuneration and its settlement in cash and shares, is intended to align as closely as possible executive reward with shareholder interests.

Base Salary

Base salaries are reviewed on an annual basis, and any increases become effective from 1 April each year. From 1 April 2019, Marwan Khalek was entitled to a base salary of £362,250, Steve Wright £198,900 and Neil Medley £335,000. Daniel Ruback, who joined the Group on 16 December 2019 is entitled to a base salary of £240,000.

Pension & Benefits

Executive directors are entitled to a pension contribution as follows: Marwan Khalek: 22.5%; Steve Wright: 18%, Daniel Ruback 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 reduced 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 and staff.

A budgeted bonus pot was included in the 2019 Annual Plan to fund discretionary bonus payments to eligible staff in late Q1 2020 to be determined by the Group's generation of an Adjusted EBIT target. The Group did not achieve the Adjusted EBIT target and as a result no bonus was approved in the year. The calculation for the bonus pot may vary from year to year.

The following one-off awards were paid in the year and are included in the salary and fees amount shown in the Directors' Remuneration Report:

- Steve Wright £nil (2018: £150,000).
- Neil Medley £nil (2018: £33,000).
- Peter Brown £25,000 (2018: £30,000).

Option awards

During the year a number of options were awarded to executives, senior managers and other staff. These awards were approved by the Committee on the recommendation of the CEO.

Long-Term Incentives
An equity-based Long-Term Incentive Programme (LTIP) is currently being considered with the advice of MM&K.

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 2019 the outstanding balance was nil (2018: £39,000).

Non-Executive Director Fees
Fees for non-executive directors, are approved by the Board, however individual non-executive directors do not vote on their own fee. Fees for non-executive directors are set with reference to market data, time commitment, and chairmanship of Board committees. From 1 April 2019, the Chairman of the Board, is eligible for a fee of £52,000 per annum (2018: £53,000 per annum). The annual fee of the remaining individual non-executive directors does not exceed £48,000 (2018: £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
Daniel Ruback	16 December 2019	6 months
Non-Executive Directors		
Christopher Clarke	24 April 2019	3 months
Peter Brown	8 December 2014	3 months
Stephen Mount	27 June 2019	3 months
Michael Howell	24 April 2019	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 2019:

£'000	Salary & fees[2]	Bonus award	Consultancy fees	Benefits in Kind[1]	Pension	**2019 Total[3]**	2018 Total
Executive Directors							
Marwan Khalek	362	–	–	17	82	**461**	487
Steve Wright	207	–	–	2	36	**245**	397
Neil Medley	345	–	–	1	34	**380**	401
David Stickland (resigned 31 May 2019)	264	–	–	1	25	**290**	67
Daniel Ruback (appointed 16 December 2019)	12	–	–	–	1	**13**	–
Kevin Godley (resigned 1 February 2018)	–	–	–	–	–	**–**	150
Non-Executive Directors							
Sir Ralph Robins (resigned 3 April 2019)	27	–	–	–	–	**27**	82
Peter Brown	48	25	–	–	–	**73**	78
Richard Steeves (resigned 31 January 2019)	4	–	–	–	–	**4**	35
CK To	52	–	–	–	–	**52**	35
Michael Peagram (resigned 30 April 2019)	20	–	–	–	–	**20**	47
Christopher Clarke (appointed 24 April 2019)	32	–	–	–	–	**32**	–
Michael Howell (appointed 24 April 2019)	32	–	–	–	–	**32**	–
Stephen Mount (appointed 27 June 2019)	24	–	–	–	–	**24**	–
Aggregate Emoluments	1,429	25	–	21	178	**1,653**	1,779

1 Including the provision of life assurance, Group income protection, and private medical insurance.
2 Reimbursements for travel are not remuneration and therefore are excluded. Salary & fees include car allowances where applicable.
3 Remuneration for David Stickland includes a settlement on departure of £192,500 (2018: £nil).

Statement of Directors' Interests

The table below sets out the beneficial interests in shares and unexercised share options of all directors holding office as at 31 December 2019.

	Ordinary Shares		Unexercised Share Options		Total Interests	
	At 31 December 2019	At 31 December 2018	**At 31 December 2019**	At 31 December 2018	**At 31 December 2019**	At 31 December 2018
Executive Directors						
Marwan Khalek[1]	**14,179,607**	14,179,607	**–**	–	**14,179,607**	14,179,607
Steve Wright	**263,188**	263,188	**525,000**	450,000	**788,188**	713,188
Neil Medley[2]	**75,000**	50,000	**425,000**	300,000	**500,000**	350,000
Non-executive Directors						
Simon To	**130,000**	–	**–**	–	**130,000**	–
Michael Howell	**68,752**	–	**–**	–	**68,752**	–
Peter Brown	**20,000**	20,000	**–**	–	**20,000**	20,000
Michael Peagram	**–**	132,000	**–**	–	**–**	132,000
Sir Ralph Robbins	**–**	10,000	**–**	–	**–**	10,000

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

[2] Including 25,000 shares held for the benefit of family members.

We recognise the important of integrating social and environmental concerns into its business operations and interactions with stakeholders.

Our corporate governance
To ensure economic standards and good business practices, we operate:

- / Risk management framework to ensure risks are identified and appropriate controls are implemented.
- / Comprehensive legal compliance framework and audit schedule to ensure compliance obligations are met.
- / Ethical business practices and associated codes of conduct.
- / Continual development to ensure business continuity and responsible growth.

Our people
To ensure the best service is provided to our clients and to promote social standards, we will:

- / Take a rigorous approach to Occupational Health and Safety.
- / Promote equality and diversity amongst our people and management approach.
- / Invest in employee training and education.
- / 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:

- / Have been awarded the Carbon Footprint Standard.
- / Have identified Carbon and Energy reduction opportunities and are now working hard to implement these.
- / Continue to operate responsible flight procedures and operations to minimise emissions, while maintaining the highest safety standards.
- / Engage in waste recycling schemes throughout our operations, limiting our environmental impact as best we can.
- / Volunteer employee days to support local environmental projects.

Environment: Making a difference
All divisions have volunteered their employees' time to support local community projects that promote environmental benefits- these have included coppicing, beach cleans, land clearance and charity gardens.

'What can I say but a huge thank you for all your hard work yesterday… It was quite a big task and one we had not been able complete ourselves, both our teams in the garden and art studio are thrilled to have both the greenhouse and shed looking so clean and tidy. I hope you had an enjoyable day, we certainly enjoyed having you visit us. Bells Piece is a very special place supporting adults with learning disabilities, your support is greatly appreciated by everyone here'.

Volunteer Coordinator, Bells Piece Day Service

'Just to say a big thanks to the team for coming out to work in Malls Mire today, much appreciated!'

Growing Connections Project Manager, Urban Root

'Please can you pass on a HUGE thank you to your colleagues for all their hard work earlier this month!'

Green Spaces, Basingstoke and Deane Borough Council

Our community
As a global company we recognise we can add social, economic and environmental benefit to our local communities. We will therefore aim to:

- / Build infrastructure that conforms (where operationally and financially possible) to the highest prevailing energy and material conservation standards.
- / Take a positive approach to the Health, Safety and Environmental activities at bases.
- / Invest 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 learning within the community by volunteering at local schools and businesses.

‘Gama Aviation has sponsored the Liberty High School Football program on behalf of AJ for the last 2 years for which he is very grateful. AJ attends Liberty High School in Las Vegas, Nevada and will be graduating high school May 2020. He’s the eldest of my 4 children and born in San Francisco, Ca. He’s a San Francisco 49er fan by birth and father’s preference! We moved to Las Vegas, NV when he was 2yrs old. AJ started playing tackle football at the age of 9yrs old and was coached by me for the majority of his youth football career. AJ is a student athlete as a 4 year lettermen on the Liberty High School Varsity Football team in Henderson, NV with a 4.23 GPA and will be graduating with High Honors. He’s 6’2” 290lbs and started as an Offensive Guard on the varsity team as a Sophomore. He was voted unanimously by his teammates to be one of 3 captains for his final high school year in which his team won the 2019-2020 Nevada State Division 4A Championship. AJ was acknowledged for his leadership and awarded the Liberty Patriot Award for his accoladed on and off the field in academics. His Liberty HS Football team won the school’s first ever Nevada State Football Championship- ending a 10 year state championship run of the 3 time national champion and national powerhouse football program of Bishop Gorman – Las Vegas, NV.

AJ received several full scholarship offers from colleges to further his education and football career. On December 18, 2019, AJ accepted a full scholarship offer and signed a Letter of Intent to attend Northern Arizona University in Flagstaff, Arizona and play Division 1 NCCA football as a Defensive Tackle.’

Alofa Maluia – Chief Inspector US Ground & AJ’s Dad

Carbon and energy management

We recognise the importance of protecting our environment and minimising our carbon and energy footprint.

In respect of this, the company has:

/ Completed a Carbon Footprint assessment for the Global group.
/ Completed an ESOS submission for European companies and divisions.
/ Maintained ISO14001:2015 in Group, EU Air, EU Ground and Airops Software Limited.

We have also been working with an independent external organisation who assessed its Greenhouse Gas (GHG) emissions, from 1st January 2019 to 31st December 2019. The assessment represents all Gama divisions and sites. Scopes 1 and 2 are provided below:

Scope Activity Tonnes CO_2e – Global activities, including all Gama sites:

Scope 1 subtotal	1,058.06
Scope 2 subtotal	2,677.81
Total (Scopes 1 & 2)	3,735.87

These figures equate to 4.51 Tonnes CO_2e per employee or 30.67 Tonnes CO_2e per £ million.

This is the first carbon footprint assessment we have carried out and, therefore, it will serve as a base year for future carbon footprint assessments.

We are in the process of establishing a Carbon and Energy Strategy that will focus on Elimination, Reduction and Offsetting measures. An update on these will be provided in next year’s annual report.

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

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. In addition, research and development occurs in myairops which has developed a suite of business aviation products deployed as "Software as a Service" (SaaS) and mobile app solutions for business aviation operators, flight support companies, FBOs and regional airports.

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

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

Matters included in the strategic report
Financial risk management policies and objectives are disclosed in the strategic report and note 34 of the Financial Statements, and future developments are disclosed 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, unless otherwise stated, were as follows:

M Khalek
S Wright
N Medley
D Stickland (resigned 31 May 2019)
D Ruback (appointed 16 December 2019)
CK To
Sir R Robins (resigned 3 April 2019)
P Brown
M Peagram (resigned 30 April 2019)
Dr R Steeves (resigned 31 January 2019)
C Clarke (appointed 24 April 2019)
M Howell (appointed 24 April 2019)
S Mount (appointed 27 June 2019)

Dividends
The Group remains committed to maintaining a progressive dividend policy. However, given the ongoing COVID-19 pandemic the directors are recommending the suspension of the final dividend (2018: 2 pence per share).

Post balance sheet events
These are detailed in note 35 of the financial statements.

Charitable and political donations
Group donations to charities worldwide were $51,934 (2018: $2,689). No donations were made to any political party in either year.

Engagement with employees and other stakeholders
The section 172 statement on page 28 provides further details on engagement with employees and other stakeholders.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

The emergence of COVID-19 during 2020 has increased uncertainty surrounding the future trading environment for the Group, and performance in FY20 to date has been adversely impacted compared to the directors' original expectations of performance. To support their assessment of Going Concern the directors have performed a detailed analysis of cash flow projections for the Group as a whole covering the period through to 31 December 2021, taking account of the $50.0m committed revolving credit facility (of which c$29m is currently undrawn) and a $20.0m term loan which was agreed and drawn in full since the year end. These facilities have no substantive covenants and fall due for repayment after 31 December 2021. The key assumption in these projections relates to revenue performance and the directors have included what they consider to be a cautious recovery in revenue performance from the second half of FY20. Downside sensitivities have also been assessed, which reflect no further recovery in revenues and a continuation of the trading performance in Q2 FY20, which was the period most impacted by COVID-19. In both Management's base case forecasts and downside scenarios the Group maintains significant headroom against its cash and available facilities.

Accordingly, 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 PwC as auditor of the Company will be proposed at the forthcoming annual general meeting.

Marwan Khalek
Director

7 August 2020

PERFORMANCE Driven

Financial statements

Independent auditors’ 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 auditors’ report
Parent company statement of financial position
Parent company statement of changes in equity
Notes to the parent company financial statements

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SINCE 1983

Independent auditors' report to the members of Gama Aviation Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Gama Aviation Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet and Parent company Statement of Financial Position as at 31 December 2019; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

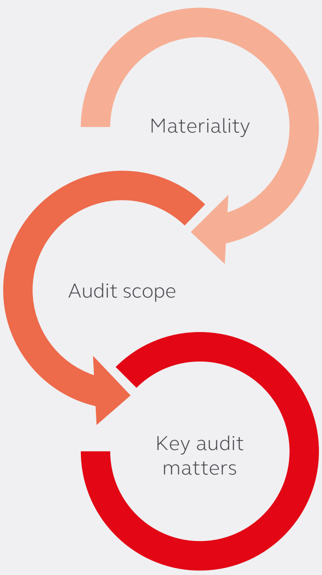
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: $338,000 (2018: $500,000), based on approximately 5% of Adjusted EBIT (including the impact of IFRS 16).
- Overall parent company materiality: £1,213,000 (2018: £249,000), based on 1% of Total assets, restricted to $75,000 in respect of balances included in the group consolidated financial statements.

- Full scope audits performed for five financially significant components; Gama Aviation Engineering Limited, Gama Aviation (Engineering) Jersey Limited, Gama Aviation (Engineering) Inc., Gama Group Inc. and Gama Group Limited.
- Additional full scope audits performed for Gama Aviation Plc and Gama Aviation (UK) Limited.
- Audit of certain line items for Gama Aviation FZC, Gama Aviation Hutchison (Hong Kong) Limited, Gama Aviation LLC, AirOps Software Limited and Gama Support Services FZE.

