Gama Aviation

GAMA AVIATION PLC

Company number 07264678

ANNUAL REPORT AND FINANCIAL STATEMENTS / 2020


CHALLENGER
EXIT

/ BUSINESS DESCRIPTION

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

/ STRATEGIC REPORT

/ GOVERNANCE

/ FINANCIAL STATEMENTS

Safe and Dependable

Strategic Report

2020 Highlights
Chief Executive Officer's statement
Business overview, strategy and model
Group operational performance review
Chief Financial Officer's review
Principal risks and uncertainties
Section 172 statement


SCOTTISH AMBULANCE SERVICE
AIRBUS

/ **2020 HIGHLIGHTS**

Gama Aviation Plc, is pleased to announce the results for the year ended 31 December 2020.

Financial Highlights:

Adjusted revenue[1]

$182.0m

Down 26% (2019: $246.8m)

Revenue

$197.5m

Down 20% (2019: $246.8m)

Adjusted EBIT loss[1]

$4.3m

Down 178% (2019: $5.6m profit)

Loss for the year

$14.7m

Down 41% (2019: $11.5m)

Net debt[1]

$86.6m

(2019: $98.0m)

Net cash inflow from operating activities

$33.7m

(2019: $1.7m cash inflow)

Financial summary

	Adjusted[1] $m		Statutory $m	
	Dec-20	Dec-19	**Dec-20**	Dec-19
Revenue	**182.0**	246.8	**197.5**	246.8
Gross Profit	**36.5**	39.5	**52.0**	39.5
Gross Profit %	**20.1%**	16.0%	**26.3%**	16.0%
EBIT	**(4.3)**	5.6	**(5.8)**	(7.0)
(Loss)/profit for the year	**(8.2)**	0.5	**(14.7)**	(11.5)
(Loss)/earnings per share (cents)	**(13.0)**	0.7	**(23.2)**	(18.2)

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest International Financial Reporting Standards (IFRS) measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt. As set out in Note 6, the average USD-GBP exchange rate for the year of $1.28 to £1 is the same for both 2020 and 2019, and therefore constant currency growth is not presented. The Directors believe that the presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance and provides a fair review of the Group's business.

- Financial performance across the Group during the year reflects the impact of the global pandemic on the aviation sector but Group's liquidity remains strong with $16.1m (2019: $8.5m) cash and $24.7m (2019: $5.0m) of its $50m revolving credit facilities undrawn as at 31 December 2020. As at 23 May 2021 cash is $16.0m and $16.6m of the RCF is undrawn
- Multiple new major contracts won and commenced in 2020:
  - In the Global Services Division, myairops® secured a $2.5m Software as a Service contract in March, with one of the world's largest business aviation operators
  - Together with Atkins, the Group was reappointed in May to continue delivering Military Airworthiness Reviews (MARs) to the RAF's HQ Command and the British Army's Joint Helicopter Command
  - The Group commenced all Helicopter Emergency Medical Services (HEMS) on behalf of the Scottish Ambulance Service on 1 June using its fleet of three Airbus H145 helicopters
  - The Group was awarded two five-year contracts to provide air ambulance services for the Government of Jersey and the Government of Guernsey, which commenced in July 2020
- During the pandemic the Group received COVID-19 related government support. $5.8m has been recognised in these accounts
- Vastly reduced commercial aviation volumes at Hong Kong airport, due to COVID-19, resulted in China Aircraft Services Limited (CASL) suffering substantial losses, of which the Group's 20% share amounted to $3.4m. Excluding CASL, Adjusted EBIT is a loss of $0.9m
- On 2 March 2020 the Group announced the sale of the US Air associate, for a total consideration of $33m, of which $3.1m is included within Adjusted EBIT, $4.4m is deferred revenue at the reporting date and $25.5m is included within Adjusting items
- Statutory loss of $14.7m (2019: loss of $11.5m) includes a net loss on Adjusting items of $6.5m (2019: loss of $12.0m). The net loss on Adjusting items is largely due to impairments of non-current assets which are partially offset by income and gains associated with the disposal accounting for the US Air Associate, and net of taxation
- Net debt, inclusive of $49.5m (2019: $60.2m) of obligations under leases, decreased to $86.6m from $98.0m at 31 December 2019
- No dividend recommended
- Since year end, the Group announced the strategically significant expansion of the Group's US Ground operations via the acquisition of Jet East, to act as a growth accelerator in the world's largest aviation market
- 5 year strategic review undertaken to focus on delivering value for all stakeholders

In what was an extremely challenging economic environment, particularly for the aviation sector, every aspect of our 2020 business, operational and financial performance was overshadowed and severely impacted by the rapid global spread of the coronavirus pandemic.

Against this backdrop of significant disruption and unprecedented challenges, the Group has delivered a creditable performance. These results demonstrate the effectiveness of the decisive and proactive measures we took to protect our people and our business. It also endorses the robustness of our business model and the resilience of our operating platform.

I am extremely proud of how our people have responded to the unique challenges we have faced during the year. Through their unwavering efforts, commitment, dedication, and perseverance, all our bases across the world remained operational throughout, delivering services in support of our clients' essential missions. We continue to operate strictly under the enhanced preventative and protective measures advised by the World Health Organization, and by national governments to meet our overriding priority which is the safety and security of our global workforce and of our clients.

We have safeguarded the stability and financial performance of our business by acting swiftly and decisively to reduce costs and preserve cash, which is reflected in the full year results and the healthy liquidity position that the Group has maintained throughout this crisis. We remain vigilant to the economic, social and human effects of this pandemic and we will continue to take the necessary and proportionate actions to safeguard the interests of our shareholders, our customers and our people.

In parallel of our efforts to mitigate the pandemic's impact, we have also remained focused on the evolution of our strategy and business, particularly in strategically important markets. In this extraordinary year we have successfully delivered strong growth in our special missions' business through the successful launch of the Group's rotary capability in support of our long-standing Scottish Ambulance Service contract. In terms of new contracts, we were awarded and successfully launched two five-year contracts for the provision of air ambulance services for the Jersey and Guernsey governments as well as the renewal of an MoD contract, in partnership with Atkins, for the provision of critical airworthiness review services. Our efforts to grow our US maintenance business culminated in the completion of the Jet East Aviation Corporation, LLC ("Jet East") acquisition, announced on the 15th January 2021, which delivers immediate growth as well as strengthening our position in this strategically important market.

The transitions in Scotland and the Channel Islands were delivered on time and are operating as planned, as is the integration with Jet East in the US. These were significant achievements in the current environment, which serve to showcase the skills, expertise and dedication of our people.

The contract transitions in Scotland and the Channel Islands were delivered on time and are operating as planned, as is the integration with Jet East in the US. These are significant achievements in the current environment, which serve to showcase the skills, expertise and dedication of our people.

The strengthening of our finance and control functions continues under the leadership of our Chief Financial Officer Daniel Ruback with tangible improvements evident in the systems and processes, that are necessary to support and inform the business in its next phase of growth.

FY20 Financial Performance
Due to the fall in activity as a result of the pandemic and associated lockdowns, adjusted revenues were down by 26% to $182.0m for the period (FY19, $246.8m). Despite the significant drop in revenues, adjusted gross profits were modestly down by $3.0m to $36.5m (FY19, $39.5m). Adjusted gross profit margins were up by 4.1 ppts to 20.1% (FY19, 16.0%). As well as reflecting both the effectiveness of the operational cost reduction measures and the appropriate use of government support initiatives, this also demonstrates the robustness of the business model where a significant proportion of our gross profits are derived from availability based (rather than use based) contracted revenues. Adjusted revenue and gross profit excludes $15.5m (2019: nil) of accelerated branding fees which are presented within the statutory result.

Efforts to streamline and reduce the overhead cost structure of the Group at both divisional and central level, including the appropriate use of government support initiatives, resulted in a reduction of $3.3m in Adjusted other administrative costs to $26.9m (FY19, $30.2m). However, this was offset by an increase of $2.7m in Adjusted depreciation and amortisation of intangibles in the year to $6.9m (FY19, $4.2m).

The Adjusted EBIT loss of $4.3m for the year includes a $3.4m share of associate losses relating to our 20% equity investment holding in China Aircraft Services Limited (CASL). The loss has no cash impact to the Group. CASL provides maintenance and ramp services to airline customers at Hong Kong airport, where its revenues have been severely impacted by the significant drop in movements at the airport. Notwithstanding this share of associate losses, the Group has delivered a modest Adjusted EBIT loss from performance of its core operations and activities, over which it exercises management and operational control.

The Group generated a net cash inflow from operating activities in the period of $33.7m (FY19: $1.7m) which helped fund investment capital expenditure and other relatively small levels of essential maintenance capital expenditure, whilst maintaining a strong liquidity position. As at 31 December 2020 the Group had $16.1m (2019: $8.5m) of cash and $24.7m (2019: $5.0m) of its $50m revolving credit facilities undrawn.

Sale of US Air Associate
On 2 March 2020 the Group announced the sale of its US Air associate, Gama Aviation LLC, in which the Group had a 24.5% equity interest, for a total consideration of $33m. The accounting treatment applied to the sale proceeds, which was also disclosed in our interim results for the first half of 2020, is detailed further in Note 7 of notes to the financial statements.

The strategic rationale for the sale was compelling; it enabled the Group to monetise, at an attractive value, its investment in an associate over which it exercised no control, and which had grown increasingly dependent on a major customer who had an interest in purchasing the business. Additionally, this sale now enables the Group to focus its efforts and resources on driving and growing the US (home to the world's largest business aviation fleet) maintenance businesses, which are wholly owned. This was illustrated by the strategically important acquisition, in January 2021, of Jet East.

Impairment of Investments
The Board continues to closely monitor the carrying values of certain investments in view of the prevailing pandemic and uncertainness surrounding the pace and timing of any eventual recovery.

The financial performance of CASL has been very severely impacted by the pandemic. With revenues running at some 85% below pre pandemic levels, the Group's share of loses for the year running at some $3.4m and with no prospects of a return to profitability in the near term, the Board has impaired the carrying value of its investment in CASL. In May 2021 the Group received an offer for its 20 percent shareholding in CASL. The Board is currently considering the terms of the offer and is in negotiations with the counterparty.

Similarly, in view of the pandemic related delays in the construction of the Sharjah Business Aviation Centre, the Board has also impaired the "assets under construction" and right-of-use asset associated with this project.

Given the one-off and non-recurring nature of these impairment costs, they have been treated as adjusting items.

Full details of these and other impairment judgments are provided in Note 6 of the notes to the financial statements. Notwithstanding these impairments management continues to work diligently to maximise value from these investments in the circumstances.

Streamlined Energy and Carbon reporting (SECR)
As with all industries, aviation and the service companies that support aviation, have an obligation to recognise and reduce their impact on the environment, and notably, their carbon footprint. The Group is now in its second year of SECR and is reporting scope 1 & 2 direct worldwide emissions, as well as scope 3 indirect worldwide emissions under the ISO 14064-1:2018 methodology.

Further to the conclusion of the report, the Group, at the Board's direction, will be offsetting 3,210 CO_2e tonnes of its 2020 footprint through a verified carbon offset scheme. The Group has also initiated a programme (Project Element Six) to further reduce the business's direct and indirect CO_2 emissions from 2021 onwards as well as supporting its customers to adopt CO_2 reductive technologies and offset programmes. Full details of this initiative, the methodology and results of the SECR are contained within the corporate and social responsibility section of this document.