- Revenue recognition (Group)
- Impairment of goodwill (Group)
- Impairment of investments accounted for using the equity method (Group)
- Presentation of exceptional items (Group)
- Valuation of parts inventory (Group)
- Valuation of trade receivables (Group)
- Disclosure of related party transactions (Group and Parent Company)
- Prior year restatements (Group and Parent Company)
- Consideration of the impact of COVID-19 (Group and Parent company)
- Impairment of investments (Parent Company)
- Lawfulness of dividends (Parent Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Group) The Group has a number of significant contracts with customers, some of which were new contracts entered into during the year. There is a risk that these contracts may not be accounted for appropriately. One material contract has an element of the contract which is accounted for on a percentage of completion basis. This involves management making estimates of future costs to complete which are inherently uncertain and may give rise to errors.	We have assessed the accounting for all significant contracts in the components in our audit scope, including new contracts entered into during the period. We have evaluated the different components within contracts to ensure that these are accounted for separately, and we have tested a sample of transactions to ensure that revenues are recognised correctly. Based on the procedures we have performed we found that significant contracts with customers were accounted for on an appropriate basis. We have tested the contract accounted for on a percentage of completion basis. Our procedures have included the evaluation of future cost estimates which we have tested by comparing cost estimates with original contract budgets; comparing estimated margins against original budgets and understanding and evaluating any variances; discussing progress on contracts with engineering staff and contract managers; and reviewing customer correspondence including customer sign off of milestones completed to date. In addition to these procedures we have also read the contract and evaluated the basis for accounting, tested a sample of costs incurred to date and tested payments received to date on the contract. We have also read the disclosures in the accounts for significant accounting estimates to ensure that these appropriately identify the estimation uncertainty within percentage of completion contracts. Based on the procedures we have performed we found that the percentage of completion contract was accounted for on an appropriate basis, and specifically that cost estimates made within these contracts were reasonable.
Impairment of goodwill (Group) The carrying value of goodwill is $21.8 million at 31 December 2019. The goodwill substantially relates to the Europe Ground Division. The group is required to test goodwill for impairment on an annual basis. Impairment assessments of goodwill requires significant judgement and there is a risk that the calculation of the recoverable amount of the asset is incorrect and therefore the value of the asset may be misstated. The recoverable value of cash generating units is assessed at the higher or value in use and fair value less costs to sell. This has been estimated by a value in use calculation which is considered to be higher than fair value less costs to sell. Forecasts and assumptions used in value in use calculations are inherently judgemental and therefore may give rise to increased risk of misstatement. Management performed sensitivity analyses on certain key variables in the value in use calculations to understand the impact of changes in key assumptions. No impairments were identified in the goodwill balances at 31 December 2019.	We performed audit procedures over the value in use calculations prepared by management. We used PwC valuation specialists to assess the methodology applied in the valuation model and the discount rate. We benchmarked the discount rate to comparable companies and considered the underlying assumptions based on our knowledge of the Group and its industry. We evaluated management's forecasts by reference to historical performance and considered growth rates applied to future cash flows by reference to external market data. We also independently applied sensitivities to key assumptions used in management's value in use calculation. Based on our audit procedures performed we found that management's calculation of the value in use for goodwill balances supported their conclusion that no impairment charges were required. We also assessed the disclosures around the impairment assessment, the associated sensitivity analyses, and management's disclosure of impairment assessments as a key accounting estimate and have found these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Impairment of investments accounted for using the equity method (Group) Investments accounted for using the equity method include an amount of $15.1 million in relation to the group's investment in China Aircraft Services Limited ("CASL"). This investment has performed below Management's expectations and accordingly an impairment trigger was identified. The recoverable value of investments accounted for using the equity method is assessed at the higher of value in use and fair value less costs to sell. This has been estimated by a value in use calculation which is considered to be higher than fair value less costs to sell. The investment has been tested by reference to a recoverable amount which has been assessed using a value in use model. This is based on forecast future discounted cash flows which includes judgements and estimates, including future growth rates, cost efficiencies the business can achieve and the discount rate applied to future cash flow forecasts. Management performed sensitivity analyses on certain key variables in the value in use calculation to understand the impact of changes in key assumptions. No impairment was identified in the investment balance at 31 December 2019.	We performed audit procedures over the value in use calculations prepared by management. We used PwC valuation specialists to assess the methodology applied in the valuation and the discount rate used in the valuation. We benchmarked the discount rate to comparable companies and considered the underlying assumptions based on our knowledge of the company and its industry. We evaluated management's forecasts by reference to historical performance, considered growth rates applied to future cash flows by reference to external market data and assessed future cost efficiencies by reference to plans approved by the Board of the company and actions taken to date. We also independently applied sensitivities to key assumptions used management's value in use calculation. Based on our audit procedures performed we found that management's calculation of the value in use for investments accounted for using the equity method supported their conclusion that no impairment charges were required. We also read the disclosures in note 2 and 18 around the impairment assessment, the associated sensitivity analyses, and management's disclosure of impairment assessments as a key accounting estimate and have found these to be appropriate.
Presentation of exceptional items (Group) The Directors believe that Adjusted EBIT provides additional useful information for shareholders on the underlying performance of the business. This alternative performance measure is disclosed prominently in various sections of the annual report. The Directors define Adjusted EBIT as profit before interest, income tax, share based payments, amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets and exceptional items. There is a risk that costs incurred by the Group are inappropriately classified as Exceptional items in order to improve the presented performance of the Group, or that items of income or other gains received in the year which should be classified as Exceptional items are excluded and reported within underlying profit. During the year, the Directors classified $10.2 million as Exceptional items.	We obtained management's detailed analysis of Exceptional items and performed the following procedures: / Tested a sample of items classified as exceptional items back to supporting documents to ensure that these were accurately recorded; and / Evaluated the nature of the items tested to ensure that these were appropriately classified as Exceptional items by reference to management's definition of Adjusted EBIT and established regulatory guidance on the reporting of alternative performance measures; We evaluated the nature of items of income and other gains received in the year that had not been reported within exceptional items to assess whether these should be included within underlying profit. We specifically challenged management to ensure that exceptional gains and losses were treated consistently, and that items were treated in a consistent manner from one year to the next. We read the disclosures in notes 2 and 6 to the financial statements to ensure these provided clear and sufficient guidance to enable the user of the financial statements to understand the nature and magnitude of the items included within Exceptional items, and why management have excluded these items from Adjusted EBIT. We found these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of parts inventory (Group) The group holds inventory of \$7.3 million at year end which is stated after provisions for obsolete inventory of \$5.4 million. Of the total year end provision, \$2.4 million was charged to the income statement in the year. Inventory largely comprises parts, including rotable items, which are used to service aircraft. Following the implementation of a new inventory system in the UK Ground business in the year extensive manual work was required to value year end parts inventory. This resulted in material adjustments to inventory valuation in the current and prior period. The nature of the group's inventory is such that inventory can be held for very long periods without becoming obsolete. This reflects the fact the aircraft the parts are used on can have very long useful lives and in some instances parts may be required infrequently. Furthermore, rotable items, which can be owned by the group, can be used, refurbished and reused many times. The provision for obsolete inventory is calculated using a formula based on purchase history and the history of usage, with further specific provisions made if required. As a consequence of the nature of parts inventory there is significant judgement involved in estimating the basis for providing for obsolete inventory.	We performed detailed testing over Management's inventory valuation and reconciliation at the UK Ground business at year end. While this was a very manual process we found that there was limited judgement applied in determining the values applied to inventory line items. We have assessed the inventory policy by reference to our understanding of the nature of the business and inventory items and through enquiry with logistics and supply chain staff as well as the finance team. We have tested the application of the group's policy including testing the calculation of the provision and testing the purchase history and usage of inventory which is applied in the calculation of the provision. We have also evaluated other specific items of inventory for which additional inventory provisions have been recorded and made enquiries of logistics and supply chain staff to ensure that specific provisions are complete. Based on the audit procedures performed we found that the valuation of inventory was appropriate. We also read the disclosures in respect of provisions for inventory included in the critical accounting judgements and estimates in note 2 and found these to be appropriate.
Valuation of trade receivables (Group) The group has trade receivables at 31 December 2019 of \$32.1 million stated after impairment provisions of \$3.9 million. Of the total provision of \$3.9 million, an amount of \$2.4 million was charged to the income statement in the year. The evaluation of the recoverability of trade receivables, and therefore the level of impairment provision required, involves significant judgement. The material increase in the provision in the year largely relates to a small number of significant and aged balances where Management has reassessed the probability of recovery and concluded there is now greater risk over the ability of the group to recover the amounts.	We have performed detailed procedures over the recoverability of trade receivables balances at year end. This has included testing of subsequent cash receipts, testing of the ageing of receivables, making enquiries of Management over their assessment of recoverability for specific balances and, where applicable, reviewing legal correspondence and making enquiries of group legal counsel. Based on the audit procedures performed we found that the valuation of trade receivables was appropriate. We also read the disclosures in respect of impairment provisions for trade receivables included in the critical accounting judgements and estimates in note 2 and found these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Disclosure of related party transactions (Group and Parent Company) The Group has historically entered into a number of transactions with related parties which require disclosure in the financial statements over the nature of related party relationship, the transactions undertaken in the year and any balances due to and from related parties at the year end. In previous periods errors had been identified in the accuracy and completeness of disclosures over related party transactions, and there is therefore a heightened risk of similar errors or omissions in disclosures in the current year.	We obtained listings of related parties and tested the completeness of these listings by reference to previously disclosed related parties, and performed searches over directors to identify any further related parties. We tested related party transactions arising in the year to ensure that the nature of the related party relationships, the transactions in the year, and the balances due to and from related parties were accurately disclosed in the financial statements. We also evaluated controls over related party transactions including board review and approval of material transactions in the year. We performed detailed audit tests designed to identify any further related party transactions including searches over manual journal transactions and searches of customer and supplier ledgers. We obtained written representations from all directors to support the disclosure of related parties, related party transactions and balances with related parties at year end. We found that related party transactions were appropriately disclosed in note 36 of the group and note 1 of the parent company financial statements.
Prior year restatements (Group and Parent Company) The Group has identified a number of prior year errors in the 2018 Group and Parent Company financial statements that have been corrected in the 2019 financial statements. Further details surrounding the nature and magnitude of these errors is set out in note 2 of the Group financial statements and note 1 of the Parent Company financial statements. Management has: / Reassessed key areas of judgement and estimation in the application of accounting policies to ensure that these have been appropriately applied. / Reviewed the balance sheet as at 31 December 2018 and the income statement for the year then ended to assess whether balances and transactions were accurately recorded and fairly presented. / Reviewed the completeness of disclosures provided in the 2018 financial statements during the year and enhanced disclosures in some areas.	We have evaluated the group's and company's accounting policies to ensure that these comply with the requirements of IFRS as adopted by the EU for the group, and FRS 101 for the parent company. We have assessed and tested key areas of judgement and accounting estimates in the course of our work, and considered the judgements and estimates made in the previous period to evaluate whether there were any further prior period errors not identified by Management. We have reviewed the prior auditor working papers to evaluate the nature, timing and extent of audit procedures performed, and we have performed additional procedures over the opening balance sheet in areas where either management identified prior period errors, or other higher risk areas identified in the course of our audit work. We have performed detailed testing over the prior year restatements recorded in the financial statements. We have read and reviewed the financial statements to ensure that these include all required disclosures. We read the specific disclosures in notes 2 to the financial statements over prior year restatements to ensure these provided clear and sufficient guidance to enable the user of the financial statements to understand the nature and magnitude of the prior year restatements. Our work did not identify any further misstatements in respect of the prior year, and we found the disclosures over prior year restatements to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of COVID-19 (Group and Parent Company) The Directors have assessed the impact of COVID-19 on the financial statements and have concluded that COVID-19 represents a non-adjusting post balance sheet event in accordance with IAS 10 – 'Events After the Reporting Period'. This is on the basis that the full macroeconomic impact of the pandemic was not apparent until after the balance date, particularly in the Group's most significant markets in the UK and US. The assessment of whether or not COVID-19 is an adjusting or non-adjusting event involves management exercising judgement. COVID-19 has created significant economic uncertainty and this increases this risk over the Directors use of the Going concern basis of preparation. The Directors assessment of Going concern is supported by estimates over future trading performance and associated cash flows through to 31 December 2021, and COVID-19 has resulted in greater uncertainty in estimating future revenues, profits and cash flows. Further information is set out in notes 2 and 35.	We considered the Directors' assessment that the impact of COVID-19 is not an adjusting post balance sheet event by reference to the wider understanding of the impact of COVID-19 on economies in the Group's key markets at 31 December 2019, and based on our evaluation we found the directors assessment to be reasonable. We obtained the directors going concern assessment and, with the support of our own internal experts, performed the following procedures: / Tested the mathematical accuracy of the cash flow forecast model and other supporting documents; / Assessed the reasonableness of key assumptions supporting the cash flow forecasts including revenue and cost projections, working capital requirements, capital expenditure and other assumptions over Government support schemes in the Group's key territories; / Evaluated forecast revenues by reference to current and historical performance, sensitised to reflect further downside scenarios as a consequence of the potential future impact of COVID-19 on the Group's different markets; / Assessed the impact of financial obligations arising from existing contractual relationships to ensure that these were appropriate reflected in the cash flow forecasts; / Read and evaluated the Group's existing facility agreements to ensure that there were no conditions precedent that would result in the facilities being withdrawn within a period of at least 12 months from the approval of the financial statements. Based on the procedures performed we found that the directors use of the going concern basis in the preparation of the financial statements is reasonable. We read the disclosures made in the financial statements in respect of the impact of COVID-19 on the financial statements, and the specific disclosures in respect of Going concern in light of the heightened risk as a result of COVID-19 and found these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Impairment of investments (Parent Company) The parent company statement of financial position includes investments of £75.7 million in relation to the company's investments in subsidiary undertakings after a current year impairment of £46.7 million, and a further net amount of £38.8 million of receivables owed by Group companies (£44.3 million of receivables owed by Group companies net of £5.5 million payables due to Group companies of £5.5 million). Given the results of the Group have been below Management's expectations and the share price has fallen to a level where the market capitalisation is below the total investment carrying value, an impairment trigger was identified. The investment and net receivables owed by Group companies has been tested by reference to a recoverable amount which has been assessed using a value in use model on the basis that this indicates a higher recoverable amount than fair value less cost to sell. This is based on forecast future discounted cash flows which include judgements and estimates, including future growth rates and the discount rate applied to future cash flow forecasts. Management performed sensitivity analyses on certain key variables in the value in use calculation to understand the impact of changes in key assumptions. An impairment of £46.7 million was recorded against the parent company investment balance at 31 December 2019. No impairment was identified in respect of the net receivable balance owed by Group companies at 31 December 2019.	We considered management's assessment that value in use provided a higher recoverable amount than fair value less cost to sell and agreed with this basis. We performed audit procedures over the value in use calculations prepared by management. We used PwC valuation specialists to assess the methodology applied in the valuation model and the discount rate used. We benchmarked the discount rate to comparable companies and considered the underlying assumptions based on our knowledge of the Group and its industry. We evaluated management's forecasts by reference to historical performance and considered growth rates applied to future cash flows by reference to external market data. We also independently applied sensitivities to key assumptions used in management's value in use calculation. Based on our audit procedures performed we found that management's calculation of the value in use for investments and net receivables owed by Group companies supported their conclusion that an impairment of £46.7 million was required over the investment balance, and that no impairment was required over the net receivable balance owed by Group companies. We also assessed the disclosures in note 1 and 3 of the parent company financial statements around the impairment assessment, the associated sensitivity analyses, and management's disclosure of impairment assessments as a key accounting estimate and have found these to be appropriate.
Lawfulness of dividends (Parent company) During the year the company paid the final 2018 dividend to shareholders amounting to £1.3 million. The 2018 audited parent company financial statements showed that the company did not have sufficient distributable profits to support the dividend payment, and interim accounts were not prepared or filed with Companies House to demonstrate that the company had sufficient distributable reserves at the time the dividend was paid. The directors have taken legal advice regarding this issue and subsequently prepared unaudited interim accounts and filed these with Companies House to rectify the error. In preparing the unaudited interim accounts the Directors identified an error in the parent company financial statements for the year ended 31 December 2018. A reserve transfer should have been recorded between the profit and loss reserve and the merger reserve equivalent to the impairment of investments recorded by the parent company in 2018. This amounted to £21.1 million. After correcting for this error the parent company had sufficient distributable profits to support the dividend payment made in the year. Disclosure of the prior period restatement is included in note 2.	We have tested the prior period restatement to record a reserve transfer from the profit and loss reserve to the merger reserve, and used our structuring specialists to evaluate the accounting for the transaction, specifically that the impairment can be off-set against the merger reserve and that as a consequence the impairment does not give rise to a reduction in distributable profits. We have also obtained and read the advice received from the company's lawyers to confirm the process to rectify the fact that interim accounts were not previously filed, and that having filed these accounts the dividend is now considered lawful. We have read the disclosures in note 2 to ensure that the disclosure of the prior period restatement is appropriate. Based on our audit procedures performed we found that the prior year restatement was appropriately recorded, that the unaudited interim accounts were filed and that as a consequence the dividend paid in 2019 in respect of the 2018 final dividend was lawful.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall Group audit strategy and plan, we determine the type of work that needs to be performed at each component by the Group engagement team and by component auditors from other PwC network firms and other firms. For each component we determined whether we require an audit of their complete financial information ('full scope') or whether specified procedures addressing specific risk characteristics or particular financial statement line items would be sufficient.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent company financial statements**
Overall materiality	\$338,000 (2018: \$500,000).	£1,213,000 (2018: £249,000).
How we determined it	5% of Adjusted EBIT (including the impact of IFRS 16).	1% of total assets.
Rationale for benchmark applied	We have determined the primary performance measure used by the Board to monitor and measure the performance of the Group to be Adjusted EBIT. This is also the primary measure used to report business performance to the primary users of the financial statements.	We believe that total assets comprise the transactions of greatest interest to the shareholders in assessing the entity, and is a generally accepted auditing benchmark. Materiality has been restricted to \$75,000 in respect of balances included in the group consolidated financial statements.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$30,000 and \$250,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$10,000 (Group audit) (2018: \$25,000) and £60,000 (Parent company audit) (2018: £12,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

/ The directors' use of the going concern basis of accounting in the preparation of the 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 and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 43, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- 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
- Certain disclosures of directors' remuneration specified by law are not made; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matthew Hall
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

7 August 2020

/ CONSOLIDATED INCOME STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 Statutory result $'000	Year ended 31 December 2019 Adjusting items $'000	Year ended 31 December 2019 Adjusted result $'000	Year ended 31 December 2018 Restated* Statutory result $'000	Year ended 31 December 2018 Restated* Adjusting items $'000	Year ended 31 December 2018 Restated* Adjusted result $'000
Continuing operations:							
Revenue	4	**246,813**	**–**	**246,813**	234,859	–	234,859
Cost of sales		**(207,340)**	**–**	**(207,340)**	(190,391)	–	(190,391)
Gross profit	4	**39,473**	**–**	**39,473**	44,468	–	44,468
– Other administrative expenses		**(39,268)**	**9,033**	**(30,235)**	(45,706)	12,502	(33,204)
– impairment loss	6	**(540)**	**540**	**–**	(28,401)	28,401	–
– depreciation and amortisation	5	**(5,198)**	**984**	**(4,214)**	(5,067)	2,484	(2,583)
– impairment of financial assets	20	**(2,387)**	**2,010**	**(377)**	(834)	–	(834)
Total administrative expenses		**(47,393)**	**12,567**	**(34,826)**	(80,008)	43,387	(36,621)
Operating (loss)/profit		**(7,920)**	**12,567**	**4,647**	(35,540)	43,387	7,847
Share of results from equity accounted investments	18	**918**	**–**	**918**	566	–	566
Profit on step acquisition	13	**–**	**–**	**–**	986	(986)	–
Earnings before interest and taxation	4,5	**(7,002)**	**12,567**	**5,565**	(33,988)	42,401	8,413
Finance income	9	**695**	**–**	**695**	787	–	787
Finance expense	10	**(4,657)**	**–**	**(4,657)**	(954)	–	(954)
(Loss)/profit before tax from continuing operations		**(10,964)**	**12,567**	**1,603**	(34,155)	42,401	8,246
Taxation	11	**(495)**	**(577)**	**(1,072)**	(549)	(890)	(1,439)
(Loss)/profit after tax from continuing operations		**(11,459)**	**11,990**	**531**	(34,704)	41,511	6,807
Discontinued operations:							
Loss after tax for the year from discontinued operations	7	**–**	**–**	**–**	(767)	–	(767)
(Loss)/profit for the year		**(11,459)**	**11,990**	**531**	(35,471)	41,511	6,040
Attributable to:							
Owners of the Company		**(11,554)**	**11,990**	**436**	(35,485)	41,529	6,044
Non-controlling interests	26	**95**	**–**	**95**	14	(18)	(4)
Continuing EPS attributable to the equity holders of the parent							
basic	12	**(18.2c)**	**18.9c**	**0.7c**	(57.5c)	68.8c	11.3c
diluted	12	**(18.2c)**	**18.9c**	**0.7c**	(57.5c)	68.7c	11.2c
Total EPS attributable to the equity holders of the parent							
basic	12	**(18.2c)**	**18.9c**	**0.7c**	(58.8c)	68.8c	10.0c
diluted	12	**(18.2c)**	**18.9c**	**0.7c**	(58.8c)	68.8c	10.0c

* Restatements are detailed in Note 2 of the notes to the financial statements.

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
/ FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**Year ended 2019 $'000**	Year ended 2018 Restated* $'000
Loss for the year		**(11,459)**	(35,471)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(1,160)**	(7,258)
Share of other comprehensive income of associates	18	**36**	–
Other comprehensive loss		**(1,124)**	(7,258)
Total comprehensive loss for the year		**(12,583)**	(42,729)
Total comprehensive loss is attributable to:			
Owners of the Company		**(12,678)**	(42,743)
Non-controlling interest		**95**	14
		(12,583)	(42,729)

* Restatements are detailed in Note 2 of the notes to the financial statements.