Strategic Review
The Group has undertaken a dispassionate review of the Company's strategy and performance since listing, concluding that in order to restore earnings per share growth, its activities must focus on gaining market share in markets where it has an established competitive advantage and full operational control.

This evolution of the Group's corporate strategy has resulted in a new market facing organisational structure, with two strategic business units; Business Aviation, Special Mission and Technology & Outsourcing, operating primarily within the three most mature aviation markets, those being the US, Europe and the Middle East. Furthermore, the evolved strategy is aiding the Group to focus its resources towards distinct organic growth opportunities as well as determining M&A priorities through which it will aim to accelerate market share and margin improvement.

As evidence of the strategic change at work, the Group has successfully delivered two Special Mission air ambulance contracts, has significantly grown the size of its Business Aviation maintenance capability and is growing a strong pipeline of government related Special Mission opportunities. Having secured a $2.5m Software as a Service contract in March, with one of the world's largest business aviation operators, the Technology & Outsourcing business continues to grow its presence and is primed for growth as flight activity starts to recover to pre-2020 levels.

The changes will be reflected in future segmental reporting, starting from the interim results covering the period to 30 June 2021. The Board believes this will provide greater clarity for shareholders, assisting them to evaluate the opportunities, investment requirements and performance of each facet of the Group.

A fuller account of the review and changes follows within the five-year strategic review section.

Outlook
Although the macro impact of the pandemic on the aviation sector has been severe, management has ensured the long-term stability of the Group. By realigning its go to market and delivery structure to align to the current and future needs of its customer base, we have evolved an already robust and resilient business to address evident short term challenges, while readying ourselves for renewed growth once the current pandemic has subsided.

Marwan Khalek
Chief Executive Officer

/ FIVE-YEAR STRATEGIC REVIEW

In May 2020, the Executive undertook a dispassionate review of the Company's strategy and performance, to:

/ Baseline the expected post COVID-19 economic realities, opportunities and paths for future growth
/ Refocus the Company's efforts through a defined purpose that galvanises internal teams, and through their actions, delivers value to our clients and in turn to our shareholders
/ Restore investor confidence via a focus on earnings per share (EPS) growth and cash generation to create shareholder value

The strategic review concluded the following:

/ In certain regions the business had not attained the operational scale required to meet the Group's EBIT expectations and was unlikely to achieve these in the short term given the economic and market repercussions of the pandemic
/ Given ongoing uncertainties associated with the pandemic, resources should be focused on penetrating high value markets where the Company has an established competitive advantage so as to deliver medium term EPS growth
/ The delineation of the core business between 'Air', 'Ground' and 'Global Services' increasingly did not reflect a pattern of buying behaviour evident from our clients who wanted a single, holistic solution that reflected the totality of their aviation requirements. The structure had also created internal challenges that were, on occasion, acting as impediments to performance
/ The Group should continue to target, as a priority, long-term contracts with major aviation operators and government departments that rely on stable, large scale partners such as Gama Aviation to deliver their mission
/ Further to the above, the Group's core competency is to enable its clients to deliver "decisive advantage". This galvanising purpose must be central to the Group's ability to improve margin performance by increasing the perceived, and delivered, value of its services

/ EVOLUTION OF THE GROUP'S CORPORATE STRATEGY

Given the conclusions of the Group strategic review, the Board determined that the strategy on listing in 2015 should be evolved to reflect those findings and recognise the likely ongoing market and economic impact of the COVID-19 pandemic over the next planning period.

Core to the strategic evolution is to pivot away from its singular aim of consolidation. Instead the Group will focus its resources on building share in distinct, high value, customer focused, markets where its depth and breadth of services have established competitive advantage. Operational scale will be added through organic growth and highly focused M&A, with the later specifically designed to accelerate and enhance operational gearing leading to further margin improvements.

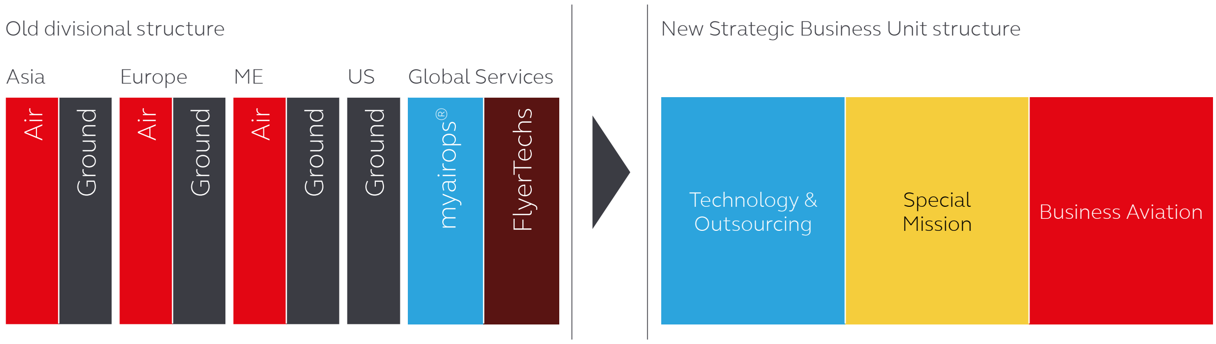
2015-2020
Consolidating a fragmented market
Margin improvement comes from creating scale in the business aviation market that drives internal economies and external demand.

2021-
Focused, demand-led growth
Margin improvement comes from a focus on delivering highly valued services within the business aviation and special mission markets in areas where the Group has full control and established competitive advantage.

As a consequence of the change in emphasis, a series of strategic imperatives were accepted by the Board during July 2020 which have, and are, being implemented across the Group. Commentary on the progress and status of each is provided below. This work is on-going and the following represents a summary of progress to the end of Q1 2021.

/ A NEW, MARKET FOCUSED, ORGANISATION STRUCTURE EFFECTIVE IN 2021

Three market facing strategic business units (SBU) have been created (effective 1 January 2021), to deliver the Group's future services and commercial operations will be delivered. Future segmental reporting, from the interim results covering the period to 30 June 2021, will be presented to reflect this structure. The Board believes this will provide a direct line of sight for shareholders, better enabling them to understand and assess the SBU's market activities, investment requirements and performance.



Led by a Managing Director and leadership team, each SBU will determine (subject to Group review and approval) its own budget, go to market approach, expenditure requirements, etc. working with supporting functions to deliver to, and develop, its client base.

/ THREE MARKET FACING STRATEGIC BUSINESS UNITS WITH CLEAR IMPERATIVES

Business Aviation
The Business Aviation SBU is focused on the delivery of the following lines of business to clients principally in the top three regional business aviation markets: the US, Europe and the Middle East.

/ **Maintenance.** The delivery of comprehensive maintenance solutions that support business aviation operators and owners by delivering contracted levels of availability
/ **Management.** The operational management of an aircraft (or fleet), and its crew, that the owner wishes to place on one of the Group's air operating certificates (AOCs)
/ **Charter.** The sale of available flight hours on aircraft to charter brokers or to direct clients worldwide
/ **FBO.** The management of our strategically positioned fixed base operations at airports in the UK, Channel Islands and Middle East

Benefits of moving to this structure:

/ Identifiably focused on a single market sector
/ Commercial decision-making is contained within the SBU allowing a much more flexible approach to bundling services to increase competitive advantage and drive revenue per tail
/ A consolidated sales and account management team that is focused only on building the Business Aviation SBU
/ Structure scales easily should further depth & breadth be added to the lines of business (for example, the acquisition of Jet East)

Strategic imperatives for the Business Aviation SBU:

/ **Grow the US maintenance business.** Jet East was acquired in January 2021 and acts as a growth accelerator in the world's largest business aviation market. With the acquisition has come the opportunity to significantly bolster our US team with accomplished business leaders with strong track records in high growth maintenance organisations
/ **Grow the European maintenance business.** Having successfully built the large jet base maintenance business in Bournemouth, extend the portfolio of services to include AOG, line maintenance, components and parts increasing the volume and market share of the Group's fleet and retail business
/ **Creating a centre of excellence for aircraft management.** In December 2020 the decision was made to embark on a process of consolidating the back office and leadership functions of the Asia Air team. Further to this, and the emergence of the new strategy, the Saudi Arabia office has now been closed. A centralised team will now drive the growth of the Group's aircraft management business
/ **Rebuild the charter offer.** Rebuild the charter team with high performance individuals focusing on sales to brokers and a small number of direct customers worldwide in order to capitalise on the predicted uptake of charter demand
/ **Continue to drive value from the strategic positions occupied by our FBOs.** Centralise the leadership and management of the Group's strategically positioned FBO network such that the maximum opportunity is gained from each aircraft transitioning through one of our FBOs

Special Mission
The Special Mission team provides the mission expertise to assist governments and businesses in exploiting a variety of aviation assets (fixed wing, helicopters and unmanned aerial systems ("UAS") within the following sectors:

- / **Air Ambulance & Rescue.** The delivery of fixed wing and rotary mission solutions to the governments of Scotland, Jersey and Guernsey as well as the circa 21 helicopter air ambulance charities operating within the UK
- / **National Security & Law enforcement.** Providing "intelligence as a service" aviation platforms to the UK government to protect the national interest
- / **Infrastructure & Survey.** The monitoring of critical national infrastructure for the purposes of failure monitoring, environmental controls, mapping or other such studies
- / **Energy & Offshore.** Providing platforms that help energy companies create, service and maintain offshore energy infrastructure

Note: the aircraft, helicopters and UAS deployed in the above markets including, but not limited to their, lease / purchase, modification, embodiment, through-the-life support, pilotage, etc. will be stated through the Special Mission SBU segmental reporting as from 30 June 2021.

Benefits of moving to this structure:

- / Identifiably focused on four special mission focused markets
- / Clear mandate to continue the active pursuit of large, set piece procurement programmes featuring long-term contracts with UK government and other blue-chip clients
- / Future expenditure requirements are clearly aligned to the delivery of contracts providing investors a clear line of sight of performance from contract win to deployment of service
- / Freedom to innovate in response to the changing technology landscape and capabilities of unmanned aerial systems (UAS) based on current and future client needs for intelligence as a service programmes

Strategic imperatives for the Special Mission SBU are:

- / **Penetrate the UK charity Air Ambulance market.** Following the successful implementation of the helicopter service in Scotland, capture further opportunities with well-funded principals in the UK charity Air Ambulance market through the displacement of entrenched incumbent providers
- / **Build market share in UK government intelligence, surveillance & reconnaissance (ISR) projects.** Building from a strong reputation for delivery, further penetrate key ISR projects within the various ministries of the UK government, particularly the Ministry of Defence
- / **Develop an unmanned aerial systems (UAS) capability.** Develop the required capabilities to provide UAS solutions to complement the use of existing aviation systems to deliver ISR missions
- / **Enter the wind segment of the Energy & Offshore market.** The UK government has announced strong support for the UK wind industry leading to a number of opportunities for offshore helicopter operations during the build and maintenance phase of UK wind farms

Technology & Outsourcing

The Technology & Outsourcing team is focused on the delivery of advisory, technology and outsource services to aviation customers who seek to gain a decisive advantage using real and near-real time intelligence. The market focus of the Technology & Outsourcing team will be:

/ **Business aviation fleet operators.** Those operating fleets that are conducting private and charter operations that depend on accurate, up to the minute operational data to deliver their business model efficiently and effectively

/ **Regional airlines.** Regional airlines that are seeking to benefit from outsourcing non-core back office competencies in areas such as flight planning/trip support and continuous airworthiness management

/ **Contract primes.** Primes that require specialist knowledge to complement existing, or provide expert driven services to deliver, aviation service contracts for government

/ **Special mission.** The integration of data feeds to create a fused intelligence picture allowing for enhanced situational awareness for operational commanders

Benefits of moving to this structure:

/ Identifiably focused on a value market horizontal for both Business Aviation and Special Mission

/ Clear agglomeration benefits between the software development, management services and advisory allowing a more focused and effective approach to business development

/ An R&D mandate to use technology to create competitive advantage within the other SBUs such as Special Mission

/ An internal structure within Technology & Outsourcing that aligns to the core Business Aviation and Special Mission market verticals

Key imperatives for the Technology & Outsourcing SBU are:

/ **Maintain a world class Software as a Service (SaaS) product suite.** Focus on the operational needs of the business aviation market particularly with regards to the complexity of FBO and flight operations and the regulatory requirements of continued airworthiness management

/ **Increase the share of the flight operations outsource market.** Capitalise on outsource opportunities and larger competitors exiting the market by growing share within business aviation and extend the competency towards the regional airline market

/ **Build new competencies in high value/high margin advisory services.** Seek to maximise fleet availability and regulatory compliance while safely reducing maintenance costs for airlines and business aviation fleet operators

/ **Focus on sales development and pipeline conversion.** Increase opportunity conversion within the world’s largest business aviation markets, the US, and in Europe

/ **Partner with the Special Mission SBU.** Develop the data management component of the “intelligence as a service” using the ISR platforms deployed by the Special Mission team

/ ENHANCING PERFORMANCE THROUGH A FIX & OPTIMISE PROGRAMME

Alongside the re-organisation of the Group's structure into three market facing strategic business units, the Executive has initiated a company-wide, ground up, Fix & Optimise programme. The programme focuses the efforts and resources of the business through the optimisation of areas of the business where further efficiencies, effectiveness and enhanced competitive advantage can be achieved.

Many of these projects have been reported under the above commentary as they are germane to the activities of the SBUs, however alongside these are improvements to the infrastructure of the Group, these being, amongst others, the following:

- / **Finance systems.** A deeper integration of the Corridor maintenance ERP system with the Sage accounting system to remove areas of low/no value manual intervention and increase accuracy
- / **Flight Operations systems.** Transition to the myairops® Flight product (completed) and a further programme of system automation to remove manual processes and improve data flows for management information
- / **Engineering service line.** Service delivery process improvements in all the major locations through the incorporation of robust project life cycle management processes
- / **Engineering service line.** Addition of new workshop facilities and the repositioning of some Beechcraft King Air maintenance activity to Glasgow to address capacity constraints at the 135,000sq ft Bournemouth facility following considerable growth of the jet maintenance business
- / **Aviation Compliance & Assurance.** Restructuring of the regulatory team to better reflect the needs of the SBU structure and the compliance demands of the national regulators
- / **Carbon footprint mitigation.** Policies and processes designed to lower the Group's environmental impact and assist our clients with their own CO_2 management (more details can be found within the CSR section on page 41 of this document)

Revenue

	Adjusted[1]		Statutory	
USD'000s	**2020**	2019	**2020**	2019
Air Division	**98,430**	140,623	**113,930**	140,623
Ground Division	**79,928**	102,967	**79,928**	102,967
Global Services Division	**3,645**	3,223	**3,645**	3,223
Total	**182,003**	246,813	**197,503**	246,813

Gross Profit

	Adjusted[1]		Statutory	
USD'000s	**2020**	2019	**2020**	2019
Air Division	**12,073**	12,947	**27,573**	12,947
Ground Division	**21,539**	24,131	**21,539**	24,131
Global Services Division	**2,923**	2,395	**2,923**	2,395
Total	**36,535**	39,473	**52,035**	39,473

EBIT

	Adjusted[1]		Statutory	
USD'000s	**2020**	2019	**2020**	2019
Air Division	**3,348**	4,482	**18,109**	2,278
Ground Division	**705**	6,862	**(11,676)**	748
Global Services Division	**(22)**	686	**(371)**	325
Associates Division	**(3,272)**	918	**(5,848)**	918
Central Costs	**(5,082)**	(7,383)	**(6,048)**	(11,271)
Total	**(4,323)**	5,565	**(5,834)**	(7,002)

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt. As set out in Note 6, the average USD-GBP exchange rate for the year of $1.28 to £1 is the same for both 2020 and 2019, and therefore constant currency growth is not presented.

Operational highlights:

- / Multiple new major contracts won and commenced in 2020:
  - / In the Global Services Division, myairops® secured a $2.5m SaaS contract in March, with one of the world's largest business aviation operators
  - / Together with Atkins, Gama Aviation was reappointed in May to continue delivering Military Airworthiness Reviews (MARs) to the RAF's HQ Command and the British Army's Joint Helicopter Command
  - / Gama commenced all Helicopter Emergency Medical Services (HEMS) on behalf of the Scottish Ambulance Service on 1 June using its fleet of three Airbus H145 helicopters
  - / The Group was awarded two five-year contracts to provide air ambulance services for the Government of Jersey and the Government of Guernsey, which commenced in July
- / Air Division profitability impacted by a pandemic-related reduction in activity contributing to Gross Profit shortfalls
- / Ground Division's profitability impacted by a pandemic-related reduction in FBO and MRO revenues and an absence of the one-off gains that benefitted the prior year comparative in Europe
- / $5.8m of COVID-19 related government support within Adjusted EBIT which comprises $4.75m assumed US Government Paycheck Protection Program loan forgiveness, $0.6m UK Furlough scheme, $0.2m Hong Kong payroll scheme and $0.3m rent rebate in the Middle East
- / Vastly reduced commercial aviation volumes at Hong Kong airport, due to COVID-19, resulted in CASL suffering substantial losses, of which the Group's 20% share amounted to $3.4m
- / Since year end, the Group announced the strategically significant expansion of the Group's US Ground operations via the acquisition of Jet East

The above Group results are explained in detail below.

/ AIR DIVISION

The Air Division supports 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. Going forward, the capabilities and resources from the Air Division now form core elements of the Special Mission, Business Aviation and Technology & Outsourcing business units.

Adjusted[1]

	US		Europe		Middle East		Asia		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**3,750**	4,050	**62,707**	99,145	**18,603**	16,778	**13,370**	20,650	**98,430**	140,623
Gross Profit	**3,750**	4,050	**6,060**	6,160	**1,501**	1,519	**762**	1,218	**12,073**	12,947
GP %	**100%**	100%	**10%**	6%	**8%**	9%	**6%**	6%	**12%**	9%
EBIT	**3,817**	3,898	**138**	1,018	**(296)**	(571)	**(311)**	137	**3,348**	4,482

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt. In addition, the presentation of the impact on application of IFRS 16 in the prior year has changed to aid year-on-year comparability, refer to Note 2 of the notes to the financial statements for further details.

The Air Division revenue fell on an adjusted basis by 30% to $98.4m. Reduced recharges as a result of lower flying activity due to the COVID-19 pandemic were the primary driver for revenue reductions in both Europe (down 37%) and Asia (down 35%), whereas higher recharges relating to maintenance events increased revenues in the Middle East (up 11%). The changes in recharge revenues had minimal effect on profits, but smaller pandemic-related reductions in revenues from management fees, charter sales and flight planning services did flow through to gross profit. Gross profit in the US includes $3.75m (2019: $3.75m) of branding fees and a $0.3m one-off contribution in the prior year. Revenues and gross profits benefitted from the new air ambulance service contracts for the Government of Jersey and the Government of Guernsey, along with a commission on sale of aircraft in Europe.

The Air Division Adjusted EBIT reduced by $1.1m to $3.4m (2019: $4.5m). In Europe, gross profit was stable however additional depreciation following the investment in rotary and fixed wing aircraft contributed to increased overhead. Adjusted EBIT remained stable in the US. Reduced activity in Asia led to Gross profit shortfalls and there was a $0.5m increase in the loss allowance for doubtful debtors, both of which were partially offset by cost control measures. The Middle East improved due to reduced levels of funding of the business in Saudi Arabia, which is now in the process of being exited.

The in-sourcing by Europe Air of the helicopter emergency medical services (HEMS) for the Scottish Ambulance Service was delivered on schedule, leading to the successful go-live of this operation on 1 June 2020. Additionally, in July the Group commenced new Special Mission contracts to provide fixed wing air ambulance services to the governments of Guernsey and Jersey for an initial term of five years plus options to extend by up to five years.

Adjustments

	US		Europe		Middle East		Asia		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Accelerated branding fees	**15,500**	–	**–**	–	**–**	–	**–**	–	**15,500**	–
Total revenue and gross profit adjustments	**15,500**	–	**–**	–	**–**	–	**–**	–	**15,500**	–
Exceptional items	**–**	(250)	**606**	(2,072)	**(178)**	134	**(34)**	(16)	**394**	(2,204)
Amortisation	**–**	–	**(192)**	–	**–**	–	**(108)**	–	**(300)**	–
Impairment on intangibles	**–**	–	**–**	–	**–**	–	**(833)**	–	**(833)**	–
Total EBIT adjustments	**15,500**	(250)	**414**	(2,072)	**(178)**	134	**(975)**	(16)	**14,761**	(2,204)

Statutory

	US		Europe		Middle East		Asia		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
EBIT	**19,317**	3,648	**552**	(1,054)	**(474)**	(437)	**(1,286)**	121	**18,109**	2,278

Adjusted revenue and Adjusted gross profit exclude $15.5m of accelerated branding fees which are included in statutory revenue and gross profit. Air Division Statutory EBIT increased from a profit of $2.3m in 2019 to a profit of $18.1m in 2020, primarily due to $15.5m of accelerated branding fees on the disposal of the US Air Associate, see Note 7 for further details. Exceptional items reduced to a credit of $0.4m (2019: charge of $2.2m) and comprise $0.7m credit from settlements on legacy receivables under legal proceedings, partially offset by $0.1m share-based payment charges and $0.2m redundancy provision in the Middle East. Amortisation of the remaining acquired intangibles in line with policy and in the current year a $0.8m impairment of the carrying amount of Gama Aviation Hutchinson Holdings Limited (GAHH) acquired intangibles in Asia Air to the recoverable amount was recognised, see Note 15 for further details.

/ GROUND DIVISION

The Ground Division provides 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 an extensive 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[1]

	US		Europe		Middle East		Asia		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**38,605**	48,943	**35,243**	48,176	**3,766**	4,372	**2,314**	1,476	**79,928**	102,967
Gross Profit	**9,097**	6,396	**10,384**	15,650	**674**	1,453	**1,384**	632	**21,539**	24,131
GP %	**24%**	13%	**30%**	32%	**18%**	33%	**60%**	43%	**27%**	23%
Adjusted EBIT[1]	**720**	270	**301**	7,416	**(236)**	(273)	**(80)**	(551)	**705**	6,862

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt. In addition, the presentation of the impact on application of IFRS 16 in the prior year has changed to aid year-on-year comparability, refer to Note 2 of the notes to the financial statements for further details.

The Ground Division revenues fell 22% to $79.9m (2019: $103.0m). All regions experienced reductions in revenue except Asia where there was growth despite regional challenges. In Europe, the fall in revenue was $12.9m, driven by the prior year comparative benefitting from one-off equipment sales of $5.5m, closure of the loss-making Fairoaks maintenance business (reduction of $2.4m), and reduced demand for FBO and design services following the start of the COVID-19 pandemic (reduction of $4.4m). Nevertheless, due to the focus of the European Ground business on base maintenance, which is not driven by flying activity, maintenance hours at the core Bournemouth facility grew by 11% over the prior year, offset by reductions in the other areas mentioned. In the US, where the majority of current business relates to line maintenance which depends on flying activity, the fall in revenue of $10.3m was materially driven by the COVID-19 pandemic, with maintenance hours falling by 24% compared to the prior year. In the Middle East, revenue fell due to lower FBO movements, lower parking from planes being grounded elsewhere, and a knock-on effect of reduced activity on MRO revenues.