/ CONSOLIDATED BALANCE SHEET
/ AS AT 31 DECEMBER 2019

	Note	2019 $'000	2018 Restated* $'000
Non-current assets			
Goodwill	14	**21,750**	20,114
Other intangible assets	15	**10,148**	8,355
Total intangible assets		**31,898**	28,469
Property, plant and equipment	16	**35,324**	22,248
Right-of-use assets	23	**52,315**	–
Investments accounted for using equity method	18	**15,112**	18,287
Trade and other receivables	20	**4,392**	–
Deferred tax asset	22	**2,252**	1,926
		141,293	70,930
Current assets			
Assets held for sale	18	**2,598**	–
Inventories	19	**7,271**	7,238
Trade and other receivables	20	**73,505**	58,833
Cash and cash equivalents		**8,463**	10,045
		91,837	76,116
Total assets		**233,130**	147,046
Current liabilities			
Trade and other payables	24	**(51,596)**	(48,596)
Obligations under leases	23	**(16,366)**	–
Provisions	30	**(521)**	–
Borrowings	21	**(45,615)**	(11,135)
Deferred revenue	33	**(2,867)**	(6,231)
		(116,965)	(65,962)
Total assets less current liabilities		**116,165**	81,084
Non-current liabilities			
Borrowings	21	**(627)**	(1,387)
Deferred revenue	33	**(4,553)**	–
Provisions	30	**(594)**	–
Obligations under leases	23	**(43,838)**	–
Deferred tax liabilities	22	**(819)**	(621)
		(50,431)	(2,008)
Total liabilities		**(167,396)**	(67,970)
Net assets		**65,734**	79,076
Shareholders' equity			
Share capital	25	**953**	953
Share premium	25	**63,473**	63,473
Other reserves	25	**34,798**	33,937
Foreign exchange reserve		**(29,179)**	(28,055)
Accumulated (loss)/profit		**(5,062)**	8,112
Total shareholders' equity		**64,983**	78,420
Non-controlling interest	26	**751**	656
Total equity		**65,734**	79,076

* Restatements are detailed in Note 2 of the notes to the financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 7 August 2020 and are signed on their behalf by:

Daniel Ruback
Director

/ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	Share premium $'000	Other reserves $'000	Foreign exchange reserve $'000	Accu-mulated profit/ (losses) $'000	**Total shareholders' equity $'000**	Non-controlling interest $'000	**Total equity $'000**
Balance at 31 December 2017 as reported	**684**	**–**	**61,699**	**(20,797)**	**16,734**	**58,320**	**1,524**	**59,844**
Restatement*	–	–	–	–	768	**768**	(882)	**(114)**
Balance at 1 January 2018 as restated	684	–	61,699	(20,797)	17,502	**59,088**	642	**59,730**
Loss for the year, as reported	–	–	–	–	(33,082)	**(33,082)**	14	**(33,068)**
Restatement*	–	–	–	–	(2,403)	**(2,403)**	–	**(2,403)**
Loss for the year, as restated	–	–	–	–	(35,485)	**(35,485)**	14	**(35,471)**
Other comprehensive loss, as reported	–	–	–	(7,218)	–	**(7,218)**	–	**(7,218)**
Restatement*	–	–	–	(40)	–	**(40)**	–	**(40)**
Other comprehensive loss as restated	–	–	–	(7,258)	–	**(7,258)**	–	**(7,258)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(7,258)**	**(35,485)**	**(42,743)**	**14**	**(42,729)**
Issuance of shares	269	63,473	–	–	–	**63,742**	–	**63,742**
Utilisation of merger reserve, restated*	–	–	(28,401)	–	28,401	**–**	–	**–**
Cost of share-based payments (restated)*	–	–	639	–	–	**639**	–	**639**
Dividend paid	–	–	–	–	(2,306)	**(2,306)**	–	**(2,306)**
Balance at 31 December 2018, as restated	**953**	**63,473**	**33,937**	**(28,055)**	**8,112**	**78,420**	**656**	**79,076**
Loss for the year	–	–	–	–	(11,554)	**(11,554)**	95	**(11,459)**
Other comprehensive income	–	–	–	(1,124)	–	**(1,124)**	–	**(1,124)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,124)**	**(11,554)**	**(12,678)**	**95**	**(12,583)**
Cost of share-based payments	–	–	861	–	–	**861**	–	**861**
Dividend paid	–	–	–	–	(1,620)	**(1,620)**	–	**(1,620)**
Balance at 31 December 2019	**953**	**63,473**	**34,798**	**(29,179)**	**(5,062)**	**64,983**	**751**	**65,734**

* Restatements are detailed in Note 2 of the notes to the financial statements.

/ CONSOLIDATED CASH FLOW STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 2019 Unaudited $'000	Year ended 2018 Restated* $'000
Net cash generated/(expended) by operating activities	27	**1,695**	(20,392)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(15,053)**	(5,425)
Purchases of intangibles		**(3,093)**	(3,171)
Proceeds on disposal of assets held for sale		**–**	1,500
Purchase of interest in associate		**–**	(16,000)
Acquisition of subsidiary, net of cash acquired		**(1,310)**	(2,590)
Net cash used in investing activities		**(19,456)**	(25,686)
Cash flows from financing activities			
Issue of shares (net of share issue costs)		**–**	63,742
Consideration for acquisition of non-controlling interest		**–**	–
Lease payments	23	**(14,062)**	(611)
Interest received		**2**	-
Interest paid		**(901)**	(954)
Proceeds from borrowings	28	**65,563**	10,304
Repayment of borrowings	28	**(32,915)**	(35,680)
Dividend paid to equity holders of the parent	38	**(1,620)**	(2,306)
Net cash from financing activities		**16,067**	34,495
Net decrease in cash and cash equivalents		**(1,694)**	(11,583)
Cash and cash equivalents at the beginning of year		**10,045**	22,349
Effect of foreign exchange rates		**112**	(721)
Cash and cash equivalents at the end of year		**8,463**	10,045

Cash and cash equivalents	2019 $'000	2018 $'000
Cash and bank balances	**8,463**	10,045

* Restatements are detailed in Note 2 of the notes to the financial statements.

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 a public company limited by shares, incorporated in the United Kingdom. The address of the registered office has changed from "Business Aviation Centre, Farnborough Airport, Hampshire, GU14 6XA" to "1st Floor, 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE" in the first half of 2020. The nature of the Group's operations and its principal activities are set out in the directors' report.

Basis of preparation

The financial statements include the results of the Company and its subsidiaries (together referred to as the 'Group'). The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and with the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention. The same accounting policies, presentation and methods of computation are followed in the financial statements as were applied in the Group's 2018 annual audited financial statements, with the exception of any changes arising from new IFRS standards and amendments and IFRS IC interpretations as adopted by the European Union effective from 1 January 2019 and related presentational changes, and the change in accounting policy to present foreign exchange gains and losses on borrowings within finance income/expense. The comparative amounts for the year ended 31 December 2018 have been restated for a number of items which are discussed in more detail in note 2 below.

2. Accounting policies

Restatements

The financial statements for 2018 have been restated for several items. The impact of restatements on the loss for the year and net assets is tabulated below:

	Reference	Adjusted EBIT	(Loss)/profit for the year Statutory $'000	Net assets $'000
As reported		11,327	(33,068)	81,664
Consolidation of GISA	i	(1,511)	(1,511)	(1,625)
Accruals for administrative expenses	iii	(274)	(274)	(284)
Recognition employee benefit trust receivable	iii	(349)	(349)	(360)
Measurement of share-based payments	iii	–	32	–
Revision to goodwill impairment following recognition of deferred tax on acquired intangibles	vii	–	(693)	(693)
Inventory recognition and measurement	ii	(580)	(580)	(598)
Foreign exchange gains on borrowings reclassified to finance income	vi	(201)	–	–
Exchange differences on translation of foreign operations in other comprehensive income		–	–	(47)
Other		1	–	47
Deferred tax		–	972	972
As restated		**8,413**	**(35,471)**	**79,076**

Further details on the restatements are as follows:

i. As communicated in the interim results for the six months to 30 June 2019, the results of Gama International Saudi Arabia ('GISA'), following the correction of an accounting assessment under IFRS 10, have been consolidated. There has been no change to the legal status or ownership of that entity. The impact on the income statement is a charge of $1,511k, comprised of $27k on cost of sales, $1,506k on administrative expenses and partially offset by $22k credit on revenue. The impact on the balance sheet comprises, $1,568k reduction in trade and other receivables, $83k reduction in trade and other creditors, $25k increase in cash and $114k reduction in opening retained earnings. In addition, headcount has been restated for the four employees in GISA and staff costs of $662k.
ii. Errors in inventory recognition and measurement resulting in a charge of $580k to cost of sales and an equivalent reduction in inventory.
iii. Errors in the parent company and consolidated financial statements on accruing for administrative expenses, resulting in a charge to administrative expenses of $274k and an equivalent increase in accruals. In addition there was a $349k write-off of a receivable from an employee benefit trust, partially offset by a $32k credit on the share based payment charge shown in exceptionals.
iv. Following a review of mapping to financial statement line items in the current year and prior year, balance sheet reclassifications on accrued income ($2,852k increase), inventory ($2,852k decrease), accounts payable ($1,896k decrease), deferred revenue ($1,896k increase), assets under the course of construction ($1,815k increase), leasehold properties ($1,815k decrease), finance lease liability ($3,056k decrease) and borrowings ($3,056k increase) have been reflected.
v. The $28,401k impairment of goodwill and intangibles in the prior year has been reclassified against the merger reserve rather than retained earnings. This restatement is consistent with the equivalent restatement made in the parent company. In addition, Loan arrangement fees of $384k have been capitalised against borrowings and reclassified out of prepayments.
vi. Change in accounting policy to reflect foreign currency fluctuations on borrowings out of administrative expenses and into finance income, resulting in a $201k charge to administrative expenses and equivalent increase in finance income.
vii. A restatement on step acquisition of the remaining 50% in Gama Aviation Hutchison Holdings Ltd (GAHH) has been made to reflect deferred tax liabilities of $693k on the acquired intangibles at acquisition date, which results in an equivalent increase in Goodwill. As previously reported, the goodwill of $2,063k was impaired at 31 December 2018. As a result, the impairment charge has been increased on recognition of acquired deferred tax liabilities of $693k.
viii. The opening balance of the non-controlling interest in Note 26 and the Statement of Changes in Equity has been restated by $882k, with an equivalent adjustment to retained earnings. This arises following a recalculation of the sole non-controlling interest's share of net assets at that point in time.
ix. Tax disclosure errors have been restated in note 11, for a reclassification between expenses not deductible, utilisation of tax losses and effect of tax rates in different jurisdictions. In addition, in Note 22 Deferred tax, a reclassification of $1,364k has been made between fixed asset temporary differences and tax losses.
x. Asia Ground and Asia Air have been restated for an incorrect allocation of revenues and costs between these divisions in the second half of 2018. The impact of the restatement on profit or loss for Asia Ground is as follows; $586k increase in revenue, $583k increase in gross profit and $61k increase in EBIT in the second half of 2018. There is an equal and opposite impact on Asia Air.
xi. In Note 27, unrealised foreign exchange movements have been restated and moved into cash flows from working capital movements. Within working capital movements, the change in inventory obsolescence and loss allowance for receivables have been presented separately from the movement in gross inventories and gross receivables respectively. In addition, interest paid of $954k has been restated from operating cash flows to financing cash flows. This is a change in accounting policy to be consistent with the treatment of interest on lease obligations in 2019.
xii A full 2017 balance sheet is not practicable to present for restatements (i), (iv) and (v). As a result these items have not been restated for any period earlier than 1 January 2018.

Adoption of new and revised standards
New and amended standards adopted by the Group.
The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

/ IFRS 16 Leases.
/ Interpretation 23 Uncertainty over Income Tax Treatments.
/ Prepayment Features with Negative Compensation – Amendments to IFRS 9.
/ Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28.
/ Annual Improvements to IFRS Standards 2015 – 2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.
/ Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

The group also elected to adopt the following amendments early:

/ Definition of Material – Amendments to IAS 1 and IAS 8.

Other than IFRS 16, which is described in further detail in note 23, the amendments listed above did not have any impact on the amounts recognised in the current or prior periods, nor are expected to significantly affect future periods.

IFRS 16 'Leases'
The Group initially applied IFRS 16 Leases from 1 January 2019. The Group applied IFRS 16 using the modified retrospective approach, where the right-of-use asset equals the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

2. Accounting policies (continued)

A. Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. The practical expedient not to reassess whether contracts contain a lease has been used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices . However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

B. As a lessee

As a lessee, the Group leases many assets including aircraft, hangars, property, cars and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

i. Leases classified as operating leases under IAS 17

Previously, the Group classified leases as operating leases under IAS 17. For the comparative, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

On transition to IFRS 16, for these leases, lease liabilities were measured at the present value of the remaining lease payments, and discounted at the respective incremental borrowing rates as at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. Subsequent to transition the right-of-use asset associated with the Fairoaks lease was impaired, see note 23.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

ii. Leases classified as finance leases under IAS 17

The 2018 balance sheet included finance leases with a carrying value of $3m which has been reclassified to borrowings as the Group has deemed the nature of these financing arrangements to be synonymous with loan financing. See note 21.

At 31 December 2018 the value of leases classified as finance leases under IAS 17 is nil.

The Group depreciates right-of-use assets over the life of the lease.

C. As a lessor
The Group leases out property included within its right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in leasehold property and depreciated over the life of the lease. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

D. Impact on transition
The impact on transition is set out in note 23.

Standards and Interpretations in issue but not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Use of Alternative performance measures (APMs)
The performance of the Group is assessed and discussed on an 'adjusted' basis, using a variety of APMs, including Adjusted Earnings before interest and tax (EBIT), Organic Revenue Growth and Net Debt. The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding 'adjusting items'.

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 either not closely related to the Group's operating cash flows or non-recurring in nature. These and other APMs 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. Where applicable, divisional measures are calculated in accordance with Group measures.

APMs have been defined and reconciled to the nearest IFRS measure in note 6 and below, along with the rationale behind using the measures.

Adjusting items
The Group's Income Statement and segmental analysis separately identify trading results before Adjusting items. The directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance, as adjusting items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. In determining whether an event or transaction is treated as an Adjusting item, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

The income statement items that are excluded from the Statutory results are referred to as Adjusting items. Adjusting items include exceptional items, amortisation of acquired intangibles, share-based payment charges and tax related to adjusting items. These items are defined and explained in more detail as follows:

Exceptional items
Exceptional items are recorded in accordance with the policy set out below:

- **Transaction costs** – arising on acquisitions, disposals, and debt refinancing.
- **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 costs (which may be incurred in more than one accounting period) are treated as exceptional if they relate to specific commercial legal events that are not in the normal course of trading activity in respect of one-off or related series of cases and are not expected to follow a consistent level of expense from one accounting period to the next.
- **Impairment losses** – arising from significant non-recurring impairment reviews.
- **Other items** – other significant non-recurring items.

2. Accounting policies (continued)

Amortisation of acquired intangible assets

Exclusion of amortisation of acquired intangibles accounted for under IFRS 3 from the Group's results assists with the comparability of the Group's profitability with peer companies. In addition, charges for amortisation of acquired intangibles arise from the purchase consideration of a number of separate acquisitions. These acquisitions are portfolio investment decisions that took place at different times over several years, and so the associated amortisation does not reflect current operational performance.

Share-based payments

The Group treats share-based payments as an adjusted item because share-based payments are a significant non-cash charge driven by a valuation model that references Gama's share price and so is subject to volatility rather than referencing operational activity.

Tax related to adjusted items

The elements of the overall Group tax charge relating to the above Adjusting items are also treated as Adjusting. These elements of the tax charge are calculated with reference to the specific tax treatment of each individual Adjusting item, taking into account its tax deductibility, the tax jurisdiction concerned, and any previously recognised tax assets or liabilities.

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.

The emergence of COVID-19 during 2020 has increased uncertainty surrounding the future trading environment for the Group, and performance in FY20 to date has been adversely impacted compared to the Directors original expectations of performance. To support their assessment of Going Concern the directors have performed a detailed analysis of cash flow projections for the Group as a whole covering the period through to 31 December 2021, taking account of the $50.0m committed revolving credit facility (of which c$29m is currently undrawn) and a $20.0m term loan which was agreed and drawn in full since the year end. These facilities have no substantive covenants and fall due for repayment after 31 December 2021. The key assumption in these projections relates to revenue performance and the directors have included what they consider to be a cautious recovery in revenue performance from the second half of FY20. Downside sensitivities have also been assessed, which reflect no further recovery in revenues and a continuation of the trading performance in Q2 FY20, which was the period most impacted by COVID-19. In both Management's base case forecasts and downside scenarios the group maintains significant headroom against its cash and available facilities.

Accordingly, 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 is measured at fair value, which is 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 and the equity issued by the Group. 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. 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.

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Goodwill
Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. 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, 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 improvements	Life of lease.
/ Right-of-use assets	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.

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.

2. Accounting policies (continued)

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.

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.

Inventories include Rotable stock. Rotable stock are inventory items that can be repeatedly and economically restored to their fully serviced condition, in which an already-repaired equipment is exchanged for defective equipment, which in turn is repaired and kept for future exchange. These items have extensive life expectancy through repetitive overhaul process.

The Rotable parts could either be recognised as property, plant and equipment ("PPE") or inventory. Following specialist advice and consistent with industry practice, the Group policy recognises Rotables as inventory. In addition, the cost of any refurbishment of Rotables is recognised in inventory.

The Group policy on recognising inventory at the lower of cost and net realisable value does this by providing for Rotables on a sliding scale over the preceding four years. As a result, inventory older than four years is written off in full. A nuance to the provisioning policy is however made for the "non-core" which represents the exchange value of the part in the market. On the basis that there is an exchange value and market, the provision is only made for the "core" component.

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 an expected credit loss allowance, 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

It is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group 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 impairment model applies to the Group's financial assets that are debt instruments measured at amortised costs as well as the Group's 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, and contracts assets as required or permitted by IFRS 9.

Expected credit losses are calculated with reference to average loss rates actually 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% loss allowance 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.
- 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.

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 under IFRS 8.

Supplier volume rebates
The Group has supplier contracts for the provision of certain services, which attract volume rebates, the credit for which is recognised centrally. The anticipated rebate receivable is accrued throughout the year based on the agreement terms.