Adjusted EBIT fell by $6.2m to $0.7m, due largely to Europe ($7.1m down to $0.3m) and partially offset by US ($0.4m up to $0.7m profit) and Asia ($0.5m up to a loss of $0.1m). In Europe, gross profit in the prior period benefitted compared to the current period by $2.9m from one-off equipment sales and cost credits which dropped down into Adjusted EBIT, and 2020 was impacted by the

COVID-related services revenue reductions. Despite the impact of COVID-19 on revenues and a $1.0m increase in the expected loss allowance for doubtful debtors, Adjusted EBIT in the US improved albeit with the support of PPP loan forgiveness of $4.75m, which supported gross profit by $3.68m and administrative expenses by $1.07m. Asia's Adjusted EBIT improved by $0.5m due to a combination of improved mix within gross profit and reduced overheads, partially offset by a $0.5m loss allowance. In the Middle East, reduced FBO activity resulted in an Adjusted EBIT loss with fixed cost savings unable to offset gross profit shortfalls.

Adjustments

	US		Europe		Middle East		Asia		Total	
USD'000s	**2020**	2019	**2020**	2019 Restated*	**2020**	2019	**2020**	2019	**2020**	2019 Restated*
Exceptional items	**(663)**	(657)	**(90)**	(2,550)	**(6)**	–	**–**	(26)	**(759)**	(3,233)
Impairment of right-of-use asset	**–**	–	**–**	(2,341)	**(7,013)**	–	**–**	–	**(7,013)**	(2,341)
Impairment of assets under construction	**–**	–	**–**	–	**(4,609)**	–	**–**	–	**(4,609)**	–
Impairment of intangibles	**–**	(540)	**–**	–	**–**	–	**–**	–	**–**	(540)
Total EBIT adjustments	**(663)**	(1,197)	**(90)**	(4,891)	**(11,628)**	–	**–**	(26)	**(12,381)**	(6,114)

* Restatements are detailed in Note 2 of the notes to the financial statements. The only income statement restatement was a presentational change within adjusting items of an impairment of right-of-use assets.

Statutory

	US		Europe		Middle East		Asia		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
EBIT	**57**	(927)	**211**	2,525	**(11,864)**	(273)	**(80)**	(577)	**(11,676)**	748

Adjusted revenue and Adjusted gross profit are the same as statutory revenue and gross profit. Ground Division Statutory EBIT fell from a profit of $0.7m in 2019 to a loss of $11.7m in 2020. In addition to the movements discussed above, exceptional items reduced to $0.8m (2019: $3.2m) and comprise share-based payment charges and $0.6m of Jet East acquisition costs in the US Ground. In the current year an impairment charge of $4.6m has been recognised relating to the Business Aviation Centre (BAC) at Sharjah Airport following uncertainties related to the project, significantly impacted by the ongoing COVID-19 pandemic (2019: nil). In addition, a related impairment charge of $7.0m has been recognised on the right-of-use asset associated with the lease at Sharjah Airport to reduce the carrying amount to the recoverable amount (Refer to Note 6 for further details). Impairment charges in the US in 2019 of $0.5m did not recur in 2020. A $2.3m impairment of the right-of-use asset associated with the lease at Fairoaks airport in Europe did not recur in 2020.

/ 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 SaaS and mobile app solutions for business aviation operators, flight support companies, FBOs and regional airports.

	Total	
USD'000s	**2020**	2019
Revenue	**3,645**	3,223
Gross Profit	**2,923**	2,395
GP %	**80%**	74%
Adjusted EBIT[1]	**(22)**	686

[1] The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt. In addition, the presentation of the impact on application of IFRS 16 in the prior year has changed to aid year-on-year comparability, refer to Note 2 of the notes to the financial statements for further details.

The Global Services Division grew revenues by 13% to $3.6m (2019: $3.2m) however EBIT fell to nil (2019: $0.7m). Growth in revenue and gross profit was driven by performance in myairops® following the launch of three new products and associated product sales in the first half of the year, including a $2.5m three-year contract with a large business aviation operator. Associated with the product launches, amortisation of the product development commenced, impacting Adjusted EBIT by $1.0m. Sales performance was significantly impacted in the second half of the year by COVID effects, with many prospective customers deferring expenditure. FlyerTech traded broadly in line with prior year, with a modest reduction in revenue offset by enhanced margin performance.

Adjustments

	Total	
USD'000s	**2020**	2019
Exceptional items	**(35)**	(45)
Amortisation	**(314)**	(316)
Total EBIT adjustments	**(349)**	(361)

Statutory

	Total	
USD'000s	**2020**	2019
EBIT	**(371)**	325

Adjusted revenue and adjusted gross profit are the same as statutory revenue and gross profit. Global Services statutory EBIT fell from a profit of $0.3m in 2019 to a loss of $0.4m in 2020. In addition to the movements discussed above, statutory EBIT included amortisation of $0.3m in respect of acquired FlyerTech intangibles assets.

/ ASSOCIATE INVESTMENTS

As reported in our 2019 Annual Report and Accounts, the US Air associate was sold on 2 March 2020, see Note 7 of the notes to the financial statements for further details. The $0.1m of Adjusted EBIT represents the Group's share of results from the US Air associate prior to disposal.

China Aircraft Services Limited (CASL) suffered substantial losses, the Group's share of which amounted to $3.4m of Adjusted EBIT due to vastly reduced commercial aviation volumes at Hong Kong airport, impacted by COVID-19.

Adjusted[1]

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019
Adjusted EBIT[1]	**78**	518	**(3,350)**	400	**(3,272)**	918

[1] The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt.

Adjustments

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019
Impairment of equity accounted investments	**–**	–	**(3,421)**	–	**(3,421)**	–
Impairments on non-current assets within share of results from equity accounted investments	**–**	–	**(6,433)**	–	**(6,433)**	–
Profit on disposal of interest in associates	**7,278**	–	**–**	–	**7,278**	–
Total EBIT adjustments	**7,278**	–	**(9,854)**	–	**(2,576)**	–

Statutory

	US Air Associate		China Aircraft Services Limited		Total	
USD'000s	**2020**	2019	**2020**	2019	**2020**	2019
EBIT	**7,356**	518	**(13,204)**	400	**(5,848)**	918

Impairment charges of $9.9m (2019: nil) has been made against the equity accounted investment in CASL, reflecting the Group's assessment of its recoverable amount, driven by its significant decline in performance and outlook caused by the COVID-19 pandemic, and impairments of non-current assets in CASL, see Note 18 for further details. The disposal of the US Air Associate resulted in a profit before taxation on disposal of the Group's equity interest of $7.3m. Overall, associate statutory EBIT decreased from a profit of $0.9m in 2019 to a loss of $5.8m in 2020.

Adjusted Revenue is down 26%, at $182.0m (2019: $246.8m)

Daniel Ruback
Chief Financial Officer

Adjusted Revenue[1]

$182.0m

Down 26% (2019: $246.8m)

Adjusted EBIT loss[1]

$4.3m

Down 178% (2019: $5.6m profit)

Loss for the year

$14.7m

Down 41% (2019: $11.5m)

Basic loss per share

23.2 cents

(2019: 18.2 cents)

Net debt[1]

$86.6m

(2019: $98.0m)

Net cash inflow from operating activities

$33.7m

(2019: $1.7m cash inflow)

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt.

Over the past year there has been significant progress made in strengthening the finance function and enhancing the wider controls and compliance environment across the organisation. Focus in these areas will remain a priority throughout 2021.

Specific focus has been on improving the integration between our operational engineering system, which manages work orders and inventory, with our financial accounting system. The progress of this project in the second half of 2020 has already eliminated significant amounts of manual processes and provides a solid platform for further automation to be implemented over the coming months, both in our key UK engineering site as well as across the various US maintenance facilities.

Much greater focus has also been placed on the collection of accounts receivable. Whilst many areas of the business collect receivables in a timely fashion, certain business areas have had challenges in the past. During 2020 progress has been made in progressing some of the legacy debts.

Emphasis in the management of cash, including enhancements in cash reporting and cashflow forecasting has been a key feature over the past 12 months. Despite the macroeconomic challenges resulting from COVID-19, the Group's cash position remained relatively stable throughout the pandemic impacted period of 2020. This was and will continue to be further supported by the deferred elements of the proceeds, due over the next three years, of the sale of Gama's 24.5% holding in the US Air associate Gama Aviation LLC which was announced at the start of March 2020. The Group's solid liquidity position continues to be underpinned by the $50m revolving credit facility secured with HSBC.

Pleasingly incremental improvements in the timeliness and quality of the divisional month end close and reporting process continue to be delivered. The enabling benefits from improvements in the clarity and consistency of transactional processing has also supported a smoother year end audit than experienced in the prior year.

The incremental benefits delivered during the past 12 months have been achievable due to the hard work and focused effort of the entire finance community. The addition of a small number of key new hires and the repositioning of an existing team member have helped to strengthen the finance function during 2020 and have provided active leadership in key divisions, something that will be leveraged further during the remainder of 2021.

The integration of Jet East has commenced with the US finance team currently engaged in transitioning the incremental transactional volumes to Gama systems.

Financial summary

	Adjusted[1] $m		Statutory $m	
	Dec-20	Dec-19	**Dec-20**	Dec-19
Revenue	**182.0**	246.8	**197.5**	246.8
Gross Profit	**36.5**	39.5	**52.0**	39.5
Gross Profit %	**20.1%**	16.0%	**26.3%**	16.0%
EBIT	**(4.3)**	5.6	**(5.8)**	(7.0)
(Loss)/ profit for the year	**(8.2)**	0.5	**(14.7)**	(11.5)
(Loss)/earnings per share (cents)	**(13.0)**	0.7	**(23.2)**	(18.2)

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt.

Revenue Bridge

	$m
Revenue – 2019	246.8
Accelerated branding fee	15.5
Air Division	(42.2)
Ground Division	(23.0)
Global Services Division	0.4
Revenue – 2020	**197.5**

- / The Air Division had reduced opportunity to recharge costs due to reduced flying hours as a result of the ongoing COVID-19 pandemic
- / Ground Division revenue reduced primarily in Europe (a reduction of $12.9m) with the prior year benefitting from one-off equipment sales of $5.5m, whilst in the US aircraft maintenance was materially impacted by the ongoing COVID-19 pandemic with a $10.3m reduction in US Ground revenues
- / Global Services Division saw growth driven by performance in myairops® following the launch of three new products and associated product sales, despite COVID-19 related impacts on sales in the second half of the year

Adjusted EBIT[1] Bridge

	$m
Adjusted EBIT – 2019	5.6
Decrease in gross profit	(2.9)
Decrease in other administrative expenses	3.3
Increase in impairment of financial assets	(3.4)
Increase in depreciation and amortisation	(2.7)
Decrease due to losses from equity accounted associates	(4.2)
Adjusted EBIT – 2020	**(4.3)**

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt.

- / Reduced Gross Profit driven by Europe and Middle East Ground, and Air Division reductions partially offset by Gross Profit growth in US Ground and Asia Ground
- / Contributions from associates are down following substantial losses in CASL and the disposal of the US Air associate
- / The loss allowance for impairment of financial assets increased by $3.4m to $3.8m (2019: $0.4m)
- / Depreciation and amortisation of $6.9m is up by $2.7m from the $4.2m reported in the prior year. This includes $0.7m depreciation on helicopters which were brought into use in the year and $1.1m of increased depreciation across fixed wing aircraft, leasehold improvements and fixtures, fittings and equipment related to office moves. The increased depreciation was partially offset by $0.3m decrease in depreciation of right-of-use assets. $1.0m increased amortisation of software on internally developed software costs arising in myairops® as well as $0.2m increased amortisation of purchased software, relating to operational and financial systems
- / Other administrative expenses decreased as a result of government support received, cost control measures and a $0.4m decrease in the inventory obsolescence allowance to $5.0m (2019: $5.4m) in line with the accounting policy set out in Note 2 of the financial statements for the Group

Statutory EBIT Bridge

	$m
Statutory EBIT – 2019	(7.0)
Items impacting Adjusted EBIT	(9.9)
Adjusting items	
– Exceptional items comprising:	
– Increase in exceptional transaction costs	(0.6)
– Decrease in exceptional integration and business re-organisation costs	2.7
– Decrease in exceptional legal costs	1.6
– Decrease in other exceptionals	3.4
– Impairment of right-of-use asset	(4.7)
– Impairment of investment in associate	(3.4)
– Impairment of non-current assets within associates	(6.5)
– Impairment of assets under construction	(4.6)
– Accelerated branding fees	15.5
– Profit on disposal of interest in associates	7.3
– Decrease in share-based payment expense	0.3
– Decrease in acquired intangible amortisation	0.4
– Increase in goodwill and intangible impairment	(0.3)
Statutory EBIT – 2020	**(5.8)**

- $15.5m of accelerated branding fees have been recognised in adjusting items following the disposal of the US Air Associate and the settlement of existing contractual arrangements (see Note 7 for further details on the disposal)
- Impacted by the ongoing COVID-19 pandemic, impairment charges relate to $4.6m and $7.0m both in relation to Sharjah and $9.9m in relation to investment in associate CASL. The prior period included a $2.3m impairment of the right-of-use asset associated with the Fairoaks lease within other exceptionals (see Note 6 for further details)
- $7.3m profit before taxation on disposal of the US Air Associate (see Note 7 for further details on the disposal)
- The following integration and business re-organisation costs did not recur in 2020: $1.0m of direct closure costs at Fairoaks, $1.0m of non-recurring property and facility re-organisation costs and $1.0m of various other non-recurring costs
- A reduction of $1.6m in legal costs following the conclusion of various legacy litigation in the prior year
- Increased transaction cost of $0.6m relating to the Jet East transaction completed in January 2021

Finance charges
Net finance cost of $2.4m (2019: $4.0m), includes $1.1m (2019: nil) of finance income arising from financial assets. In particular $1.0m of interest arises on the deferred consideration relating to the disposal of the US Air associate (Note 7). A net foreign exchange gain of $0.2m (2019: gain $0.6m) relating to financing activities is included within net finance costs. In addition, in the prior year $0.4m of loan arrangement fees upon refinancing were written off, which did not recur in 2020.

Taxation
There is a statutory taxation charge for the period of $6.5m (2019: charge of $0.5m), which reflects a significant increase as a result of the US Air Associate disposal. The adjusted taxation charge for the year is $1.5m (2019: charge of $1.1m) and includes one-off charges of $1.5m, refer to Note 11 for further details.

An increased deferred tax asset for additional losses incurred has not been recognised due to the uncertainty of future available taxable profits to utilise the losses.

EPS
Shares in issue remain unchanged and the average share price for the year was lower than the exercise price of outstanding options and therefore there is no dilutive effect for diluted earnings per share. Basic Statutory EPS reflects an increase loss per share of 23.2 cents (2019: 18.2c).

Net debt and cash flow movements

	December 2020	December 2019
Adjusted EBIT[1]	**(4.3)**	5.6
Add: Adjusted depreciation & amortisation in cost of sales (Note 5)	**10.7**	15.2
Add: Adjusted depreciation & amortisation in administrative expenses (Note 5)	**6.9**	4.2
Adjusted EBITDA[1]	**13.3**	25.0
Less: Loan forgiveness (Note 27)	**(4.8)**	–
Less: Share of losses/profits of associates (Note 27)	**3.3**	(0.9)
Adjusted EBITDA after excluding non-cash items[1]	**11.8**	24.1
Working capital:		
Add: Working capital inclusive of promissory note on disposal of US Air Associate (Note 27)	**10.2**	(13.6)
Add: Accelerated branding fee not recognised in Adjusted EBIT	**15.5**	–
Add: Exceptional items	**(0.7)**	(7.8)
Working capital	**25.0**	(21.4)
Cash generated by operations (Note 27)	**36.8**	2.7
Add: Tax (Note 27)	**(3.1)**	(1.0)
Net cash flow from operating activities (Note 27)	**33.7**	1.7
Lease payments	**(16.0)**	(14.0)
Capital expenditure	**(27.8)**	(18.2)
Acquisition of business	**(1.5)**	(1.3)
Proceeds on disposal of associate	**9.9**	–
Net interest paid	**(0.3)**	(0.9)
Net proceeds from borrowings	**9.5**	32.7

	December 2020	December 2019
Dividend paid to equity holders of the parent	–	(1.6)
Net cash used in investing and financing activities	**(26.2)**	(3.4)
Increase/(decrease) in cash	**7.5**	(1.7)
Cash at the beginning of year	**8.5**	10.0
Effect of foreign exchange rates	**0.1**	0.1
Cash at end of the period	**16.1**	8.4
Borrowings	**(53.2)**	(46.2)
Obligations under leases	**(49.5)**	(60.2)
Net debt at the end of year	**(86.6)**	(98.0)

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure. APMs include Adjusted Revenue, Adjusted Gross Profit, Adjusted EBIT and Net debt. In reconciling from Adjusted EBIT to the net cash flow from operating activities, Adjusted EBITDA and Adjusted EBITDA excluding non-cash items are shown to aid understanding.

- / The net cash inflow on operating activities of $33.7m (2019: $1.7m) has been driven by:
  - / Adjusted EBITDA of $13.3m (2019: $25.0m)
  - / Non-cash items in Adjusted EBITDA including loan forgiveness of $4.75m (2019: nil) and partially offset by losses on associates of $3.3m (2019: profit of $0.9m)
  - / 2020 benefitted from a $7.1m reduction in exceptional cash flows in the year as there was a significant reduction in both litigation costs and integration and re-organisation costs, see Note 6 for further details
  - / Overall, working capital net inflow of $25.0m, which is up from the $21.4m net cash outflow in the prior year
    - / $15.5m of accelerated branding fees not recognised within Adjusted EBIT but within working capital movements have been shown separately, see Note 7 for further details
    - / $3.0m US Air Associate consideration, which was in addition to the $9.9m for the disposal of the investment, relating to trading related matters (see Note 7 for further details on the disposal). In addition, the capital element of the first instalment of the $20.0m promissory note was received and the $2.5m receipt is reflected with receivables
    - / As part of COVID-19 support in the UK, VAT payments of $3.2m have been deferred to 2021
    - / Government support, excluding the $5.75m from a Payment Protection Program Loan, of $1.0m was received
    - / General improvement in working capital, including a $4.6m receipt in relation to a long outstanding receivable
- / $27.8m capital expenditure includes the purchase, for $19.1m, of two new helicopters by Europe Air as part of the helicopter emergency medical services which went live on 1 June 2020, leasehold property improvements of $2.4m, fixtures and fittings of $1.9m following office moves, a fixed wing aircraft to support air ambulance services of $1.1m, $0.8m of aircraft hull and refurbishments and computer software, primarily relating to internally developed software arising from myairops® software development of $2.5m
- / $9.9m proceeds on disposal of the US Air Associate, net of transaction costs. Refer to Note 7 for further details on the disposal
- / Proceeds from borrowings include $25.7m in relation to the £20m term loan for helicopters, $2.6m drawdown on the RCF and $5.75m from a Payment Protection Program Loan
- / Repayment of borrowing includes a $22.8m repayment on revolving credit facility borrowings as a result of financing the helicopters via the term loan and repayment of other loans
- / On 18 July 2020, the Group acquired a business to provide air ambulance services for the Government of Jersey and the Government of Guernsey. $1.5m of cash consideration was paid
- / Net Debt reduced by $11.4m to $86.6m (2019: $98.0m)

/ DIVIDEND

The Board does not recommend a dividend for 2020 (2019: nil pence per share).

Litigation

Following the litigation update provided in the Company's 2019 Annual Report and 2020 Interim release, the Company continues to pursue the recovery of its long-standing trade receivables both through enforcement actions in the UK and in other jurisdictions. The Company has made progress through court proceedings in the UK. It remains the Board's expectation that other than the provisions already made by the Company against these claims, no further provisions will be required.

Daniel Ruback
Chief Financial Officer

The Directors consider the principal risks to the business are:

/ Health and safety risks from poor operational performance or an air accident which damages the Group's reputation
/ Increasing regulatory burden and maintaining oversight on existing approvals that may result with a non-compliance
/ Changes in political and economic climate that make air transport less attractive such as the ongoing COVID-19 pandemic
/ Reliance on key individuals and attrition of key staff that disrupt business activities
/ Increasing concentration and reliance on a small number of key customers
/ Cyber threat and information security
/ Liquidity and cash resources to support future growth of the business

The principal risks reported in the prior year relating to the foreign exchange risk, and risks stemming from the UK's departure from the Europe Union are no longer viewed as principal risks to business.

Health and safety incident damaging the Group's reputation
The Group's reputation for safety, reliability and high service standards is essential for maintaining customer loyalty and market positioning. 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.

Regulatory 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.

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 and concerns on climate change there may be pressure on some customers to reduce their use of private aviation services. The Directors mitigate this risk by adopting a strategy that includes a focus on resilient business models (such as Special Mission contracts and base maintenance) and by regularly reviewing current and anticipated activity levels and reducing the Group's cost base accordingly. Further details on steps taken on climate change are set out in the CSR report.

Reliance on key individuals
People management, development and retention is under renewed focus following a review of the people management risks which include potential business disruption from attrition in key individuals.

Reliance on a small number of key customers
A concentration on key customers in both the US and UK presents advantages in delivering long term stable and profitable business but may pose an increased risk in the event those relationships change in future. The Group aims to mitigate this by developing new long-term business with a range of other key accounts in both the US and UK.

Cyber threat and information security
In common with most businesses, the Group faces the risk of a breach of cyber security and associated loss of data followed by potential reputational damage and financial penalties. The Group has implemented a range of safeguards and has engaged external support to access, enhance and achieve further accreditation for its security controls. As a result of the increased prevalence of cyber security incidents in corporates, this risk was added as a principal risk in the current year.

Liquidity and cash resources to support future growth of the business
The Group's liquidity position is underpinned by an existing $50.0m revolving credit facility. In addition, deferred consideration on the disposal of the US Air Associate is due to the Group over the next three years however this may be collected ahead of the contractual timeframe; refer to Note 35 for further details. The revolving credit facility and term loan fall due for repayment on 14 November 2022 and 31 January 2023 respectively. However refinancing is expected ahead of these dates. Working capital management remains a key area of focus to optimise cash resources. Following the disposal of the US Air Associate in the year and the acquisition of Jet East after the reporting date, liquidity and cash resources has been added as a principal risk in the current year.