Revenue recognition
Revenue is measured based on the performance obligations and 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 or when it meets the performance obligations specified or implied in the contract.

Sale of business aviation services revenue from the following major sources:

- Managed aircraft contracts and specific air services.
- Maintenance of aircraft.
- Design and modification projects.
- Fixed base operations ('FBO').

2. Accounting policies (continued)

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 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 and revenue is recognised based on the above performance obligations 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 principal in the context of its managed aircraft contracts and has concluded that it is the principal 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 of services are provided on a fee or contract basis.

Maintenance revenue is recognised over time in line with the performance of the related maintenance work 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 in line with the performance of the related design and modification work 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 contract 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.

Fixed Base Operation
The Group also provides fixed base operation activities in Jersey, Scotland and Middle East through the Ground Division. This includes hangar parking and apron parking space to customers. Revenue is recognized as the service is provided over time.

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.

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 to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

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 as set out in the policy on page 63. 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.

Control over Gama International Saudi Arabia ("GISA")
Management previously judged that at 31 December 2018 the Group did not control GISA, which management believe operates on an arm's length basis. As communicated in the interim results for the six months to 30 June 2019, the results of GISA, following the correction of an accounting assessment under IFRS 10, have been consolidated. There has been no change to the legal status or ownership of that entity. Related party transactions with GISA are disclosed in note 36 to the accounts.

IFRS 16 leases
Management exercised judgement in the choice of transition method. The modified retrospective approach was adopted, where the right-of-use asset equals the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. In addition, there is judgement in the determination of the lease term.

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 materially different outcome to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment review
The goodwill, intangibles, investment in associates and assets under construction 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, 15, 16 and 18.

Loss allowances on financial assets
The loss allowance 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 loss allowance 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.

Valuation of inventories
Management exercise judgment in measuring inventory at the lower of cost and net realisable values. The estimate of the net realisable value represents management's best estimate and it may vary from the actual realisation, notwithstanding the regular review and monitoring.

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. Some contracts enable customer to conduct a retrospective review of costs incurred which could result in revision to the estimates made at this point in time.

4. Segment information
The Group has eleven reportable segments (Air Division – four regional businesses; Ground Division – four regional businesses; Global Services Division – also comprising 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. Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 for separate reporting or are considered by the Board to be appropriately aggregated into reportable segments under IFRS 8.

The Chief Operating Decision maker reviews the results on a pre-IFRS 16 basis. The tables below reconcile the pre-IFRS 16 results to the equivalent statutory result, with the exception of gross profit. The total difference between statutory gross profit and pre-IFRS 16 gross profit is $191k and shown in Note 23.

Air Divisional Performance
$'000s
Adjusted EBIT

	US		Europe		Middle East		Asia		Total	
	2019	2018	**2019**	2018	**2019**	2018*	**2019**	2018*	**2019**	2018*
Revenue	**4,050**	4,921	**99,145**	88,804	**16,778**	20,966	**20,650**	20,674	**140,623**	135,365
Gross Profit	**4,050**	4,997	**6,050**	7,527	**1,519**	2,223	**1,218**	1,191	**12,837**	15,938
GP %	**100%**	102%	**6%**	8%	**9%**	11%	**6%**	6%	**9%**	12%
EBIT	**3,898**	4,892	**622**	186	**(571)**	(1,361)	**123**	328	**4,072**	4,045
EBIT %	**96%**	99%	**1%**	0%	**(3%)**	(6%)	**1%**	2%	**3%**	3%

Adjustments to EBIT

	US		Europe		Middle East		Asia		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018*
Exceptional items	**(250)**	(3,600)	**(2,072)**	(846)	**134**	(27)	**(16)**	(57)	**(2,204)**	(4,530)
Amortisation	**–**	–	**–**	(334)	**–**	–	**–**	–	**–**	(334)
Impairment charges	**–**	–	**–**	(24,915)	**–**	–	**–**	(3,486)	**–**	(28,401)
Profit on step acquisition	**–**	–	**–**	–	**–**	–	**–**	986	**–**	986
Application of IFRS 16	**–**	–	**396**	–		–	**14**	–	**410**	–
Total adjustments	**(250)**	(3,600)	**(1,676)**	(26,095)	**134**	(27)	**(2)**	(2,557)	**(1,794)**	(32,279)
Discontinued operations**	**–**	–	**–**	(807)	**–**	–	**–**	–	**–**	(807)

* Restatements are detailed in note 2 of the notes to the financial statements.

** 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 EBIT

	US		Europe		Middle East		Asia		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018*
EBIT	**3,648**	1,292	**(1,054)**	(25,909)	**(437)**	(1,388)	**121**	(2,229)	**2,278**	(28,234)
EBIT %	**90%**	26%	**(1%)**	(29%)	**(3%)**	(7%)	**1%**	(11%)	**2%**	(21%)

4. Segment information (continued)
Ground Divisional Performance
$'000s
Adjusted EBIT

	US		Europe		Middle East		Asia		Total	
	2019	2018	**2019**	2018*	**2019**	2018	**2019**	2018*	**2019**	2018*
Revenue	**48,943**	37,517	**48,176**	52,301	**4,372**	4,636	**1,476**	1,091	**102,967**	95,545
Gross Profit	**6,360**	8,101	**15,605**	15,720	**1,453**	1,374	**632**	673	**24,050**	25,868
GP %	**13%**	22%	**32%**	30%	**33%**	30%	**43%**	62%	**23%**	27%
EBIT	**(268)**	1,887	**6,247**	6,146	**(466)**	(342)	**(551)**	(118)	**4,962**	7,573
EBIT %	**(1%)**	5%	**13%**	12%	**(11%)**	(7%)	**(37%)**	(11%)	**5%**	8%

* Restatements are detailed in note 2 of the notes to the financial statements.

Adjustments to EBIT

	US		Europe		Middle East		Asia		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Exceptional items	**(657)**	(6)	**(4,891)**	(2,630)	**–**	2	**(26)**	–	**(5,574)**	(2,634)
Amortisation	**–**	(633)	**–**	(113)	**–**	(273)	**–**	(350)	**–**	(1,369)
Impairment charges	**(540)**	–	**–**	–	**–**	–	**–**	–	**(540)**	–
Application of IFRS 16	**538**	–	**1,169**	–	**193**	–	**–**	–	**1,900**	–
Total adjustments	**(659)**	(639)	**(3,722)**	(2,743)	**193**	(271)	**(26)**	(350)	**(4,214)**	(4,003)

Statutory EBIT

	US		Europe		Middle East		Asia		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018*
EBIT	**(927)**	1,248	**2,525**	3,403	**(273)**	(613)	**(577)**	(468)	**748**	3,570
EBIT %	**(2%)**	3%	**5%**	7%	**(6%)**	(13%)	**(39%)**	(43%)	**1%**	4%

Global Services Divisional Performance
$'000s
Adjusted EBIT

	Total	
	2019	2018
Revenue	**3,223**	3,949
Gross Profit	**2,395**	2,662
GP %	**74%**	67%
EBIT	**689**	1,253
EBIT %	**21%**	32%

Adjustments to EBIT

	Total 2019	Total 2018
Exceptional items	**(45)**	(121)
Amortisation	**(316)**	–
Application of IFRS 16	**(3)**	–
Total adjustments	**(364)**	(121)

Statutory EBIT

	Total 2019	Total 2018
EBIT	**325**	1,132
EBIT %	**10%**	29%

Group Operational Performance
Reconciliation of divisional to overall Group performance:

	2019				2018		
	Revenue	**Statutory EBIT Post-IFRS 16**	**Adjusted EBIT Post-IFRS 16**	**Adjusted EBIT Pre-IFRS 16**	Revenue	Statutory EBIT Pre-IFRS 16 Restated*	Adjusted EBIT Pre-IFRS 16 Restated*
US Air	**4,050**	**3,648**	**3,898**	**3,898**	4,921	1,292	4,892
Europe Air	**99,145**	**(1,054)**	**1,018**	**622**	88,804	(25,909)	186
Middle East Air	**16,778**	**(437)**	**(571)**	**(571)**	20,966	(1,388)	(1,361)
Asia Air	**20,650**	**121**	**137**	**123**	20,674	(2,229)	328
Air Division	**140,623**	**2,278**	**4,482**	**4,072**	135,365	(28,234)	4,045
US Ground	**48,943**	**(927)**	**271**	**(268)**	37,517	1,248	1,887
Europe Ground	**48,176**	**2,525**	**7,416**	**6,247**	52,301	3,403	6,146
Middle East Ground	**4,372**	**(273)**	**(274)**	**(466)**	4,636	(613)	(342)
Asia Ground	**1,476**	**(577)**	**(551)**	**(551)**	1,091	(468)	(118)
Ground Division	**102,967**	**748**	**6,862**	**4,962**	95,545	3,570	7,573
Global Services Division	**3,223**	**325**	**686**	**689**	3,949	1,132	1,253
Associates (note 18)	**–**	**918**	**918**	**918**	–	566	566
Central Costs	**–**	**(11,271)**	**(7,383)**	**(7,377)**	–	(11,022)	(5,024)
Adjusted result	**246,813**	**(7,002)**	**5,565**	**3,264**	234,859	(33,988)	8,413
Adjusting items to Statutory result:							
Adjusting items (note 6)	**–**	**–**	**(12,567)**	**(12,567)**	**–**	–	(42,401)
Application of IFRS 16 (note 23)	**–**	**–**	**–**	**2,301**	**–**	–	–
Statutory result	**246,813**	**(7,002)**	**(7,002)**	**(7,002)**	234,859	(33,988)	(33,988)

* Restatements are detailed in note 2 of the notes to the financial statements.

4. Segment information (continued)

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

	2019		2018 Restated*	
	Assets	**Liabilities**	Assets	Liabilities
US Air	**4,172**	**(125)**	8,051	(1,322)
US Ground	**27,423**	**(15,342)**	13,170	(3,163)
Europe Air	**59,812**	**(36,786)**	25,461	(25,681)
Europe Ground	**56,169**	**(38,977)**	31,730	(15,543)
Middle East Air	**5,518**	**(5,650)**	4,734	(4,828)
Middle East Ground	**12,922**	**(9,658)**	3,068	(1,649)
Asia Air	**10,951**	**(8,184)**	10,903	(8,785)
Asia Ground	**1,080**	**(94)**	–	–
Global Services	**10,349**	**(924)**	8,307	(4,720)
Associates	**17,710**	**–**	18,287	–
Central Costs	**27,024**	**(51,656)**	23,335	(2,279)
Total	**233,130**	**(167,396)**	147,046	(67,970)

* Restatements are detailed in note 2 of the notes to the financial statements.

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

	Year ended 2019 $'000	Year ended 2018 $'000
Continuing operations		
Sale of business aviation services	**242,763**	231,109
Branding fees	**4,050**	3,750
Totals	**246,813**	234,859

No single customer represents more than 10% of the Group's total revenue (2018: 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

	2019 Post-IFRS 16 $'000	**2019 Pre-IFRS 16 $'000**	2018 Pre-IFRS 16 $'000
Non-current assets			
US	**13,540**	**3,898**	3,869
Europe	**61,687**	**26,603**	15,893
Asia	**482**	**248**	301
Middle East	**11,825**	**4,486**	2,089
Group	**105**	**89**	96
	87,639	**35,324**	22,248

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

5. EBIT for the year

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

	Year ended 2019 $'000	Year ended 2018 Restated* $'000
Net foreign exchange loss/ (gain) on trading monetary items	**188**	(380)
Loss on disposal of property, plant and equipment	**82**	–
Depreciation of property, plant and equipment (see note 16)	**3,019**	2,544
Depreciation of right-of-use assets in administrative expenses (see note 23)	**754**	–
Depreciation of right-of-use assets in cost of sales (see note 23)	**15,152**	–
Amortisation of intangibles (see note 15)	**1,425**	2,484
Impairment of goodwill and acquired intangibles (see note 14 and 15)	**540**	28,401
Impairment of right-of-use assets (see note 23)	**2,341**	–
Cost of inventories recognised as an expense including changes in inventory obsolescence (see note 19)	**30,706**	20,380
Change in provision for inventory obsolescence	**2,364**	(1,107)
Staff costs (see note 8)	**70,982**	62,350
Impairment losses recognised on trade receivables (see note 20)	**2,387**	965
Reversal of impairment losses recognised on trade receivables (see note 20)	**–**	(131)
Auditors' remuneration:		
Audit of the company's annual accounts	**278**	130
Audit of the accounts of subsidiaries	**610**	527
Tax advisory services	**–**	96
Other deal support services	**77**	15

* Restatements are detailed in note 2 of the notes to the financial statements.

6. Adjusted performance measures

The Adjusted result has been arrived at after the following Adjusting items:

	Year ended 2019 $'000	Year ended 2018 Restated* $'000
Exceptional items:		
– Transaction costs	**88**	3,581
– Integration and business re-organisation costs	**5,246**	2,364
– Legal costs	**2,212**	2,318
– Other items	**2,636**	3,600
Total exceptional items	**10,182**	11,863
Share-based payments expense (note 31)	**861**	639
Amortisation of acquired intangible assets (note 15)	**984**	2,484
Impairment of goodwill and acquired intangibles, as reported	**540**	27,708
Impairment of goodwill and acquired intangibles, restatement (note 13)	**–**	693
Adjusting items in Operating profit	**12,567**	43,387
Profit on step acquisition	**–**	(986)
Adjusting items in EBIT	**12,567**	42,401
Tax related to Adjusting items	**(577)**	(890)
Adjusting items in profit	**11,990**	41,511

* Restatements are detailed in note 2 of the notes to the financial statements. A tax credit of $890k related to Adjusting items has been presented separately. This was not presented separately in 2018.

6. Adjusted performance measures (continued)
Transaction costs
Transaction costs in the prior year relate to the acquisitions of both the remaining 50% of GAHH and the investment in CASL.

Integration and business re-organisation costs
Integration and business re-organisation costs include:

/ Fairoaks direct closure costs of $1,012k (note 30);
/ Fairoaks impairment of the right-of-use asset associated with the lease of $2,341k (note 23);
/ Accounting support, compliance and control reviews and other group re-organisation costs $960k; and
/ $933k of non-recurring expenditure related to property and facility re-organisation at Bournemouth, Farnborough and Florida.

Legal costs
Legal cost in the current and prior year principally relate to professional fees in relation to ongoing litigation in respect of legacy cases going back many years.

Other items
In the current year other items comprise a $2,010k impairment allowance on trade receivables under legal proceedings and a $626k impairment of inventories, both of which relate to legacy matters.In the prior year, other items represented a $3,600k contribution to associate. Consistent with the nature and intent of the working capital true-up provisions of the original Contribution Agreement, $3,600k was expensed rather than treated as an increase in the Group's investment in Gama Aviation LLC, which is shown in Note 18. Refer to Note 35 for further details on the disposal of the investment in Gama Aviation LLC after the 31 December 2019 balance sheet date.

Impairment of goodwill and acquired intangibles
The impairment charge of $540k in the current year (2018: $28,401k) resulted from the Group's annual IAS 36 impairment review. Intangible assets recognised on acquisition of the Florida Paint-Shop in the year of $540k, have been allocated to the US Ground CGU, and subsequently impaired. In the prior year the $28,401k impairment comprises $21,073k charged against goodwill and the remaining $7,328k against acquired intangibles. As a result of the impairment charge, goodwill of $18,317k allocated to the Europe Air cash generating unit ("CGU") grouping was 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. In addition, goodwill of $2,756k in Gama Aviation Hutchison Holdings Ltd (GAHH) in the Asia Air CGU was reduced to nil. The impairment of acquired customer relationship intangibles in the prior year includes an impairment of $2,793k on Gama Aviation Hutchison Holdings Ltd (GAHH) in the Asia Air CGU and $4,535k in Europe Air CGU.

Organic revenue growth
Organic revenue growth is a measure which seeks to reflect the performance of the Group that will contribute to long-term sustainable growth. As such, organic revenue growth excludes the impact of acquisitions or disposals, and foreign exchange movements. We focus on the trends in organic revenue growth.

A reconciliation from the growth in reported revenue, the most directly comparable IFRS measures, to the organic revenue growth is set out below.

	2019				2018		
	Revenue	**Rebase for acquisitions**	**Organic revenue**	**% Organic growth**	Revenue, as restated	Rebase for FX	Rebased comparative revenue
US Air	**4,050**	**–**	**4,050**	**(17.7%)**	4,921	–	4,921
Europe Air	**99,145**	**–**	**99,145**	**17.3%**	88,804	(4,270)	84,534
Middle East Air	**16,778**	**–**	**16,778**	**(20.0%)**	20,966	–	20,966
Asia Air*	**20,650**	**–**	**20,650**	**(0.1%)**	20,674	–	20,674
Air	**140,623**	**–**	**140,623**	**7.3%**	135,365	(4,270)	131,095
US Ground	**48,943**	**(2,307)**	**46,636**	**24.3%**	37,517	–	37,517
Europe Ground	**48,176**	**–**	**48,176**	**(3.2%)**	52,301	(2,515)	49,786
Middle East Ground	**4,372**	**–**	**4,372**	**(5.7%)**	4,636	–	4,636
Asia Ground	**1,476**	**–**	**1,476**	**35.3%**	1,091	–	1,091
Ground	**102,967**	**(2,307)**	**100,660**	**8.2%**	95,545	(2,515)	93,030
Global Services	**3,223**	**–**	**3,223**	**(14.3%)**	3,949	(190)	3,759
Total	**246,813**	**(2,307)**	**244,506**	**7.3%**	234,859	(6,975)	227,884

* On 2 March 2018, the Group increased its shareholding in Gama Aviation Hutchison Holdings Ltd and consolidated this entity. A rebasement has not been made for the two months prior to acquisition.

Constant currency calculations
Constant currency calculations are used for year on year comparability and shown below:

	2019	% Growth	2018 As restated	2018 Rebase for FX	2018 Rebased
Revenue	**246,813**	**8.3%**	234,859	(6,975)	227,884
Gross Profit	**39,282**	**(9.1%)**	44,468	(1,246)	43,222
Gross Profit %	**15.9%**	**–**	18.9%	–	19.0%
Adjusted EBIT	**3,264**	**(60.6%)**	8,413	(123)	8,290

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. At the beginning of 2018 the Group announced the closure of its Swiss operation, Gama Aviation SA and treated this as a discontinued operation.