Effective risk management

On a regular basis the executive Directors meet to review the existing Group risk register and 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 as they arise, with mitigating action taken when required. The Group risk register is in the process of being refreshed however initial risks identified by the SBUs were highlighted to, and considered by, the Audit Committee in April 2021.

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 executive Directors hold 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 Executive 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

After the reporting date the Group has been considering proposals for internal audit engagement. An internal audit plan that ensures work is focused on the key risks identified by external audit, internal audit and the Directors is targeted for 2021, following the appointment of the preferred internal audit partner.

Approval

This report was approved by the Board of Directors on 26 May 2021 and signed on its behalf by:

Marwan Khalek
Chief Executive Officer

26 May 2021

Section 172 of the Companies Act requires every director to act in the way he or she considers, 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 to have regard (among 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. How our Board considers stakeholders including investors, customers, suppliers and employees in decision making;
5. The impact of the company's operations on the community and the environment;
6. The desirability of the company maintaining a reputation for high standards of business conduct; and
7. The need to act fairly as between members of the company.

This section aims to describe, in broad terms, how the Directors apply and comply with these principles and aim to discharge their duties under company law. The Directors recognise that listening to and considering the views of shareholders and other key stakeholders helps build trust and is therefore a key element of performing a duty to promote the Company's success. They also recognise that having a greater understanding of a wider range of viewpoints allows the Board to appreciate fully the potential impacts of the decisions it makes on all the Company's stakeholders.

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

For example, in terms of sales and acquisitions, in March 2020 the Group completed the sale of its US Air associate, Gama Aviation LLC to Wheels Up Partners Holdings LLC. The Group intends to use the proceeds from the sale to continue to execute its strategic objectives through its organic and acquisitive growth investments, particularly in terms of growing its US maintenance business. This was evidenced by the acquisition of Jet East in January 2021, adding scale to our US Ground division which provides maintenance services in the territory home to the majority of the world's private jets.

Interest of the Company's employees
Our employees' physical and mental well-being has been at the forefront of all our minds this past year, during the global pandemic and as the Company has faced a challenging year. Immediately implementing government guidelines to work from home where possible, our IT infrastructure enabled our employees to switch from office working to working remotely almost overnight. The Health & Safety team provided guidance, information and support to ensure our people were able to work from home safely. Our Horizon intranet was used to host a range of new COVID-19 policies, which were updated regularly to reflect current government guidance and provide ongoing support to employees.

For those employees on the front line of our engineering services, for example, social distancing measures were put in place and appropriate PPE was provided to enable them to continue with their day-to-day activities safely, while still meeting tough operational demands and deadlines.

A focus on mental well-being has become key for the Board and the senior leadership team, as we recognise the challenges and pressures that the lockdown, the restrictions on travel and meeting others, and working remotely away from colleagues is having on our people, both at work and in their personal lives. During 2020 we therefore launched a number of initiatives aimed at supporting our people through better communication, including the monthly Town Halls, ad-hoc 'Lunch and Learn' sessions on topics of general interest, (such as managing working at home while caring for children requiring home schooling), and we have also created well-being channels solely for our employees to share well-being ideas and thereby provide a support network for each other. The Company continues to support the staff with a comprehensive range of benefits from private medical, income protection, and an all-inclusive exercise, nutrition and well-being programme within our Employee Assistance Programme (EAP).

Our work continues, to improve understanding of mental well-being and to provide and promote a culture where it is "OK to not feel OK" as well as to enable employees to feel comfortable with discussing mental health concerns. As part of our ongoing commitment to this cause, the senior leadership team recently attended a Mental Fitness and Resilience course aimed at enabling our senior management members both to recognise and assess their own mental well-being and also be in a position to talk about it and to help those working around and with them. We realise that our employees need to feel that their mental well-being genuinely matters to us and that even our most senior executives understand the importance of positive mental well-being.

Foster business relationships with suppliers, customers and others
The Board welcomes the current reporting requirements as an opportunity to demonstrate how dialogue with a wide range of stakeholders informs and helps to shape its decisions. Insights from key customers, suppliers, employees and others enable the Company to develop its service lines to be better aligned to its customers and, in listening to feedback from the Company's many stakeholders, the Board believes that the Company continues to be well positioned to respond positively to the ongoing uncertainty resulting from the COVID-19 pandemic. 2020 was a remarkable year and despite the challenges for the aviation industry in particular it was also a year of progress for the Company, with the establishment of the three new Strategic Business Units, which reflect the major market segments where we see major strategic opportunity for the Group. While the new Strategic Business Units were established, these were not effective in the 2020 financial year and therefore the segmental results continue to be reported under the historic reporting structure. 2021 reporting will be under the new Strategic Business Units.

Although the direct interaction with customers and suppliers is more often through key relationship managers, Directors are regularly informed and updated on these relationships though frequent communication, including in formal business reviews that are held at least quarterly, roundtable events for industry sector participants, and strategic partnerships and collaborations with providers of complementary services, including in 2020 with providers such as Pratt & Whitney Canada, Atkins and Spire Aviation, and with original equipment manufacturers, including Textron.

How our Board considers stakeholders including investors, customers, suppliers and employees in decision making:
Periodically the Board reviews progress against the Company's strategic priorities and projects that are aimed at delivering longer-term growth for investors. The Board also focuses on maintaining financial discipline and delivering strong earnings, cash flow and returns to shareholders. The Company engages with its shareholders through an active investor relations programme, receiving feedback on shareholder views in several ways, including through the Chairman, CEO and CFO, who meet from time to time with key shareholders throughout the year, as well as through the results of independent study and report.

The Board periodically reviews the Company's safety, service reliability and standards, and environmental performance, with the objective of making the Company's operations safer for our entire workforce, while at the same time working towards minimising the environmental impact of those operations.

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 aim to reduce it wherever possible. The Group has been awarded the internationally recognised Carbon Footprint Standard for demonstrating low carbon credentials and the Group works to identify and carry out carbon and energy reduction opportunities where possible.

The Group works with an independent external organisation, Carbon Footprint Ltd, to monitor its Greenhouse Gas Emissions and the results for this exercise during 2020 are set out in the Corporate Social Responsibility section of this Annual Report. This is the second carbon footprint assessment the Group has carried out, the first having taken place in 2019, both of which comply with the UK government's Streamlined Energy & Carbon Reporting (SECR) legislation. Furthermore, it is the Group's intention to offset its scope one, two and direct scope three emissions, the treatment of which is described within the Corporate Social Responsibility section of the Annual Report.

In addition, waste recycling schemes are implemented throughout the Group's operations to limit environmental impact. In previous years the Group has participated in schemes that support local communities and has provided internship and apprenticeship opportunities. During 2020, this has not been possible due to legislation, medical advice and the Group's own COVID-19 policy. The Directors look forward to a time when once again the business can allow employees time to volunteer to play an active role in the communities in which we are located.

The desirability of the Company maintaining a reputation for high standards of business conduct
High standards of 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 shared values and expected behaviours as set out in the Employee Handbook.

All Directors and employees are expected to act with integrity and to comply at all times with the laws of the countries in which they operate. Employees are provided with resources to obtain advice, report grievances and/or any alleged or actual wrongdoing. The Group's Employee Handbook is regularly reviewed, updated and augmented as appropriate in order to reflect the Group's development and in light of any recent events. Further, the Company has recently updated its Anti-Bribery and Anti-Corruption policy and rolled out mandatory anti-bribery training to relevant employees.

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. This has become increasingly relevant following the further concentration of the Group's shareholders amongst a limited number of investors which has occurred during the pandemic period. The Board remains very mindful of the liquidity of the market for the Company's shares, and the consequences it may have for the Group's future development. All Directors, including independent non-executive Directors, are entitled to obtain independent professional advice at the Group's expense if required.

Where considered beneficial and/or necessary and in line with customary market standards, the Board continues to enter 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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/ BOARD OF DIRECTORS

The right mix of expertise to support growth.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

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 is the Company's Chief Operating Officer (COO). Neil joined Gama in 2016, as Chief Operating Officer (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). In February 2021 tendered his resignation as a Director of the Group in order to pursue a new career in the education sector. Neil will remain with the business until the end of August 2021 to ensure an orderly handover.

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 UK 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, the world's largest manufacturer of diesel-electric locomotives. Subsequently, he was an Executive Director of Railtrack Group plc at the time of its 1997 privatisation.

Formerly he was a Non-Executive Director of Hutchison China Meditech Limited, the innovative biopharmaceutical company. Currently, Michael serves on the Board of Wabtec, the US$8bn 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. Christopher resigned as Non-Executive Director of Green Family Holdings in November 2020.

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 Regulatory Decisions Committee of the Financial Conduct Authority, the Determinations Panel of The Pensions Regulator and chairs the Finance & Performance Committee, and is a member of the Audit, Workforce and Sustainability Committees of a major NHS Foundation Trust. He also acts internationally as an expert witness on corporate governance, financial reporting, accounting and auditing matters. Until July 2020 he was a member of the Audit Quality Review Committee of the Financial Reporting Council. 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
Since the Board's adoption of the QCA Gama Aviation continues to enhance its corporate governance structures and processes with the view 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.

I would like to thank all the independent non-executive Directors (INEDs) for their participation in the Nominations Committee, Remuneration Committee and Audit Committee. Through the sheer hard work and dedication of each of the INEDs contributing their respective professional skills and expertise in the committees, the governance of the Company has been greatly enhanced.

Daniel Ruback, the Chief Financial Officer (appointed in December 2019) and the finance team have been given a clear mandate to transform the finance functions of the Company and encouraging progress has been made during the year.

Steps taken to strengthen resources within the finance team in developing accountability and Board assurance frameworks for the Group are bearing fruit. There have been more timely assurances to the Board on the Group's short and long-term performances against budget and market expectations and progress against its long-term strategies. The next step is to further reinforce risk management.

In line with the Board's continued commitment to the adherence to the principles of the QCA Code, the Company has appointed a dedicated Corporate Compliance Officer to ensure that the Code's requirements and principles are complied with on an ongoing basis as well as further improvements are implemented. 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 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 continued 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.

Despite impediments of the COVID-19 pandemic, the Group's business has fared relatively well and remained stable. The cash balance remains healthy and there are adequate banking facilities.

Simon To
Chairman of the Board

Board of Directors
The Board is responsible for guidance and direction in reviewing strategy, monitoring performance, understanding risk and reviewing controls, procedures and processes of the Company. It is collectively responsible for the success of the Group.

The Board was made up of four executive and five non-executive Directors during 2020. 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 Company's ongoing bonus, pension or benefit schemes although they may hold shares, as noted in the Remuneration Report. The executive Directors are full-time employees of the Company. 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 four 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 supporting papers circulated to the Board in advance of the meetings. All meetings had documented minutes and were attended in person or virtually by Board members at the time of the meetings. The attendance record of each director is shown below. In addition, the Board had informal discussions as required from time to time.

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 Company's expense if required.

Board member	Meetings attended	Eligible to attend
Simon To	4	4
Marwan Khalek	4	4
Stephen Wright	4	4
Neil Medley	4	4
Daniel Ruback	4	4
Stephen Mount	4	4
Peter Brown	4	4
Christopher Clarke	4	4
Michael Howell	4	4

Board skills and evaluation
The Board has the appropriate balance of skills, experience, independence and knowledge of the Company and its business in the 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 30 and 31 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. Given the issues that the Company has faced the Chairman has throughout 2019 and into 2020 invited all executive and non-executive Board members to attend Audit Committee meetings. It is anticipated that following the approval of the 2020 Annual Report and Accounts the Company will return to a more normal pattern of Audit Committee attendance.

Under its terms of reference, the Audit Committee must meet twice a year. As a result of the COVID-19 pandemic meetings from March 2020 were conducted virtually. The Committee has formally convened five times in 2020. In addition there were a number of informal calls and email correspondence between the Chairman, Committee and other Board members, management and the external auditors PwC.

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.

Audit Committee Report
Following the appointment of Daniel Ruback as Group CFO in December 2019, together with a new Group Financial Controller in April 2020, considerable progress has been made in improving the timeliness and quality of the Group's internal financial reporting, risk management and control processes.

Whilst reliance continues to be placed on reviews at business unit level by Group Finance of programme performance, income, expenditure, balance sheets and cash flows; the effectiveness of these reviews is attested by the very considerable reduction in the number and value of subsequent period and audit adjustments that have arisen throughout, as well as at the end of, the year.

Significant improvements in accounting processes delivered in the year include:

- Implementing revenue auto-posting in the US in Q2 2020, eliminating the need to manually post thousands of invoices and enhancing the timeliness and accuracy of Sage general ledger accounting. This had been a source of cut-off errors in prior years;
- The mapping of balances from Sage to Tagetik (the Group consolidation and reporting system) via a SharePoint approval process, reducing the risk of mis-posting and mis-classification errors;
- Project Harrier, an initiative designed to provide more granular inventory analysis and the integration of Corridor (aviation operational maintenance system) balances into Sage;
- Revised anti-bribery policy and training rolled out across key elements of the workforce; and
- Simplification and reduction in number of subsidiary companies and bank accounts

Further improvements currently under way include:

- Recruiting a corporate compliance officer to support improvements in the roll-out, enforcement, training and application of an enhanced compliance environment;
- Reinvigorated Risk Register process linked to controls effectiveness and remediation process;
- The establishment of an out-sourced internal audit function – discussions are ongoing relating to a possible 2-3 year work plan with a third party provider;
- Establishment and roll out of baseline financial and operations controls framework for the Group with semi-annual self-declarations on compliance;
- Invoice approval – roll-out of invoice approval via SharePoint across divisions where this does not currently exist;
- Accounting Manual update; and
- Delegated Authority update – refreshed for new organisation structure including Jet East

The Committee and the Board are very mindful of the Company's regulatory obligations under the AIM rules, QCA Code and Companies Act and have engaged proactively with its primary regulators, AIM and the Financial Reporting Council (FRC). The Company's Annual Report and Accounts for 2018 were subject to review by FRC Supervision's Corporate Reporting Review team during 2019 and 2020. All issues raised were satisfactorily resolved through enhancements made to the 2019 Annual Report and Accounts. It is important to note that the FRC's review provides no assurance that these Report and Accounts are correct in all material respects and that the FRC accepts no liability for reliance on them by the Company or any third parties including investors and shareholders.

During the year the Committee has focused on oversight of the following matters in addition to the H1 results announcement:

- Impact of the Coronavirus pandemic on the Group's operations, its people, performance and financial resilience;
- Cash, working capital management and adequacy of the RCF facility;
- Results of business unit financial reviews;
- Performance of CASL associate and related valuation and financing matters;
- Negotiations with, and business case for acquisition of, Jet East (USA);
- Progress and management of litigation and long outstanding receivables;
- 2021 budget;
- Annual impairment review of goodwill and other intangible assets;
- Inventory valuation;
- Long-term revenue contract accounting estimates; and
- Accounting policy for government support received via the Paycheck Protection Program (PPP)
- Presentation of exceptional items

As part of its review of the 2020 Annual Report and Accounts the Committee gave careful consideration to the completeness of key risks identified, and reasonableness of judgements made; and whether the overall Report and Accounts present a fair, balanced and understandable view of the Group's results, financial position and cash flows on both a statutory and adjusted basis.

Key risks and judgements included, inter alia:

- Consideration of the recoverability of receivables balances and likely outcome of litigation matters, some of which date back a number of years;
- An impairment assessment of the Company's investments in its Hong Kong associate CASL;
- An impairment assessment of a right-of-use asset and assets under construction relating to a planned development in Sharjah;
- An impairment assessment of and the parent company's investments in, and intercompany balances receivable from, its subsidiaries;
- Accounting for bonus payments; and
- Disclosures and key accounting judgements in respect of the acquisition of Jet East and the provisional valuations of acquired intangible assets undertaken by an external specialist

Priorities for the Committee in 2021 will include a comprehensive review and update of the Group's risk register and internal control matrices, ensuring appropriate mitigations are in place and agreeing the terms of engagement and work plan for internal audit.

Nomination Committee

The Nomination Committee was chaired by Simon To until 15 November 2020 and since that date has been chaired by Michael Howell. The other members are Simon To and Peter Brown.

Under its terms of reference, the Nomination Committee must meet at least twice a year and is responsible for:

/ Monitoring and ensuring the proper composition of the Board;
/ Succession planning;
/ Retirements and appointments of additional and or replacement Directors;
/ Evaluation of Board effectiveness;
/ Induction and training of Directors; and
/ Monitoring and managing any Director conflicts of interest

At the next available Board meeting, the Chairman provides a verbal report of the Committee's recent proceedings and makes appropriate recommendations relating to its areas of responsibility.

There were no retirements or appointments of Directors during 2020.

Due to the pandemic and other proprieties, the Committee did not meet during 2020.

The Committee also recently instigated a review of Board and Board Committee effectiveness, the results of which are currently being collated and assessed. The results will be shared in a Board workshop, and action taken to optimise the modus operandi of the Board and its Committees.

Corporate and Social Responsibility (CSR) Committee

The CSR Committee is chaired by Simon To. The other members are Stephen Wright and Christopher Clarke. The Committee did not formally meet in the year due in part to COVID-19 related challenges. Despite not holding formal meetings, the Group has revised its CSR strategy particularly on environmental matters pertaining to CO_2 emissions from the business's activities. Most significantly this has led to the audit under the ISO 14064-1:2018 methodology by a third party of 2019 and 2020 CO_2 emissions and the subsequent plan to offset 2020 scope 1, 2 and part of scope 3 emissions for the business internationally. Further details including the streamlined energy & carbon report can be found on page 41.

Remuneration Committee

The Remuneration Committee ("Committee") comprises three members, of which two are independent non-executive directors and one a non-executive director (Chairman of the Board). The Committee is chaired by Christopher Clarke, supported by Michael Howell and Simon To. The Committee is required to meet twice a year and met formally four 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 and modified as appropriate the annual salary awards and bonus of the executive Directors and senior management;
/ Reviewed and modified as appropriate the share option scheme and proposed awards;
/ Engaged the services of two remuneration consultants so that, with respect to each of the executive Directors, it has a better insight into the appropriateness of pay levels; the composition and structure of remuneration packages; and bench-markings against comparable companies;
/ Reviewed and modified as appropriate salary and bonus proposals put forward by the executives; and
/ Discussed LTIPs proposals put forward by Directors and by external advisors. After the reporting date the issue of various share options and LTIP awards were approved, as noted in Note 35

As the Company is listed on the AIM, requirements of the remuneration reporting regulations do not apply to it. Nevertheless, the Committee endeavours to adopt such of those requirements that it so determines best serve the interests of the shareholders in the longer term. Progress was made during the year and will continue in 2021 despite impediments from COVID-19.

A Remuneration Report is included on pages 36 to 40.

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 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 is chaired by Christopher Clarke. The other members of the Committee are Michael Howell and Simon To. The Committee met four times during the year and all Committee members attended the meetings. In addition, the Committee had informal discussions as required from time to time. In the course of its work, the Committee has also liaised directly with the Company's external professional advisors as required from time to time.

The Committee liaised with two remuneration consultants and recommended 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 changes were approved after the reporting date, refer to Note 35 for further details. The Committee approved these changes 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 www.gamaaviation.com/investors/remco

Pay Policy
The Committee believes that the overall level of compensation for Directors and senior managers should compare favourably with similar-sized organisations and other peer groups, such that they are sufficiently rewarded for their responsibility and experience, are 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, the mix of short and longer-term remuneration and its settlement in cash and shares, is intended to align executive reward as closely as possible to 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 2020, all executive base salaries remained flat with no increase. Marwan Khalek was entitled to a base salary of £362,250, Stephen 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 and Benefits
Executive Directors are entitled to a pension contribution as follows: Marwan Khalek: 22.5%; Stephen Wright: 18%, Neil Medley: 12%; and Daniel Ruback 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. Awards to the executive Directors and other staff in the current year were made following, and in recognition of, their hard work, commitment and contribution to the Company's business that went above and beyond their contractual scope of work as well as to recognise significant progress that has been made in developing the finance function, processes, systems and controls. All awards are included in the Directors' Remuneration Report and were recommended by the Remuneration Committee for approval. To provide a history of executive bonus awards over the past six years, no bonus awards were paid in 2015, 2016 or 2017, however the following one-off awards were paid in the year, and over the last three years.

£'000	**2020**	2019	2018
Executive Directors			
Marwan Khalek	80	–	–
Stephen Wright	25	–	150
Neil Medley	50	–	33
Kevin Godley (resigned 1 February 2018)	–	–	110
Daniel Ruback (appointed 16 December 2019)	25	–	–
Non-Executive Directors	–	–	–
Peter Brown	–	25	30
Sir Ralph Robins (resigned 3 April 2019)	–	–	30
Aggregate Emoluments	**180**	25	353

For a history of an element of performance, a graphic of the Company's share price tracing backwards for the past six years is shown below.

6 Year closing share price history

Option awards
During the year no options were awarded to executives, senior managers and other staff. After the reporting date, the Remuneration Committee approved an a grant and surrender of share options. Refer to Note 35 for further details.

Long-Term Incentives
An equity-based Long-Term Incentive Programme (LTIP) was considered with the advice from two remuneration consultants in the year. After the reporting date, the Remuneration Committee approved an LTIP arrangement. No LTIP awards were made in the year. Refer to Note 35 for further details.

Director's Loan
At 31 December 2020 and throughout 2020, there were no Director loan balances outstanding (2019: nil).

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. The Chairman of the Board, is eligible for a fee of £53,000 per annum (2019: £52,000 per annum). The annual fee of the remaining individual non-executive Directors does not exceed £49,000 (2019: £48,000).

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 six 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
Stephen 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 2020:

£'000	Salary & fees[2]	Bonus award	Benefits in kind[1]	Pension	**2020 Total**	2019 Total[3]
Executive Directors						
Marwan Khalek	362	80	61	82	**585**	461
Stephen Wright	199	25	10	36	**270**	245
Neil Medley (resigned 22 February 2021)	335	50	11	34	**430**	380
David Stickland (resigned 31 May 2019)	–	–	–	–	**–**	290
Daniel Ruback (appointed 16 December 2019)	240	25	12	29	**306**	13
Executive total	1,136	180	94	181	**1,591**	1,389
Non-Executive Directors						
Sir Ralph Robins (resigned 3 April 2019)	–	–	–	–	**–**	27
Peter Brown	47	–	–	–	**47**	73
Richard Steeves (resigned 31 January 2019)	–	–	–	–	**–**	4
Chi Keung (Simon) To	53	–	–	–	**53**	52
Michael Peagram (resigned 30 April 2019)	–	–	–	–	**–**	20
Christopher Clarke (appointed 24 April 2019)	47	–	–	–	**47**	32
Michael Howell (appointed 24 April 2019)	47	–	–	–	**47**	32
Stephen Mount (appointed 27 June 2019)	49	–	–	–	**49**	24
Non-Executive total	243	–	–	–	**243**	264
Aggregate Emoluments	**1,379**	**180**	**94**	**181**	**1,834**	1,653

[1] Including the provision of life assurance, Group income protection, car allowances and private medical insurance.