The results of these discontinued operations are presented below:

Discontinued operations	Year ended 2019 $'000	Year ended 2018 $'000
Revenue	**–**	538
Expenses	**–**	(1,345)
Operating loss	**–**	(807)
Net finance income	**–**	40
Loss before and after tax from discontinued operations	**–**	(767)
Earnings per share		
Basic – cents	**–**	(1.27c)
Diluted – cents	**–**	(1.27c)
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
Investing activities	**–**	(1,500)
Net cash outflow	**–**	16

Net cash from investing activities in both 2018 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 2019 Number	Year ended 2018 Restated* Number
Operations and administration	**411**	362
Pilots and cabin crew	**115**	111
Aircraft engineering	**254**	226
	780	699

* Restatements are detailed in Note 2.

8. Staff costs (continued)

Their aggregate remuneration comprised:

	Year ended 2019 $'000	Year ended 2018 Restated* $'000
Wages and salaries	60,878	53,022
Social security costs	7,796	7,555
Share-based payments (Note 31)	861	639
Other pension costs (Note 32)	1,447	1,134
	70,982	62,350

Details of directors' remuneration are given in the Remuneration Report. The share option costs relating to these directors amounted to $208k (2018: $118k).

9. Finance income

	Year ended 2019 $'000	Year ended 2018 Restated* $'000
Foreign currency translation on intercompany balances	–	581
Foreign currency translation on borrowings	693	201
Interest income on bank deposits	2	5
Total finance income	695	787

* Restatements are detailed in Note 2 of the notes to the financial statements.

10. Finance expense

	Year ended 2019 $'000	Year ended 2018 Restated* $'000
Foreign currency translation on intercompany balances	136	–
Interest on bank overdrafts and loans before capitalised interest	965	954
Capitalised interest (see note 16)	(122)	–
Discounting on onerous provision (see note 30)	35	–
Interest on lease liabilities (note 23)	3,061	–
Write off existing loan arrangement fees (note 21)	398	–
Amortisation of loan arrangement fees	172	–
Other similar charges payable	12	–
Total finance costs	4,657	954

* Restated for presentation of $170k of interest on obligations under finance leases which follows the restatement of finance leases described in Note 2 of the notes to the financial statements.

Amortisation of loan arrangement fees includes $161k in relation to previous facility and $11k in relation to the current facility.

11. Taxation

	Year ended 2019 $'000			Year ended 2018 Restated* $'000		
	Statutory result	**Adjusting items**	**Adjusted result**	Statutory result	Adjusting items	Adjusted result
Corporation tax:						
Current year charge	**729**	**–**	**729**	1,411	–	1,411
Deferred tax charge (note 22)	**(234)**	**577**	**343**	(862)	890	28
Current year charge	**(30)**	**577**	**547**	110	890	1,000
Adjustment in respect of prior years	**(204)**	**–**	**(204)**	(972)	–	(972)
Total tax charge for the year	**495**	**577**	**1,072**	549	890	1,439

* Restatements are detailed in Note 2 of the notes to the financial statements which relate to adjustment in respect of prior years for 2018 in the table above.

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 2019 $'000			Year ended 2018 Restated* $'000		
	Statutory result	**Adjusting items**	**Adjusted result**	Statutory result	Adjusting items	Adjusted result
Continuing operations	**(10,964)**	**12,567**	**1,603**	(34,155)	42,401	8,246
Discontinued operations	**–**	**–**	**–**	(767)	–	(767)
(Loss)/Profit before tax	**(10,964)**	**12,567**	**1,603**	(34,922)	42,401	7,479
Tax at the corporation tax rate of 19% (2018: 19%)	**(2,083)**	**2,387**	**304**	(6,635)	8,056	1,421
Effects of:						
Expenses not deductible/income not taxable for tax purposes	**1,810**	**(1,810)**	**–**	7,483	(7,166)	317
Adjustment in respect of prior years	**(204)**	**–**	**(204)**	(972)	–	(972)
Utilisation of tax losses	**–**	**–**	**–**	489	–	489
Effect of tax rates in different jurisdictions	**338**	**–**	**338**	(325)	–	(325)
Unrecognised tax losses	**124**	**–**	**124**	–	–	–
Write-off of deferred tax	**468**	**–**	**468**	–	–	–
Other timing differences	**42**	**–**	**42**	509	–	509
Total tax charge for the year	**495**	**577**	**1,072**	549	890	1,439

* Restatements are detailed in Note 2.

Refer to Note 35 for future changes in the tax rate and the impact on deferred tax.

No deferred tax asset has been recognised on share-based payment transactions because the options are currently out of the money. As a result, no tax relating to share based payment is recognised directly in equity. Tax on restatement of the loss before tax in the year ended 2018 of $972k has been recognised in the income statement.

There is no material tax on the restatement of opening retained earnings of $114k, which would be reflected directly in equity.

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 2019 $'000	Year ended 2018 Restated* $'000
Numerator		
Statutory earnings:		
Continuing loss attributable to ordinary equity holders of the parent	**(11,554)**	(34,718)
Discontinued loss attributable to ordinary equity holders of the parent	**–**	(767)
Total loss attributable to ordinary equity holders of the parent	**(11,554)**	(35,485)
Adjusted earnings:		
Continuing profit attributable to ordinary equity holders of the parent	**436**	6,811
Discontinued profit attributable to ordinary equity holders of the parent	**–**	(767)
Total profit attributable to ordinary equity holders of the parent	**436**	6,044
Denominator		
Weighted average number of shares used in basic EPS	**63,636,279**	60,348,056
Effect of dilutive share options	**–**	434,837
Weighted average number of shares used in diluted EPS	**63,636,279**	60,782,893
Earnings per share (cents)		
Statutory total earnings per share		
Basic	**(18.2c)**	(58.8c)
Diluted	**(18.2c)**	(58.8c)
Statutory continuing earnings per share		
Basic	**(18.2c)**	(57.5c)
Diluted	**(18.2c)**	(57.5c)
Adjusted continuing earnings per share		
Basic	**0.7c**	11.3c
Diluted	**0.7c**	11.2c

* Restatements are detailed in Note 2 of the notes to the financial statements.

The average share price for the year ended 31 December 2019 was 77 cents, which is lower than the exercise price of outstanding options and therefore there is no dilutive effect.

The effect of dilutive share options on Diluted EPS does not reduce the loss per share, but would reduce the earnings per share.

The weighted average number of shares used in basic EPS has not been reduced by any shares held by the employee benefit trust, refer to Note 25 for further details on the employee benefit trust.

13. Acquisitions
On 10 January 2019, the Group acquired the trade and assets of a paint and interior completion business previously operated by Lotus Aviation Group at Fort Lauderdale Executive Airport ("Paint-Shop"). The Group determined the acquisition to be a business as defined by IFRS 3 and the transaction has been accounted for as a business combination.

The following table summarises the consideration paid for the Paint-Shop, the fair value of assets acquired, and the liabilities assumed at the acquisition date.

Acquisition accounting at 10 January 2019

	$'000
Cash consideration	1,000
Deferred consideration	365
Finalisation of deferred consideration*	(55)
Total consideration transferred	1,310

* The purchase price included a deferred consideration of $365k which was subsequently revised to $310k due to early settlement. The reduction of $55k has been allocated to goodwill.

Recognised amounts of identifiable assets acquired and liabilities assumed.

	$'000
Property, plant and equipment	120
Customer relationships (included within intangibles)	195
Brand (included within intangibles)	345
Deferred tax liability	(139)
Inventory	2
Goodwill	787
Total consideration	1,310

Subsequent to the finalisation of the acquisition accounting of Paint-Shop, there was an indication that the Customer relationship and Brand intangible asset was impaired, resulting in an impairment charge of $540k. The carrying amount of these intangibles at 31 December 2019 is $nil.

From the date of acquisition, Paint-Shop contributed $2,307k revenue, losses of $532k on Gross Profit and $960k Adjusted EBIT respectively. It is impracticable and immaterial to quantify the ten days prior to acquisition and therefore disclose the impact if the Paint-Shop acquisition had taken place at the beginning of the year.

On 2 March 2018, the Group acquired Hutchison Whampoa (China) Limited's 50% stake in Gama Aviation Hutchison Holdings Ltd for $3,050k. The amounts of identifiable assets acquired and liabilities assumed on acquisition has been restated as detailed in Note 2 and shown below.

	As reported $'000s	Restatement* $'000s	As restated* $'000
Property, plant and equipment	249	–	249
Customer relationships (included within intangibles)	4,202	–	4,202
Deferred tax liability	–	(693)	(693)
Trade and other receivables	5,069	–	5,069
Cash	460	–	460
Trade and other payables	(7,842)	–	(7,842)
Deferred revenue	(165)	–	(165)
Profit recognised on acquisition in respect of pre-existing shareholding	(986)		(986)
Goodwill	2,063	693	2,756
Total consideration	3,050	–	3,050

* Restatements are detailed in Note 2 of the notes to the financial statements.

14. Goodwill

	Restated* $'000
Cost	
At 1 January 2018	**44,413**
Recognised on acquisition	2,756
Exchange differences	(2,285)
At 1 January 2019	**44,884**
Recognised on acquisition (Note 13)	787
Exchange differences	849
At 31 December 2019	**46,520**
Accumulated impairment losses	
At 1 January 2018	3,697
Impairment loss for the year, as reported	20,380
Impairment loss for the year, restatement	693
At 31 December 2018 and 2019	24,770
Carrying amount	
At 31 December 2019	**21,750**
At 31 December 2018	20,114

* Restatements are detailed in Note 2 of the notes to the financial statements.

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

	2019 $'000	2018 $'000
US: Ground	**787**	–
Europe: Ground	**20,963**	20,114
	21,750	20,114

When testing for impairment, recoverable amounts for all of the Group's CGUs are measured at their value-in-use ("VIU") by discounting the future expected cash flows from the assets in the CGUs. The CGUs that have goodwill are Europe Ground and US Ground (2018: Europe Ground only). The key assumptions and estimates used for VIU calculations are as follows:

Future expected cash flows
VIU calculations are based on estimated future pre-tax cash flows as approved by the board, and a 1.9% (2018: 1.7%) terminal growth rate thereafter.

Beyond the current year forecast period, a long-term terminal growth rate of 1.9% (2018: 1.7%) has been applied to calculate terminal value for all CGUs. This is on the basis that the Group operates in both advanced and emerging markets, and is the average Real GDP Growth Rate per the IMF World Economic Outlook published in April 2020 from 2019 to 2021. The Group has used the Real GDP Growth Rate as a proxy for long-term terminal growth rate of Gama Aviation. Long-term growth rates are capped at the weighted average GDP growth rates of the markets that the CGU Group sells into. The Board believes this approach provides a reasonable and prudent approach to assessing future cashflows.

CGU specific operating assumptions are applicable to the forecast cash flows for the year to 31 December 2020 and relate to revenue forecasts, expected project outcomes, cash conversion and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the forecasts are built up from the underlying operating companies within each CGU Group.

Weighted average cost of capital ("WACC")
A pre-tax discount rate is calculated by reference to the weighted average cost of capital ("WACC") of each CGU, adjusted to reflect the market and other systemic risks specific to each CGU and the territories in which they operate.

A pre-tax WACC of 10.1% has been used as a discount rate. In the prior year, pre-tax discount rates ranged from 15.6% to 16.3%, were based on short-term variables and as disclosed in the prior year, may differ from the WACC. In addition, the cost of debt has decreased from the prior year, and the level of debt, which has a lower return than equity, has increased from the prior year, refer to Note 21 for further details on the refinancing. The pre-tax WACC of 10.1% is higher than the Group's listed industry peers, driven by a significantly higher rate of return on equity partially offset by a lower rate of return on debt.

Sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the discount rate, long-term growth rate and future expected cash flows used. The Group has performed sensitivity analyses across all CGUs which have goodwill and acquired intangible assets, using reasonably possible changes in the already conservative long-term growth rates and pre-tax discount rates. In addition, for estimated future pre-tax cash flows, the Group considered a scenario using the results for the 2019 financial year as a base and a 1.9% terminal growth rate thereafter. The sensitivity analysis for Europe Ground showed:

/ A 1% decrease in the terminal growth rate or a 1% increase in the discount rate would not result in an impairment. However a 1% adverse movement in both variables would result in an impairment of $1,301k.
/ In a scenario using a terminal growth rate of 1.9% from the results for the 2019 financial year, no reasonable change in the discount rate or terminal growth rate would result in an impairment.

Considering the sensitivity to changes in assumptions and noting that the recoverable amount of all CGUs exceed the carrying amount, no impairment has been recognised.

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 2018	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**
Additions	–	–	–	–	3,093	3,093
Recognised on acquisition	–	–	345	195	–	540
Disposals	–	(2)	–	–	–	(2)
Foreign exchange differences	–	–	(46)	(406)	241	(211)
At 31 December 2019	**1,481**	**3,442**	**1,605**	**15,479**	**7,334**	**29,341**
Amortisation and accumulated impairment losses						
At 1 January 2018	1,215	2,589	1,268	3,026	17	8,115
Amortisation, as reported	273	633	24	1,552	41	2,523
Amortisation, restatement	–	–	–	2	(41)	(39)
Impairment loss	–	–	–	7,328	–	7,328
Foreign exchange differences, restatement		–	–	(2)	41	39
Foreign exchange differences, as reported	(7)	(145)	(62)	(186)	–	(400)
At 31 December 2018	**1,481**	**3,077**	**1,230**	**11,720**	**58**	**17,566**
Amortisation	–	367	18	599	441	1,425
Impairment loss	–	–	345	195	–	540
Eliminated on disposals	–	(2)	–	–	–	(2)
Foreign exchange differences	–	–	(44)	(310)	18	(336)
At 31 December 2019	**1,481**	**3,442**	**1,549**	**12,204**	**517**	**19,193**
Carrying amount						
At 31 December 2019	**–**	**–**	**56**	**3,275**	**6,817**	**10,148**
At 31 December 2018	–	367	76	3,970	3,942	8,355

Customer relationship assets are amortised over their useful economic lives estimated to be ten years. Within the carrying amount balances relate to:

/ FlyerTech: $1,591k (2018: $1,835k);
/ Europe Ground: $743k (2018: $1,076k); and
/ Gama Aviation Hutchison Holdings Ltd: $941k (2018: $1,059k).

Licences 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 and the carrying values in 2019 are $nil (2018: $367k).

Computer software costs comprise internally developed software costs arising in the Group's myairops Software Limited business as well as purchased software, such as operational and financial 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 $5,310k (2018: $3,199k).

The recoverable value of intangible assets has been assessed as part of the Group's annual IAS 36 impairment review. There is an impairment of $540k in the current year (2018: $7,328k). The impairment of acquired customer relationship intangibles in the prior year includes an impairment of $2,793k on GAHH in the Asia Air CGU and $4,535k in Europe Air CGU. Intangible assets recognised on acquisition in the year of $540k have been allocated to the US Ground CGU and subsequently impaired. The acquired intangibles of $4,202k in the prior year were allocated to the Asia Air CGU.

16. Property, plant and equipment

	Leasehold improvement $'000	Aircraft hull and refurbishments $'000	Fixtures, fittings and equipment $'000	Motor vehicles $'000	Asset under construction	Total $'000
Cost						
At 1 January 2018	13,424	7,875	5,949	1,407	884	29,539
Additions	1,494	106	1,762	1,132	931	5,425
Acquisitions	5	207	14	23	–	249
Exchange differences	(665)	(443)	(108)	(12)	–	(1,228)
At 31 December 2018 (restated*)	**14,258**	**7,745**	**7,617**	**2,550**	**1,815**	**33,985**
Additions	752	1,098	2,323	177	10,703	15,053
Acquisitions	–	–	120	–	–	120
Capitalised interest	–	–	–	–	122	122
Disposals	(191)	–	(722)	–	–	(913)
Exchange differences	483	299	178	8	274	1,242
At 31 December 2019	**15,302**	**9,142**	**9,516**	**2,735**	**12,914**	**49,609**
Accumulated depreciation						
At 1 January 2018	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**
Charge for the year	745	416	1,380	478	–	3,019
Disposals	(148)	–	(683)	–	–	(831)
Exchange differences	159	74	121	6	–	360
At 31 December 2019	**5,077**	**2,252**	**5,571**	**1,385**	**–**	**14,285**
Carrying amount						
At 31 December 2019	**10,225**	**6,890**	**3,945**	**1,350**	**12,914**	**35,324**
At 31 December 2018 (restated*)	9,937	5,983	2,864	1,649	1,815	22,248

* Restatements are detailed in Note 2 of the notes to the financial statements.

During the year the Group capitalised borrowing costs of $122k (2018: nil).

Asset under construction additions of $10,703k (2018: $931k) include:

/ $8,338k (2018: nil) relating to the purchase of three Airbus H145 rotary aircraft which required modification for them to be ready for their intended use. These assets were deployed on 1 June 2020.
/ $2,365k (2018: $931k) relating to the 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 total AUC in relation to Sharjah Airport at the end of the reporting period is $4,180k (2018: $1,815k).

17. Subsidiaries

Details of the Company's subsidiaries at 31 December 2019 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest 2019	Proportion of voting and ownership interest 2018	Nature of business	Registered Address
Aerstream Limited(1) (2)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Airops Software Limited(1)	England and Wales	100%	100%	Aviation software	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Aravco Limited(1) (2)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Avialogistics Limited(1)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Aviation Crewing Limited(2)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
FlyerTech Limited(1)	England and Wales	100%	100%	Airworthiness management	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Aviation (Asset 2) Limited(1) (2)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Aviation (Engineering) Limited(1)	England and Wales	100%	100%	Aviation design and engineering	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Aviation Group Limited(1)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Aviation (Training) Limited(1) (2)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Aviation (UK) Limited(1)	England and Wales	100%	100%	Aviation management	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
GA 259034 Limited(1)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama (Engineering) Limited(1)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
GA FM54 Limited(1) (2)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Group Limited	England and Wales	100%	100%	Holding company	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Leasing Limited(1)	England and Wales	100%	100%	Aviation management	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Support Services Limited(1)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Hangar8 AOC Limited(2)	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE

17. Subsidiaries (continued)

Name	Place of incorporation and operation	Proportion of voting and ownership interest 2019	Proportion of voting and ownership interest 2018	Nature of business	Registered Address
Hangar8 Engineering Limited	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Hangar8 Management Limited	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Infinity Flight Crew Academy Limited	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
International JetClub Limited[2]	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Ronaldson Airmotive Limited[1] [2]	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Aviation Beauport Holdings Limited[1]	Jersey	100%	100%	Dormant	Beauport House L'Avenue De La Commune St Peter Jersey JE3 7BY
Ferron Trading Limited[1]	Jersey	100%	100%	Dormant	Beauport House L'Avenue De La Commune St Peter Jersey JE3 7BY
Gama Aviation (Beauport) Limited[1]	Jersey	100%	100%	Aviation management	Beauport House L'Avenue De La Commune St Peter Jersey JE3 7BY
Gama Aviation (Engineering) Jersey Limited[1]	Jersey	100%	100%	Aviation design and engineering and FBO	Beauport House L'Avenue De La Commune St Peter Jersey JE3 7BY
Gama Aviation SA[1]	Switzerland	100%	100%	Aviation management	Boulevard Georges-Favon 43, 1204 Genève, Switzerland
Gama Aviation FZC* [1] [5]	SAIF Free Zone, UAE	49%	49%	Aviation management	SAIF Suite Z-21. P.O. Box 122389, Sharjah, UAE
Gama Group Mena FZE*	UAE	100%	100%	Holding company	SAIF Office Q1-09-067/C, P.O. Box 122464, Sharjah, UAE
Gama Holdings FZC*	UAE	100%	100%	Dormant	SAIF Lounge P.O. Box 121954, Sharjah, UAE
Gama Support Services FZE* [1]	UAE	100%	100%	Aviation design and engineering and FBO	SAIF Desk Q1-05-123/B, P.O. Box 122553, Sharjah, UAE
Gama Aviation (Engineering) Inc.[1]	Delaware, USA	100%	100%	Aviation design and engineering	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, USA and Two Corporate Drive, Suite 1050, Shelton, CT 06484
Gama Aviation (Management) Inc.[1]	Delaware, USA	100%	100%	Aviation management	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, USA and 480 LORSGIP BLVD, STRATFORD, CT 06615
Gama Group Inc.	Delaware, USA	100%	100%	Holding company	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, USA
Gama Aviation Engineering (HK) Limited[1]	Hong Kong	100%	100%	Aviation design and engineering	7th Floor, 81 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong
Gama Aviation Hutchison Holdings Limited[1]	Hong Kong	100%	100%	Holding company	7th Floor, 81 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong

Name	Place of incorporation and operation	Proportion of voting and ownership interest 2019	Proportion of voting and ownership interest 2018	Nature of business	Registered Address
Gama Aviation Hutchison (Hong Kong) Limited[(1)]	Hong Kong	100%	100%	Aviation management	7th Floor, 81 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong
Gama Group (Asia) Limited	Hong Kong	100%	100%	Holding company	7th Floor, 81 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong
Star-Gate Aviation (Proprietary) Limited	South Africa	100%	100%	Holder of South African AOC	151 Monument Road, Aston Manor 1619 South Africa
Hangar8 Nigeria Limited[(3)]	Nigeria	100%	100%	Applicant of Nigerian AOC	*
Hangar8 Mauritius Limited	Mauritius	100%	100%	Holding company	*
GB Aviation Holdings LLC[(4)]	Delaware, USA	50%	50%	Joint Venture - Holding company for aviation management and charter company	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, USA
Gama Hutchison Aviation Technical Service (Beijing) Limited[(1)]	China	100%	100%	Non-trading	Room 250, 2nd Floor, Building 1, No. 56, Zhaoquanying Section, Changjin Road, Shunyi District, Beijing

(1) Indicates indirect holding.

(2) For the year ending 31 December 2019, the below companies were exempt from the requirements to obtain an audit under section 479A 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:
- Aerstream Limited, company number 05584987.
- Aravco Limited, company number 01316174.
- Aviation Crewing Limited, company number 07693698.
- GA FM54 Limited, company number 08512887.
- Gama Aviation (Asset 2) Limited, company number 08586412.
- Gama Aviation (Training) Limited, company number 09234102.
- Hangar8 AOC Limited, company number 07198577.
- International JetClub Limited, company number 03538780.
- Ronaldson Airmotive Limited , company number 06391499.

(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) The consolidated financial statements also include amounts relating to Gama International Saudi Arabia ("GISA"), a company established in The Kingdom of Saudi Arabia. In the Group's interim reporting for 2019 (published in September 2019) the Group consolidated GISA and re-stated prior period balances accordingly. No non-controlling interest has been recognised on the remaining 51%, as the Group has the full beneficial interest. Further details on the restatement of GISA are shown in note 2.

(5) GB Aviation Holdings LLC is the entity jointly held with Signature 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 FZC. The results of Gama Aviation FZC 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. Refer to Note 26 for further details.

* The registered office of these companies are available upon request at the Company's head office located at 1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE.

18. Investments accounted for using the equity method
Details of the Group's investments accounted for using the equity method at 31 December 2019 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%
China Aircraft Services Limited ('CASL')	Associate	Hong Kong	20.0%	20.0%

* Refer to note 35 for events after the reporting date, where this investment was disposed.

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.

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. 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. No equity accounting has been made for the two months prior to acquisition.

On the balance sheet at 31 December 2019, the equity accounted investment in Gama Aviation LLC has been presented in current assets, as assets held for sale, as completion of the transaction was considered highly probable at 31 December 2019. Refer to Note 35 for further details on the disposal.

Management previously judged that at 31 December 2018 the Group did not control Gama International Saudi Arabia ("GISA"), which management believe operates on an arm's length basis. As communicated in the interim results for the six months to 30 June 2019, the results of GISA, following the correction of an accounting assessment under IFRS 10, have been consolidated. Investments accounted for using the equity method have not been restated to recognise GISA as an associate and then effect the related restatement for consolidation. There has been no change to the legal status or ownership of that entity. Related party transactions with GISA are disclosed in note 36 to the accounts.

The results of the equity accounted investments are as follows:

	Gama Aviation LLC		CASL	
	Year ended 2019 $'000	Year ended 2018 $'000	**Year ended 2019 $'000**	Year ended 2018 $'000
Revenue	**436,520**	428,865	**62,985**	65,210
Expenditure	**(434,323)**	(427,826)	**(61,033)**	(63,958)
Profit before tax	**2,197**	1,039	**1,952**	1,252
Income tax credit	**(84)**	428	**(282)**	(219)
Profit after tax	**2,113**	1,467	**1,670**	1,033
Group's share of net profit	**518**	359	**334**	207
Finalisation and reversal of prior year pre-acquisition loss	**–**	–	**66**	–
Share of results from equity	**518**	359	**400**	207

The Group tested CASL for impairment, using a recoverable amount measured at the value-in-use ("VIU") by discounting the future expected cash flows.

Given uncertainty regarding the speed and extent of recovery of the global aviation sector following the COVID-19 pandemic the VIU calculations are based on estimated future pre-tax cash flows, derived from recent business projections submitted to the board for review and approval, and a 1.9% (2018: 1.7%) terminal growth rate thereafter.

A pre-tax discount rate of 10.1% has been used and is calculated by reference to the weighted average cost of capital ("WACC").

The sensitivity analysis showed that

/ The terminal growth rate of 1.9% would need to reduce to less than zero for an impairment.
/ The discount rate would have to increase from 10.1% to 11.8% prior to any impairment.

Considering the sensitivity to changes in assumptions and noting that the recoverable amount exceeds the carrying amount, no impairment has been recognised.

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

	Gama Aviation LLC		CASL	
	Year ended 2019 $'000	Year ended 2018 $'000	**Year ended 2019 $'000**	Year ended 2018 $'000
At 1 January	**2,080**	1,721	**16,207**	–
Acquisition	**–**	–	**–**	16,000
Additional paid in capital	**–**	893	**–**	–
Other comprehensive income	**–**	–	**36**	–
Share of net profit	**518**	359	**400**	207
Dividends declared	**–**	–	**(1,276)**	–
Prior year dividend	**–**	–	**(255)**	–
Impairment	**–**	(893)	**–**	–
Transfer to assets held for sale	**(2,598)**	–	**–**	–
At 31 December	**–**	2,080	**15,112**	16,207

The CASL dividends declared of $1,531k are unpaid at 31 December 2019 and included in amounts receivables from associates in Note 20.

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

	Gama Aviation LLC		CASL	
	Year ended 2019 $'000	Year ended 2018 $'000	**Year ended 2019 $'000**	Year ended 2018 $'000
Total assets	**38,175**	38,985	**87,216**	82,952
Total liabilities	**(26,948)**	(29,914)	**(18,257)**	(9,601)
Net assets/(liabilities)	**11,227**	9,071	**68,959**	73,351
Group's share of net assets/(liabilities)	**2,751**	2,222	**13,792**	14,670
Goodwill	**751**	751	**1,320**	1,320
Impairment	**(904)**	(893)	**–**	–
Transfers	**–**	–	**–**	217
Transfer to assets held for sale	**(2,598)**	–	**–**	–
At 31 December	**–**	2,080	**15,112**	16,207

19. Inventories

	2019 $'000	2018 Restated* $'000
Raw materials and consumables	**7,182**	6,750
Work in progress	**89**	488
	7,271	7,238

* Restatements are detailed in Note 2 of the notes to the financial statements.

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 $30,706k (2018: $20,380k), this includes an amount of $2,364k resulting from a write down of inventories (2018: write back of $1,107k). $626k (2018: nil) of the write down of inventories is shown in Note 6 as an exceptional item. The remaining write down comprises $1,394k in Europe Ground and $344k in US Ground to measure inventories at the lower of cost or net realisable value. Included within inventories is an inventory obsolescence allowance of $5,413k (2018: $3,049k).

20. Trade and other receivables

	2019 $'000	2018 restated* $'000
Financial assets		
Amount receivable for the sale of services	**36,044**	28,253
Loss allowance	**(3,896)**	(3,198)
	32,148	25,055
Amounts due from associates	**4,265**	2,654
Accrued income	**28,387**	21,059
Other debtors	**–**	1,892
Financial assets	**64,800**	50,660
Non-financial assets		
Prepayments	**12,384**	7,865
Other debtors	**713**	308
Total trade and other receivables	**77,897**	58,833
Current	**73,505**	58,833
Non-current	**4,392**	–
Total trade and other receivables	**77,897**	58,833

* Restatements are detailed in Note 2 of the notes to the financial statements.

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

The average Days Sales Outstanding ('DSO') is 55 days (2018: 44 days) due to receivables past due under 90 days increasing year on year by $6,408k. Credit controls prior to granting credit and DSO are being actively monitored by management. Where appropriate, the Group assesses the potential customer's credit quality and requests payments on account, as a means of mitigating the risk of financial loss from defaults. No interest is charged on overdue receivables (2018: nil). The Group recognises a loss allowance on a customer by customer basis, based on an analysis of the counterparty's current financial position, against its current overdue debt.

Of the trade receivables balance at the end of the year, $5,602k (2018: $3,800k) is due from the Group's largest 5 customers by revenue, which comprise 17% (2018: 15%) of the trade receivables balance 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 loss allowance because there has not been a significant change in credit quality and the amounts are still considered recoverable. However, the Group carries an expected credit loss allowance of $209k (2018: $419k). 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. No loss allowance is carried for accrued income and other debtors.

Ageing of unimpaired receivables

	2019 $'000	2018 $'000
Not yet due	**12,747**	10,869
Less than 30 days	**5,283**	3,568
30-60 days	**7,271**	3,624
61-90 days	**1,985**	938
91-120 days	**736**	857
Greater than 120 days	**4,126**	5,188
Total	**32,148**	25,044

Amounts due from associates
Amounts due from associates of $4,265k (2018: $2,654k) 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 $4,363k (2018: $3,067k) (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 $98k is expected to be settled in the next twelve months and represents:

- A receivable due to the Group of $782k from Gama Aviation LLC; and
- A payable due from the Group of $880k to China Aircraft Services Limited.

These amounts are disclosed as related party transactions in note 36.

Movement in the loss allowance

	2019 $'000	2018 $'000
At 1 January	**3,198**	2,968
Opening IFRS 9 adjustment	**–**	327
Impairment losses recognised in income statement	**2,387**	965
Amounts written off as uncollectible	**(1,835)**	(780)
Amounts recovered during the year	**–**	(131)
Foreign exchange translation gains and losses	**146**	(151)
At 31 December	**3,896**	3,198

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

	2019 $'000	2018 $'000
< 30 days	**663**	264
30-60 days	**30**	60
61-90 days	**30**	47
91-120 days	**356**	498
121+ days	**2,817**	2,329
Total	**3,896**	3,198

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

	2019 $'000	2018 Restated* $'000
Secured borrowings at amortised cost		
Other loans	**1,475**	3,056
Bank borrowings	**44,767**	9,466
	46,242	12,522
Total borrowings		
Other loans	**848**	1,669
Bank borrowings	**44,767**	9,466
Amount due for settlement within 12 months	**45,615**	11,135
Other loans	**627**	1,387
Bank borrowings	**–**	–
Amount due for settlement after 12 months	**627**	1,387

Analysis of borrowings by currency:

	Sterling $'000	US Dollars $'000	Euros $'000	Total $'000
31 December 2019				
Other loans	**–**	**1,475**	**–**	**1,475**
Bank borrowings	**23,072**	**8,235**	**13,460**	**44,767**
	23,072	**9,710**	**13,460**	**46,242**
31 December 2018 (restated)				
Other loans	–	3,056	–	3,056
Bank borrowings	9,466	–	–	9,466
	9,466	3,056	–	12,522

* Restatements are detailed in Note 2 of the notes to the financial statements.

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

2019

(i) Other loans are secured by assets. Interest arises at an average of 6.1% (2018: 5.4%).

(ii) Bank borrowings in 2019 of $44,767k (2018: $9,466k) comprise of drawdowns from a revolving credit facility with a repayment term of less than 1 year and which carries an interest rate of LIBOR + 0.94% (2018: LIBOR + 1.90%). This facility was obtained on 14 November 2019 and replaces the facility previously held. A letter of awareness has been provided by CK Hutchison Holdings Ltd (CKHH), who has an indirect shareholding of 29.8% in the Group, that CKHH's current intention, while any amount is outstanding under the facility, is not to reduce it's shareholding in the Group below 25.0% without consent from the lender or discharge of the facility. No legal implications are imposed on CKHH. The revolving credit facility is $50,000k, and $5,233k was undrawn at the end of the reporting period. Refer to note 35 for details of Helicopter finance that was secured after the reporting date.

(iii) Loan arrangement fees of $265k (2018: $384k) have been capitalised against borrowings. During the year the Group replaced its revolving credit facility and arrangement fees on the old facility of $398k (2018: nil) have been written off, as shown in note 10.

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.

	Non-deductible acquired intangibles $'000	Fixed asset temporary differences $'000	Tax losses $'000	Total $'000
At 1 January 2018	–	(1,715)	2,855	1,140
Acquisitions, restatement*	(693)	–	–	(693)
Charge in year, as reported (note 11)	–	(36)	(74)	(110)
Credit in year, restatement on restated loss for the year*	–	–	511	511
Credit in year, restatement on impairment of acquired intangible*	461	–	–	461
Credit/(charge) in year, reclassification restatement*	–	1,364	(1,364)	–
Exchange differences	–	(2)	(2)	(4)
At 31 December 2018*	(232)	(389)	1,926	1,305
Acquisitions	(139)	–	–	(139)
Credit/(charge) in year (note 11)	371	(440)	303	234
Exchange differences	–	10	23	33
At 31 December 2019	**–**	**(819)**	**2,252**	**1,433**

* Restatements are detailed in Note 2 of the notes to the financial statements.

Non-deductible acquired intangibles represent the value of the deferred tax liability which arises on the fair value of acquired intangibles which are not deductible for tax purposes. The liability is valued at the tax rate applicable to the jurisdiction where the intangibles are located.

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:

	2019 $'000	2018 Restated* $'000
Deferred tax asset	**2,252**	1,926
Deferred tax liability	**(819)**	(621)
Net deferred tax asset	**1,433**	1,305

* Restatements are detailed in Note 2 of the notes to the financial statements.

The Group has not recognised a deferred tax asset in respect of losses brought forward of $5,336k (2018: $3,009k) because the future recoverability of the asset is uncertain. Tax losses include $3,723k (2018: $2,098k) in UK entities, $580k (2018: $580k) in US entities and $988k (2018: $291k) in Hong Kong.

The Group are able to recognise the deferred tax asset on tax losses of $2,252k (2018: $1,926k) 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 leases

The Group leases many assets including property, aircraft, vehicles, fixtures, fittings and equipment. Information about leases for which the Group is a lessee is presented below.

Right-of-use Assets

	Leasehold property $'000	Fixtures, fittings and equipment $'000	Aircraft $'000	Vehicles $'000	Total $'000
Cost					
Balance at 1 January 2019	50,621	70	18,465	126	69,282
Additions	–	–	–	73	73
Exchange differences	975	2	653	6	1,636
At 31 December 2019	**51,596**	**72**	**19,118**	**205**	**70,991**
Accumulated Depreciation					
Balance at 1 January 2019	–	–	–	–	–
Charge for the year – admin expenses	671	46	–	37	754
Charge for the year – cost of sales	5,189	–	9,927	36	15,152
Impairment	2,341	–	–	–	2,341
Exchange differences	69		358	2	429
At 31 December 2019	**8,270**	**46**	**10,285**	**75**	**18,676**
Net Book Value at 31 December 2019	**43,326**	**26**	**8,833**	**130**	**52,315**

Lease liabilities
Maturity analysis – contractual undiscounted cash flows

	2019 $'000
Less than one year	19,811
One to five years	23,835
More than five years	38,173
Total undiscounted lease liabilities at 31 December	81,819
Lease liabilities included in the statement of financial position at 31 December	
Discounted lease liabilities	12,527
Accruals for lease payments	3,839
Current	16,366
Non-current	43,838
Total lease liabilities at 31 December	60,204

Lease liabilities at 31 December 2019 are the result of interest of $3,061k, foreign currency adjustments of $1,923k and lease payments of $14,062k.

Amounts recognised in profit and loss
Depreciation charge of right of use assets

	2019 $'000
Leasehold Property	5,860
Fixtures, fittings and equipment	46
Aircraft	9,927
Vehicles	73
Total	15,906

Expenses relating to short term leases total $1,681k. There are no expenses relating to low value assets or expenses relating to variable lease payments.

Impact on profit and loss

	2019 $'000
Operating lease expense reversal in cost of sales	15,343
Depreciation charge on right of use assets	(15,152)
Impact on Gross Profit	191
Operating lease expense reversal in administrative expenses	2,864
Impact on EBITDA	3,055
Depreciation charge on right of use assets	(754)
Impact on Adjusted EBIT (note 4)	2,301
Impairment losses	(2,341)
Impact on EBIT	(40)
Interest expense on lease liabilities (note 10)	(3,061)
Impact on profit and loss	**(3,101)**

An impairment loss of $2,341k has been recognised in relation to the right-of-use leased asset at Fairoaks airport. The cessation of Part 145 engineering activities necessitated vacating the leased property, which prompted an impairment assessment by the Group. The Group has deemed the recoverable amount of the property to be nil and the asset has been impaired accordingly.

Impact on the statement of cash flows

	2019 $'000
Cash generated by operating activities	14,062
Cash outflow from financing activities on leasing	(14,062)
Net impact on cash flows	–

Measurement of lease liabilities at transition

	2019 $'000
Operating lease commitments reported as at 31 December 2018	63,259
Operating lease commitments restatement	10,636
Operating lease commitments restated as at 31 December 2018	73,895
Discounted using incremental borrowing rate at date of initial application	63,571
IFRS 16 deemed leases*	7,392
Short term leases not recognised as a liability	(1,681)
Lease liability recognised as at 1 January 2019	**69,282**

* The right of use assets opening balance includes an amount of $7.4m relating to arrangements which are deemed to be a lease under IFRS 16. These arrangements, which relate to aircraft, were not included in the operating lease commitments disclosed in 2018.

The operating lease commitments disclosed in the prior year have been restated for a prior year error as tabulated below.

	2018 As reported $'000	2018 Restatement $'000	2018 Restated* $'000
Within one year	7,121	4,727	11,848
In the second to fifth year inclusive	17,774	5,909	23,683
After five years	38,364	–	38,364
	63,259	10,636	73,895

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23. Obligations under leases (continued)

Average incremental borrowing rates were applied across the group were:

	%
Leasehold property	5.5
Vehicles	3.9
Fixtures, fittings and equipment	4.6
Aircraft	3.9

Property leases with a remaining lease term of more than 10 years have been adjusted to reflect the additional security afforded by the leased asset on the cost of borrowing. An asset specific adjustment of 0.69% has been applied to the rates of these leases.

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 with a ten-year extension option to June 2052. The 10-year extension has not been formalised at the date of signing the financial statements. The lease term for IFRS 16 accounting purposes has not included the 10-year extension because the option to extend is not reasonably certain. The lease liability has been discounted at an incremental borrowing rate of 7.3%. The Sharjah BAC includes a $7,339k right-of-use asset and $7,681k obligation under leases at 31 December 2019.

24. Trade and other payables

	2019 $'000	2018 Restated* $'000
Financial liabilities		
Trade and other payables	**22,209**	15,198
Accruals	**15,958**	18,399
Amounts due to associates	**4,363**	3,067
	42,530	36,664
Non-financial liabilities		
Other taxation and social security	**1,243**	1,522
Income received in advance	**7,823**	10,410
	9,066	11,932
Total trade and other payables	**51,596**	48,596

* Restatements are detailed in Note 2 of the notes to the financial statements.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average Days Payables Outstanding ('DPO') is 39 days (2018: 29 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 $4,363k 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 $4,265k (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 $98k represents:

/ A receivable due to the Group of $782k from Gama Aviation LLC; and
/ A payable due by the Group of $880k to China Aircraft Services Limited.

These amounts are disclosed as related party transactions in note 36.

25. Issued capital and reserves

	Number	GBP	$'000
Ordinary shares: authorised, issued and fully paid			
At 1 January 2018	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
Issue of share capital	–	–	–
At 31 December 2019	**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.

On 2 March 2018, 19,591,837 new ordinary shares of one pence each in Gama Aviation plc were admitted for trading on AIM.

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 £48,000k ($65,460k) 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 39).

	$'000
Share premium	
At 1 January 2018	–
Issuance of shares	63,473
At 1 January 2019	63,473
Issue of new shares	–
Balance at 31 December 2019	**63,473**

Share premium represents the amount subscribed for share capital in excess of nominal value, net of placement fees of £1,526k or $1,987k (2018: £1,526k or $1,987k).

Other reserves

	Merger relief reserve Restated $'000	Reverse takeover reserve $'000	Other reserve $'000	Share-based payment reserve $'000	Cash Flow hedge reserve $'000	Total Restated $'000
At 1 January 2018	136,996	(95,828)	20,209	195	127	61,699
Share-based payment expense (Note 31)	–	–	–	639	–	639
Utilisation of merger reserve, as restated	(28,401)	–	–	–	–	(28,401)
Gains recognised on cash flow hedge	–	–	127	–	(127)	–
Balance at 31 December 2018*	108,595	(95,828)	20,336	834	–	33,937
Share-based payment expense (Note 31)	–	–	–	861	–	861
Balance at 31 December 2019	**108,595**	**(95,828)**	**20,336**	**1,695**	**–**	**34,798**

* Restatements are detailed in Note 2 of the notes to the financial statements.

25. Issued capital and reserves (continued)

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 impairment loss of $28,401k in 2018, has been realised against the merger reserve related to these assets.

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.

The share-based payment 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 31 for further details of these plans.

There is an employee benefit trust that is affiliated with the Group, however the Group does not have control of this trust and as a result, the trust is not consolidated and no own share reserve is recognised. At the end of the reporting period, there are 219,310 (2018: 219,310) shares which are held in the employee benefit trust. The fair value of these shares is £138k (2018: £263k).

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 2018	1,524
Restatement*	(882)
Total comprehensive profit attributable to minority interests	14
Balance at 31 December 2018	656
Total comprehensive profit attributable to minority interests	95
Balance at 31 December 2019	**751**

* Restatements are detailed in Note 2 of the notes to the financial statements.

The non-controlling interest in the current and prior year relates to a 49% shareholding in Gama Aviation FZC, which is consolidated as there is an 80% profit sharing ratio attributable to the Group. As a result, a 20% non-controlling interest has been recognised in the current and prior year. In addition, the Group has a call option on the remaining shareholding.

27. Net cash generated by operating activities

	2019 $'000	2018 Restated* $'000
Loss before tax from continuing operations	**(10,964)**	(34,155)
Loss before tax from discontinued operations	**–**	(767)
Loss before tax	**(10,964)**	(34,922)
Adjustments for:		
Finance income (note 9)	**(695)**	(787)
Finance costs (note 10)	**4,657**	954
Depreciation of property, plant and equipment (note 16)	**3,019**	2,544
Depreciation of right-of-use assets in administrative expenses (note 23)	**754**	–
Depreciation of right-of-use assets in cost of sales (note 23)	**15,152**	–
Amortisation of intangible assets (note 15)	**1,425**	2,484
IAS 36 impairment of right-of-use assets (note 23)	**2,341**	–
IAS 36 impairment of goodwill and acquired intangibles (note 15)	**540**	28,401
Profit arising on step acquisition	**–**	(986)
Loss on disposal of property, plant and equipment	**82**	–
Share of profit of associate and joint venture (note 18)	**(918)**	(566)
Share-based payment (note 31)	**861**	639
Operating cash inflow before movements in working capital	**16,254**	(2,239)
Unrealised foreign exchange movements	**226**	(2,970)
Increase in gross inventories	**(2,397)**	3,574
Increase in inventory obsolescence (note 19)	**2,364**	(1,107)
Increase in gross receivables	**(21,451)**	(5,862)
Increase in loss allowance for receivables (note 20)	**2,387**	834
Increase/(decrease) in payables	**3,000**	(12,832)
(Decrease)/increase in deferred revenue	**1,189**	1,843
Increase/(decrease) in provisions	**1,115**	–
Cash generated by/(expended on) operations	**2,687**	(18,759)
Taxes paid	**(992)**	(1,633)
Net cash generated/(expended) by operating activities	**1,695**	(20,392)

* Restatements are detailed in Note 2 of the notes to the financial statements.

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28. Net Debt and changes in liabilities arising from financing activities

Net Debt

A reconciliation of the IFRS financial statement line items that represent the Net Debt APM is tabulated below.

	2019 $'000	2018 Restated* $'000
Cash	**8,463**	10,045
Borrowings	**(46,242)**	(12,522)
Net Debt pre IFRS 16	**(37,779)**	(2,477)
Obligations under leases	**(60,204)**	–
Net Debt	**(97,983)**	(2,477)

* Restatements are detailed in Note 2 of the notes to the financial statements.

Changes in liabilities arising from financing activities are tabulated below.

	Borrowings		Obligations under leases		
	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
Repayments	(966)	(34,714)	–	(1,654)	(37,334)
Proceeds	–	10,304	–	–	10,304
Non-cash movements	(46)	(1,396)	86	957	(399)
As reported 1 January 2019	–	9,850	2,099	957	12,906
Restatement – classification of finance leases*	–	3,056	(2,099)	(957)	–
Restatement – classification of arrangement fees*	–	(384)	–	–	(384)
As restated 1 January 2019*	–	12,522	–	–	12,522
Cash flows:					
Repayments	–	(32,915)	–	–	(32,915)
Proceeds	–	65,563	–	–	65,563
Lease payments	–	–	–	(14,062)	(14,062)
Non-cash:					
Initial application of IFRS 16	–	–	43,838	25,444	69,282
Interest on lease liabilities	–	–	–	3,061	3,061
Reclassification	627	(627)	–	–	–
Foreign currency translation on borrowings in profit or loss (note 9)	–	(693)	–	–	(693)
Exchange differences	–	1,411	–	1,923	3,334
Arrangement fee on old facility written off	–	398	–	–	398
Arrangement fee movement on new facility	–	(93)	–	–	(93)
Other non-cash movements	–	49	–	–	49
At 31 December 2019	**627**	**45,615**	**43,838**	**16,366**	**106,446**

* Restatements are detailed in Note 2 of the notes to the financial statements.

The assets associated the finance lease restatement are included in Note 16 and relate to aircraft hull and refurbishments, and motor vehicles.

29. Contingent liabilities

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 SPC Aviation Limited. The Company reached an agreement with SPC Aviation Limited to settle the legal proceedings between the parties on 9 December 2019 under the terms of a settlement agreement which was in full and final settlement of the court proceedings between the parties.

Following the settlement of the disputes with SPC Aviation Limited, the remaining proceedings in which the Company and a number of its subsidiaries are parties relate to disputes where the Company and its subsidiaries are claimants. The Company has issued proceedings to recover long-standing trade receivables that amount to approximately $3m. The Company has made adequate provisions 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 $2,430k.

30. Provisions for liabilities

	2019 $'000	2018 $'000
At 1 January	–	–
Charged to the income statement during the year	1,067	–
Utilised during the year	(503)	–
Foreign Exchange	24	–
Discounting (Note 10)	35	–
Transferred from accruals	492	–
At 31 December	**1,115**	–
Amount due for settlement within 12 months	521	–
Amount due for settlement after 12 months	594	–
Total provisions	**1,115**	–

The closing provision as at 31 December 2019 includes a closure provision of $620k (2018: nil), a dilapidations provision of $50k (2018: $49k) and an employee's end of service indemnity provision of $443k (2018: $443k).

The closure provision relates to the cessation of the Groups business activities at Fairoaks airport and the associated unavoidable costs. The obligation under leases (see note 23), contains the related lease liability.

During the year the Group recognised redundancy provisions of $128k. This provision relates to the cessation of the Groups business activities at Fairoaks airport. The full provision was utilised during the year.

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.

31. Share-based payments

Equity-settled share option scheme

Options were granted on 17 June 2019 to certain employees of the Group. Options are exercisable at a price equal to £0.92. 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:

	2019 '000	2018 Restated* '000
At 1 January	2,731	1,310
Granted during the year	1,226	2,132
Forfeited during the year	(210)	(711)
At 31 December	3,747	2,731
Exercisable at 31 December	670	–

* Restatements are detailed in Note 2 of the notes to the financial statements.

31. Share-based payments (continued)
The estimated fair values of the options granted is $465,880 (2018: $3,047,216).

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

	2019	2018
Share price, US$ cents	**92.50**	207.50
Exercise price, US$ cents	**91.50**	205.50
Expected volatility	**41.19%**	37.49%
Expected life, years	**6.5**	10
Risk-free rate	**0.72%**	1.26%
Expected dividend yields	**2.16%**	1.30%

Expected volatility was determined by calculating the historical volatility of the Group's share price over a historical 6.5 year period prior to grant. The Group recognises total expenses of $861k (2018: $639k) related to equity settled share-based payment transactions in 2019.

32. 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 2019, contributions of $259,000 (2018: $156,000) due in respect of the current reporting period had not been paid over to the schemes.

33. Deferred revenue

	2019 $'000	2018 Restated* $'000
Deferred revenue	**7,420**	6,231
Current	**2,867**	6,231
Non-current	**4,553**	-
Total	**7,420**	6,231

* Restatements are detailed in Note 2 of the notes to the financial statements.

The deferred revenue arises in respect of management fees and maintenance contracts invoiced in advance both of which are expected to be settled in the next twelve months, with the exception of non-current balances which are expected to be recognised in twelve to thirty months.

34. Financial instruments

Financial assets and liabilities as defined by IFRS 9 and their estimated fair values are as follows:

At 31 December 2019	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	8,463	–	8,463	8,463
Trade and other receivables (Note 20)	64,800	–	64,800	64,800
Financial liabilities				
Trade and other payables (Note 24)	–	(42,530)	(42,530)	(42,530)
Lease obligation (Note 23)	–	(60,204)	(60,204)	(60,204)
Borrowings (Note 21)	–	(46,242)	(46,242)	(46,242)
Net financial assets/(liabilities)	73,263	(148,976)	(75,713)	(75,713)

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	10,045	–	10,045	10,045
Trade and other receivables (Note 20)	50,660	–	50,660	50,660
Financial liabilities				
Trade and other payables (Note 24)	–	(36,664)	(36,664)	(36,664)
Borrowings (Note 21)	–	(12,522)	(12,522)	(12,522)
Net financial assets/(liabilities)	60,705	(49,186)	11,519	11,519

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 lease obligations are calculated using the incremental borrowing rate.

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.

34.1 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21 and obligations under leases disclosed in note 23, 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 leases and borrowing are taken out to fund assets utilised by the Group. Borrowings are also secured to support the on-going operations and future growth of the Group.

34. Financial instruments (continued)
34.2 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.

34.2.1 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 and euro 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.

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:

	GBP $'000	USD $'000	EUR $'000	HKD $'000	Other $'000	Total $'000
At 31 December 2019						
Borrowings						
Entities with functional currency USD	–	(1,475)	–	–	–	(1,475)
Entities with functional currency GBP	(23,072)	(8,235)	(13,460)	–	–	(44,767)
Total borrowings	(23,072)	(9,710)	(13,460)	–	–	(46,242)
Obligations under leases						
Entities with functional currency USD	–	(18,426)	–	–	–	(18,426)
Entities with functional currency GBP	(39,739)	(964)	(1,075)	–	–	(41,778)
Total obligation under leases	(39,739)	(19,390)	(1,075)	–	–	(60,204)
Cash						
Entities with functional currency USD	5	3,056	2	590	81	3,734
Entities with functional currency GBP	2,809	208	1,692	–	(80)	4,629
Entities with functional currency CHF	–	–	–	–	100	100
Total cash	2,814	3,264	1,694	590	101	8,463
Working capital						
Entities with functional currency USD	(49)	12,137	(67)	341	213	12,575
Entities with functional currency GBP	(4,377)	6,891	10,623	–	725	13,862
Entities with functional currency CHF	(3)	(2)	–	–	(280)	(285)
Total working capital	(4,429)	19,026	10,556	341	658	26,152
Net exposure						
Net monetary in USD entities	(45)	–	(65)	931	294	1,115
Net monetary in GBP entities	–	(2,100)	(2,220)	–	645	(3,675)
Net monetary in CHF entities	(3)	(2)	–	–	–	(5)
Total net exposure	(48)	(2,102)	(2,285)	931	939	(2,565)
At 31 December 2018						
Net exposure						
Net monetary items in USD entities	58	–	(104)	1,065	–	1,019
Net monetary items in GBP entities	–	–	1,287	–	87	1,374
Net monetary items in CHF entities	4	–	6	–	–	10
Net monetary items in HKD entities	–	78	–	–	–	78
Total net exposure	62	78	1,189	1,065	87	2,481

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:

	GBP $'000	USD $'000	EUR $'000	HKD $'000	Other $'000	Total $'000
At 31 December 2019						
Total effect on profit/(loss) of depreciation in foreign currency exchange rates	**5**	**210**	**229**	**(93)**	**(94)**	**257**
At 31 December 2018						
Total effect on profit/(loss) of depreciation in foreign currency exchange rates	(6)	(8)	(119)	(106)	(9)	(248)

34.2.2 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 34.3 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 2019 would increase by $448k (2018: $130k loss); and

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

34.3 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 2019					
Trade & other payables (note 24)	n/a	51,596	–	–	51,596
Lease liabilities (note 23)	*	18,811	23,835	38,173	80,819
Other loans	6.1%	848	627	–	1,475
Bank borrowings	1.7%	44,767	–	–	44,767
At 31 December 2018**					
Trade & other payables	n/a	48,596	–	–	48,596
Other loans	5.4%	1,815	1,398	–	3,213
Bank borrowings	3.3%	9,466	–	–	9,466

* Refer to Note 23 which provides the incremental borrowing rate for each category of lease.
** Restatements are detailed in Note 2.

34. Financial instruments (continued)

34.4 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.

35. Events after the balance sheet date

The following non-adjusting events occurred after the reporting date:

Helicopter and financing update

On 13 February 2020 the Group announced an update on its £20m order for three Airbus H145 helicopters, as reported on 24 December 2018. The Company has completed this purchase and taken title to all three helicopters. Deployment of the helicopters on 1st June 2020 in support of a long-term contract proceeded to plan.

The purchase was funded through a new £20m term loan secured with HSBC on competitive terms (the "Loan"). The Loan is separate from the Group's $50m revolving credit facilities (the "RCF") which was transferred from RBS to HSBC on improved terms last November. The Loan and the RCF (collectively the "Facilities") are subject to customary banking security arrangements.

Sale of US Air associate

On 2 March 2020 the Group announced the sale of its US Air associate, Gama Aviation LLC (doing business as "Gama Aviation Signature") to Wheels Up Partners Holdings LLC ("Wheels Up"). Gama Aviation Signature is owned 49% by GB Aviation Holdings LLC, a joint venture between the Group and Signature Aviation Plc, with the remaining 51% held by the Group's US partners.

Gama Aviation will receive consideration of $33m, comprising $10m in return for its 24.5% equity interest and $23m for accelerated branding fees and other trading related considerations. $13m of the total purchase consideration is to be paid in cash at closing, with the remaining $20m to be paid in cash, with interest, in eight equal six-month instalments over the next four years. The transaction is expected to be accretive to underlying earnings to FY2020 and FY2021 as well as resulting in a one-off profit on disposal of the equity interest.

As part of the transaction, GB Aviation Holdings LLC has licensed the continued use of the Gama Aviation Signature brand for up to two years. The Group has additionally entered into a five year non-compete agreement with Wheels Up in respect of its FAA Part 135 charter operations in the USA.

On the balance sheet at 31 December 2019, the equity accounted investment in the US Air associate has been presented in current assets, as assets held for sale, as completion of the transaction was considered highly probable at 31 December 2019.

Airops Software ("myairops") secures $2.5m software sale

On 10 March 2020 the Group announced that the Global Services subsidiary Airops Software Ltd (trading as myairops) has secured a $2.5m Software as a Service (SaaS) contract with one of the world's largest business aviation operators. The system is live and provides comprehensive fleet management, crew rostering and maintenance planning capabilities in support of a large fleet operation. The three-year contract is the largest single deal yet signed by myairops, following a substantial investment in its SaaS platform by the Group.

COVID-19

In light of the escalating COVID-19 pandemic, the Group has considered whether any adjustments are required to reported amounts in the financial statements. The Group notes that as at 31 December 2019 no pandemic had been declared and as a result, COVID-19 has been treated as a non-adjusting event. Given the continuing operational and financial uncertainties resulting from the COVID-19 pandemic, the Group has provided a number of announcements on the impacts of COVID-19 and financial guidance for the year ending 31 December 2020 remains suspended. The only area identified to date that could be impacted by COVID-19 in 2020 relates to potential impairment of non-current assets.

Change in UK tax rate

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

36. 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.

The company and its subsidiaries have a policy requiring full disclosure to, and pre-approval by, the Board of transactions contemplated with related parties.

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** – is a company that is majority owned and controlled by Mr G A Khalek, brother of Mr M A Khalek (Chief Executive Officer). Mr M A Khalek holds 30% of the shares in Oneti Lebanon Sarl according to the corporate register in Lebanon, however the beneficial ownership of these shares was transferred to Mr G Khalek in 2008;
- **Mr G Khalek** – the brother of Mr M A Khalek;
- **Cedar Trading Investment Corporation** – is a company beneficially owned by Mr G A Khalek;
- **Oneti SAL** – a company that is majority owned and controlled by Mr G A Khalek;
- **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. Mr M Peagram ceased to be a director of the company during the year;
- **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. Mr R Steeves ceased to be a director during the year;
- **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);
- **Mr Canning Fok** – is an Executive Director of CK Hutchison Holdings, a company which has an indirect shareholding of 29.8% in the Group; and
- **CK Hutchison Holdings** – has an indirect shareholding of 29.8% in the Group.

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.

36. 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	
	2019 $'000	2018 Restated* $'000	**2019 $'000**	2018 Restated* $'000
Gama Aviation LLC (branding fee)	**4,050**	3,750	**–**	–
Gama Aviation LLC (other trading balances)**	**7,579**	5,675	**857**	643
Merritt Property LLC[c]	**–**	–	**–**	–
Valentia Properties Limited	**–**	–	**11**	26
Golconda Investments Ltd	**2**	–	**5**	35
Air Arabia/Felix Trading Company LLC	**644**	318	**150**	150
China Aircraft Services Limited	**747**	1,034	**3,271**	2,222
BBGA Ltd	**–**	–	**3**	15
Oneti Lebanon Sarl[a]	**–**	–	**4,922**	312
Oneti SAL[a]	**–**	–	**112**	776
Mr Canning Fok	**1,016**	2,130	**–**	–
M Khalek[b]	**48**	46	**–**	–

* Restatements are detailed in Note 2. Following the consolidation of Gama International Saudi Arabia, the prior year has been restated to exclude the amounts previously reported for Gama International Saudi Arabia. In addition, restatements to the prior year have been made for the following items:

(a) Transactions with Oneti and connected parties have been disaggregated and disclosed by legal entity. In addition, the prior year has been restated by $312k.

(b) Transactions with Marwan Khalek of $46k are now included.

(c) Amounts owed by Merritt Property LLC in 2018 have been restated from $1,000k to $700k reflecting discounting of the termination agreement which subsequently reversed in the current year.

** For ease of understanding the branding fee and other trading balances have been separated in the summary table above.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2019 $'000	2018 Restated* $'000	**2019 $'000**	2018 Restated* $'000
Oneti Lebanon Sarl[a]	**–**	–	**–**	228
Oneti SAL[a]	**–**	–	**36**	179
Merritt Property LLC[c]	**1,000**	700	**–**	–
Air Arabia	**211**	138	**25**	25
Mr Canning Fok	**39**	–	**–**	–
GB Aviation Holdings LLC	**40**	–	**–**	–
Gama Aviation LLC	**921**	322	**139**	–
China Aircraft Services Limited**	**3,344**	–	**4,224**	745

* Restatements are detailed in Note 2. Following the consolidation of Gama International Saudi Arabia, the prior year has been restated to exclude the amounts previously reported for Gama International Saudi Arabia. In addition, restatements to the prior year have been made for the following items:

(a) Transactions with Oneti and connected parties have been disaggregated and disclosed by legal entity

(b) Transactions with Marwan Khalek of $46k are now included

(c) Amounts owed by Merritt Property LLC in 2018 have been restated from $1,000k to $700k reflecting discounting of the termination agreement which subsequently reversed in the current year

** In the prior year amounts owed to related parties of $745k included amounts owed by China Aircraft Services Limited of $632k and amounts owed to China Aircraft Services Limited of $1,377k. The 2018 balance sheet has not been restated for these components.

Material Transactions with Related Parties

Gama Aviation LLC

During the year Gama Aviation LLC paid $3.75m in cash to the Group in accordance with the branding agreement between these parties.

An amount of $0.3m was recognised as revenue by the Group as part of the termination of the branding agreement.

Merritt Property LLC

As reported in the 2018 Annual Report, 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.

Since the balance sheet date, the Group has received cash consideration of $1m to settle the full amount due.

Oneti Lebanon Sarl

During the year the Group terminated a contract with Oneti Lebanon SARL. Under the terms of the contract a termination payment of $2.9m was paid to Oneti. In addition, inventory previously held by Oneti was repurchased by the Group for a further payment of $2.1m.

Of the total payments of $5.1m, $2.7m was paid directly a business associate of Mr G Khalek and of the Group, and $2.4m was paid to Mr G Khalek. These payments were instructed by Mr G Khalek on behalf of Oneti Lebanon Sarl.

Repayment of loan

During 2018 the Group reached an agreement to terminate a loan agreement in respect of a loan previously due to a lender of the Group. The principal amount of $2.0m was repaid together with accrued interest of $0.1m. As instructed by the lender, $1.3m of the repayment was made directly to Mr G Khalek, a business associate of the lender. The remaining amounts were paid directly to the lender.

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*. As all the key management personnel are remunerated in Pounds Sterling, the disclosure has been presented in that currency.

	2019 $'000	2018 $'000
Short-term employee benefits	**1,262**	1,370
Post-employment benefits	**144**	129
Total	**1,406**	1,499

Details of directors' remuneration are given in the Remuneration Report on pages 34 to 37.

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.

37. Capital Commitments

Capital expenditure contracted for but not provided in the financial statements:

	2019 $'000	2018 $'000
Property, Plant and Equipment	**13,509**	29,483

On 21 December 2018 the Group entered into cancellable commitments to purchase three Airbus H145 rotary aircraft. At the end of 2019 the Group had outstanding contracted commitments of $13,395k relating to the airframes and associated modifications of two of these aircraft. On 13 February 2020 the Group announced an update on its £20m order for three Airbus H145 helicopters, as reported on 24 December 2018. The Company has completed this purchase and taken title to all three helicopters. Deployment of the helicopters occurred on 1 June 2020 in support of a long-term contract.

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 with a ten-year extension option to June 2052. The 10-year extension has not been formalised at the date of signing the financial statements. At the end of 2019 the Group had outstanding contracted commitments of $114k.

38. Dividends

The directors are recommending no final dividend for 2019 (2018: 2.0 pence per share), which is subject to approval at the AGM in September 2020. The directors confirm that the 2018 dividend, which was paid in July 2019, represented a lawful distribution as sufficient distributable reserves were available in the Company to declare and pay the dividend. The utilisation of the merger reserve as a result of the impairment in the prior year substantially increased distributable reserves.

	2019 $'000	2018 $'000
Final dividend paid of 2.0p per share (2018: 2.75p)	**1,620**	2,306

Given the desirability of conserving cash during the ongoing COVID-19 pandemic, the Board does not recommend a dividend for 2019 (2018: 2.0 pence per share).

Following the filing of interim accounts with Companies House, the directors are satisfied that all legal requirements in respect of the final dividend in respect of 2018, which was paid in July 2019, have been met.

/ PARENT COMPANY STATEMENT OF FINANCIAL POSITION
/ FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 Restated* £'000
Non-current assets			
Investments	3	**75,715**	122,057
		75,715	122,057
Current assets			
Trade and other receivables	4	**44,451**	21,867
Cash at bank and in hand		**1,086**	2,247
		45,537	24,114
Creditors: amounts falling due within one year	5	**(45,800)**	(21,128)
Net current (liabilities)/assets		**(263)**	2,986
Total assets less current liabilities		**75,452**	125,043
Net assets		**75,452**	125,043
Capital and reserves			
Called up equity share capital	6	**636**	636
Share premium account		**46,278**	46,278
Merger reserve		**21,415**	68,410
Share-based payment expense		**1,276**	623
Profit and loss account	6	**5,847**	9,096
Equity shareholder funds		**75,452**	125,043

* Restatements are detailed in Note 1.

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 £48,976k for the year (2018 as restated: loss of £20,995k).

The financial statements were approved by the Board of directors and authorised for issue on 7 August 2020, and are signed on their behalf by:

Daniel Ruback
Director

The notes on pages 115 to 118 form part of these parent company financial statements.

/ PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	440	–	195	89,495	10,738	100,868
Loss for the year, as reported	–	–	–	–	(20,889)	(20,889)
Total comprehensive loss for the year, as reported	–	–	–	–	(20,889)	(20,889)
Restatement	–	–	–	–	(106)	(106)
Loss for the year, as restated	–	–	–	–	(20,995)	(20,995)
Total comprehensive loss for the year, as restated	–	–	–	–	(20,995)	(20,995)
Utilisation of merger reserve, as restated	–	–	–	(21,085)	21,085	–
Issuance of shares	196	46,278	–	–	–	46,474
Share-based payment contribution, as restated	–	–	428	–	–	428
Dividend paid	–	–	–	–	(1,732)	(1,732)
At 31 December 2018, as restated	636	46,278	623	68,410	9,096	125,043
Loss for the year	–	–	–	–	(48,976)	(48,976)
Utilisation of merger reserve	–	–	–	(46,995)	46,995	–
Share-based payment contribution	–	–	653	–	–	653
Dividend paid	–	–	–	–	(1,268)	(1,268)
At 31 December 2019	**636**	**46,278**	**1,276**	**21,415**	**5,847**	**75,452**

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 policies 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.

Restatements

The financial statements for 2018 have been restated for several items. The impact of restatements on the loss for the year and net assets is tabulated below:

	Loss for the year Statutory £'000	Net assets £'000
As reported	**(20,889)**	125,174
Accruals for administrative expenses	**(215)**	(215)
Measurement of share-based payments	**–**	(25)
Measurement of borrowings	**109**	109
As restated	**(20,995)**	125,043

The restatements of the prior year relate to:

/ Errors on accruing for administrative expenses, resulting in a charge to administrative expenses of £215k and an equivalent increase in accruals. In addition there was a £25k credit on the share based payment charge shown in exceptionals.
/ £21,085k impairment of investments in the prior year has been reclassified against the merger reserve rather than retained earnings. This restatement is consistent with the equivalent restatement made in the Group financials.
/ Loan arrangement fees of £301k have been capitalised against borrowings and reclassified out of prepayments.
/ Borrowings in the Group accounts were stated correctly in the prior year, however in the parent company financial statements borrowing were overstated by £109k, resulting in a credit to profit of an equivalent amount.

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.
/ 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.

Going concern

The financial statements have been prepared on a going concern basis. The Company recorded a loss of £48,976k for the year (2018: loss of £20,995k), had net current liabilities of £263k (2018: net current assets £2,986k), and had net assets of £75,452k (2018: £125,043k).

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 an expected credit allowance. The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Any write-down of these assets is expensed to the income statement. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has concluded that the expected loss rates for trade and other receivables is nil. Amounts owed by Group companies are non-interest bearing, unsecured and repayable on demand.

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.

Critical accounting judgments and key sources of estimation uncertainty
In the application of the parent company accounting policies, 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.

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.

Investments impairment review
The investments impairment review require the use of estimates related to future profitability and the cash generating ability of the related businesses based on management's assessment of future cash flows and other assumptions including discount rates and terminal growth. The estimates used may differ from the actual outcome. Details of the impairment review performed are set out in note 3.

2. Profit/(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 of £48,976k for the year (2018: loss of £20,995k).

The Company paid an ordinary dividend of £1,268k (2018: £1,732k) to shareholders in the period. The Directors note that accounts have been filed on 24 July 2020, and show that at the time of the dividend payment sufficient distributable reserves were available to make the distribution. The utilisation of the merger reserve as a result of the impairment in the prior year substantially increased distributable reserves.

The total fees of the Group's auditor, for services provided are analysed in note 5 to the consolidated financial statements.

The average monthly number of employees (including executive Directors) was nil (2018: 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. Investments

	Total £'000
Balance at 1 January 2018	92,619
Additions	49,900
Additions – parent contribution in respect of share-based payments	648
Provision for impairment	(21,085)
Balance at 31 December 2018	122,082
Restated additions – parent contribution in respect of share-based payments	(25)
Restated balance at 31 December 2018	122,057
Additions – parent contribution in respect of share-based payments	653
Provision for impairment	(46,995)
Closing balance at 31 December 2019	**75,715**

In the current year an impairment of £46,995k has been made to reduce the investment carrying amount to recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value-in-use ("VIU"). Market capitalisation is used as a proxy for the fair value less cost to sell and the VIU is measured by discounting the future expected cash flows. The key assumptions and estimates used for VIU calculations are set out in Note 14 of the notes to the Group financial statements.

Given the impact of COVID-19 on share prices in the aviation sector in general, and the relative illiquidity of the company's shares in particular, the directors believe that the company's current share price does not fully reflect the fair value of its investments in the Group. Accordingly the investment carrying value has been reduced to £75.7m based on its VIU. If the carrying value were impaired to the company's current market capitalisation for £22.3m, then the merger reserve of £21.4m would be fully utilised and retained earnings would be reduced to a deficit of £26.2m.

The difference between the carrying value of the cost of investment in subsidiaries in the parent company balance sheet and carrying amount of consolidated net assets results from a reverse acquisition leading to the group's listing.

The provision for impairment in the prior year 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 £653k (2018: £50,548k) is £653k (2018: £623k) in respect of share-based payment charges arising in relation to subsidiaries of the Company. The £49,900k addition in the prior year relates to an investment in a subsidiary of the Group, Gama Group Inc.

Details of the Company's subsidiaries at 31 December 2019 are set out in note 17 to the Group accounts.

4. Trade and other receivables

	2019 £'000	2018 Restated* £'000
Amounts falling due within one year:		
Amounts owed by Group companies	**44,311**	21,717
Other debtors	**47**	64
Tax and social security	**88**	50
Prepayments and accrued income	**5**	36
	44,451	21,867

* Restatements are detailed in Note 1.

Amounts due from Group companies are repayable on demand and do not carry any interest charge.

5. Creditors: amounts falling due within one year

	2019 £'000	2018 Restated* £'000
Amounts owed to subsidiary undertakings	**10,386**	12,360
Trade creditors	**594**	217
Other payables	**5**	6
Bank loan	**33,955**	7,438
Accruals and deferred income	**860**	1,107
	45,800	21,128

* Restatements are detailed in Note 1.

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 +0.94% for non-Euro drawdowns (2018: LIBOR +1.9%) and EURIBOR + 0.94% for Euro drawdowns (2018: EURIBOR +1.90%).

6. Share capital and reserves

	Nominal value	2019 number	2019 £'000	2018 number	2018 £'000
Issued and fully paid ordinary shares					
At the beginning of the period	1p	63,636,279	636	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**	**63,636,279**	**636**

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

The share premium,share-based payment reserve and merger reserve are not distributable.

Reserves available for distribution under section 830(2) and 831(2) of the Companies Act 2006 are included within retained earnings. The directors apply the guidance provided by ICAEW TECH 02/17 in determining reserves available for distribution.

7. Related party transactions

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

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