[2] Reimbursements for travel are not remuneration and therefore are excluded.

[3] Remuneration for David Stickland included a settlement on departure of £192,500.

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 2020. After the reporting date, on 19 January 2021, Daniel Ruback was issued a total of 25,000 ordinary shares of 1 penny each in the capital of the Company ("ordinary shares") at nil cost, in accordance with the terms of his service agreement.

	Ordinary Shares		Unexercised Share Options[3]		Total Interests	
	At 31 December 2020	At 31 December 2019	**At 31 December 2020**	At 31 December 2019	**At 31 December 2020**	At 31 December 2019
Executive Directors						
Marwan Khalek[1]	**14,179,607**	14,179,607	**–**	–	**14,179,607**	14,179,607
Stephen Wright	**263,188**	263,188	**525,000**	525,000	**788,188**	788,188
Neil Medley[2]	**75,000**	75,000	**425,000**	425,000	**500,000**	500,000
Non-executive Directors						
Chi Keung (Simon) To	**130,000**	130,000	**–**	–	**130,000**	130,000
Michael Howell	**68,752**	68,752	**–**	–	**68,752**	68,752
Peter Brown	**20,000**	20,000	**–**	–	**20,000**	20,000

[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.

[3] Refer to Note 35 for details of options issued after the reporting date.

The Group is committed to managing its business responsibly across a wide range of stakeholders; from the local communities of which it is a part, to recognising and mitigating the environmental impact of the Group's business activities. This requires the Group to explore every avenue where the business can drive and implement change to the benefit of employees, customers, shareholders, and its wider stakeholder groups.

1. Employees
As a service organisation, the Group's employees are the backbone its business model. Nurturing and developing those teams is therefore a primary concern and as such, the Group makes every effort to maintain a safe, caring, and balanced, high performance culture. To achieve this the Group takes, amongst other things, a:

/ Rigorous approach to safety and occupational health (both physical and mental health);
/ Keen interest in the personal development of our employees through training and education;
/ Proactive approach to developing people's careers, developing a clear understanding of their development goals and allowing them to access opportunities available within our global organisation; and
/ Proactive approach to vitality, providing regionally appropriate employee benefits that encourage our people to maintain their health

2. Ethical business practices and good governance
Good practice requires continual attention. The standard the Group expects from employees and its business operations should not only comply with the spirit, but also the letter, of the legislation that is in effect across those jurisdictions in which the Group operates. As such, the Group operates, amongst other things, a:

/ Regular review of our processes, policies and controls;
/ Risk management framework to ensure risks are identified and appropriate controls are implemented across the business;
/ Comprehensive legal compliance framework and audit schedule to ensure compliance obligations are met; and
/ Programme of development to ensure business continuity and responsible growth based on ethical business practices and associated codes of conduct

3. Environmental footprint
The Group seeks to undertake the activities of its business in an environmentally responsible manner. As such, the Group aims to comply with the letter, and spirit, of the prevailing environmental legislation in order that our business operations do not have a significant adverse effect on the natural environment. In view of this, we support:

/ The UK government's SECR requirements;
/ The development of ground and flight procedures to minimise noise, carbon and NOx emissions, while maintaining the highest safety standards;
/ The removal of single-use plastics and engaging in waste recycling schemes throughout our operations, limiting our environmental impact as best we can; and
/ Employee volunteering days that support local environmental projects and other community causes

4. Supporting communities
From Van Nuys on the west coast of the US, to Hong Kong in the east, the Group plays an active role in a variety of communities; whether creating new employment opportunities through our growth or developing new supply chains with local business. In normal times the Group looks to create closer links with community members via a range of social, economic and environmental activities which include:

/ The provision of apprenticeships and work experience in non-sensitive areas of our business;
/ The employment of ex-service personnel;
/ Participation with local enterprise councils and chambers of commerce;
/ Charitable sponsorship and support at national and local level; and
/ Active participation within regional and national trade bodies

The Group's carbon footprint and Streamlined Energy and Carbon Reporting (SECR)
The Group has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to assess independently its Greenhouse Gas (GHG) emissions in accordance with the UK Government's *'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'*.

The Group's definition of its carbon footprint for SECR
For the purposes of the SECR report, the Group has defined its carbon footprint as a measure of the impact its activities have on the environment in terms of the amount of greenhouse gases produced, measured in units of carbon dioxide equivalents (CO_2e). The Group's carbon footprint is therefore made up of two parts, direct and indirect emissions.

Direct emissions
Direct emissions are produced by sources which are owned or controlled by the reporting organisation and include electricity use, burning oil or gas for heating, and fuel consumption as a result of business travel or distribution. Direct emissions correspond to elements within scopes 1, 2 and 3 of the World Resources Institute GHG Protocol, as indicated below.

Footprint	Activity	Scope
Direct	Electricity, heat or steam generated on-site	1
	Natural gas, gas oil, LPG or coal use attributable to Company-owned facilities	
	Company-owned vehicle travel	1
	Production of any of the six GHGs (CO_2, CH_4, N_2O, HFCs, PFCs and SF_6)	1
	Consumption of purchased electricity, heat steam and cooling	2
	Employee business travel (using transport not owned by the Company)	3

Indirect emissions
Indirect emissions result from a company's upstream and downstream activities. These are typically from outsourced/contract manufacturing, and products and the services offered by the organisation. Indirect emissions correspond to scope 3 of the World Resources Institute GHG Protocol excluding employee business travel as indicated below.

Footprint	Activity	Scope
Indirect	Employee commuting	3
	Transportation of an organisation's products, materials or waste by another organisation	3
	Outsourced activities, contract manufacturing and franchises	3
	GHG emissions from waste generated by the organisation but managed by another organisation	3
	GHG emissions from the use and end-of-life phases of the organisation's products and services	3
	GHG emissions arising from the production and distribution of energy products, other than electricity, steam and heat, consumed by the organisation	3
	GHG emissions from the production of purchased raw or primary materials	3
	GHG emissions arising from the transmission and distribution of purchased electricity	3

Based on the above classifications the Group's GHG emissions have been assessed by Carbon Footprint Ltd following ISO 14064-1:2018, using the 2020 emission conversion factors published by Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Business, Energy & Industrial Strategy (BEIS).

Although not required to meet the SECR legislation, the Group is reporting CO_2 emissions for scope one and two as well as reporting additional scope three emissions (the scope two assessment follows the location-based approach for emissions from electricity usage). The Group's reporting extends to all operations of the business including its wholly owned business interests in the USA, UK, Middle East and Asia.

Treatment of scope three, indirect emissions
Having received advice from Carbon Footprint Ltd, the Group's ISO14064-1:2018 audit partner, it has further delineated scope three, indirect emissions, into two broad categories these being:

- Scope three items indirectly associated with the delivery or growth of the Group's business (travel, home working, etc.). The Group believes these items are directly related to its business activities and therefore should be included within our carbon footprint assessment even if that is beyond the current SECR requirement; and
- Scope three items associated directly with demand instigated by a customer, this being mainly aircraft fuel consumption. The Group recognises and records these CO_2 emissions and will, given the limitations of the current engine, fuel and associated technologies, work with its customers to limit and mitigate these emissions through its best endeavours

2020 verified Greenhouse Gas emissions

The Group is keenly aware that 2020 was a unique pandemic year and consequently the GHG emissions table reflects a year of far lower business activity. Table 1 provided on the next page summarises the GHG emissions for reporting year: **1 January 2020 to 31 December 2020**.

In accordance with the ISO 14064-1:2018 methodology the calculation accuracy and materiality of the following report has a total uncertainty of +/- 6% leading to an estimated total error margin (all scopes) of +/- 1,474 tCO_2e.

Table 1: GHG emissions for reporting year: 1 January 2020 to 31 December 2020

Scope	Activity	Tonnes CO_2e
Scope 1	Site gas oil	406
	Site gas	154
	Van travel and distribution	32
	Company car travel	8
	Scope 1 Sub Total	**600**
Scope 2	Electricity generation	2,086
	Scope 2 Sub Total	**2,086**
Scope 3	Customer aircraft fuel consumption	21,845
	Flights	210
	Home workers	144
	Electricity transmission and distribution	114
	Other*	55
	Scope 3 Sub Total	**22,368**

Total scope 1,2,3 including customer aircraft fuel consumption

Total tonnes of CO_2e	25,055
Total Energy Consumption (kWh)**	97,009,229
Tonnes of CO_2e per tonne of jet fuel	6.90
Tonnes of CO_2e per £m turnover***	162

Scope 1,2,3 excluding customer aircraft fuel consumption

Total tonnes of CO_2e excl. customer aircraft fuel consumption	3,210
Tonnes of CO_2e per employee	4.41

* Other includes emissions from Air Freight, Grey Fleet, Taxi Travel, Rail Travel and Outsourced Lorry Freight.

** Total Energy Consumption includes Electricity, Site Gas, Site Gas Oil, Company Owned Vehicles, Grey-Fleet and Customer Aircraft Fuel Consumption.

*** 25,054.58/(Revenue of $197.5m/1.28 = £154.3m) =162

Primary intensity ratio comparator

Companies complying with Streamlined Energy and Carbon Reporting must include at least one intensity ratio in their report. An intensity ratio is a way of defining your emissions data in relation to an appropriate business metric, such as tonnes of CO_2e per sales revenue, or tonnes of CO_2e per total square metres of floor space. This allows comparison of energy efficiency performance over time and with other similar types of organisation.

The Group has determined that it will use tonnes of CO_2e per employee as its primary intensity ratio going forward. Tonnes of CO_2e will use scope 1 and scope 2 plus the previously defined treatment of scope 3 that excludes customer aircraft fuel consumption.

Tonnes of CO_2e* per employee**	**4.41**

* Based on the total tonnes of CO_2e excl. customer aircraft fuel consumption.

** Based on an employee population during the audit period of 728.

Carbon Neutral

Offsetting 2020 emissions
The Board has approved the offsetting in 2021 of the Group's 2020 emissions pertaining to the following categories audited by Carbon Footprint under ISO 14064-1:2018:

/ The Group's scope one emissions;
/ The Group's scope two emissions; and
/ The Group's scope three emissions but limited to those for which the business is directly responsible. This omits indirect customer aircraft fuel consumption as previously defined

To this end the Group is committed to offsetting at least 3,210 tonnes of CO_2e during 2021. The table below shows the breakdown of the scope 1, 2 & 3 emissions excluding customer aircraft fuel consumption and the effect of the offsetting.

Breakdown of CO_2e per emissions scope and effect of offsetting

Activity	Baseline Year 2019	Current Year 2020
Total Scope 1 & 2 Gross Location-Based Emissions (tCO_2e)	3,736	2,686
Scope 3 emissions (tCO_2e) excluding customer aircraft fuel consumption	1,193	524
Sub-total	4,929	3,210
Carbon offsets (tCO_2e) to be purchased	–	3,210
Total Net Location-Based Scope 1,2 & 3 Emissions (tCO_2e) (excluding customer aircraft fuel)	**4,929**	n/a

Group energy consumption
Total energy consumed by the Group in scopes 1 and 2 is expressed within the table below:

Total energy consumed per emissions scope

Activity	Current Year 2020
UK Operations Scope 1 & 2 energy consumed (kWh)	5,754,805
Total Scope 1 & 2 energy consumed (kWh)	8,779,550
Total energy consumed (kWh)	97,009,229

Selection of offsetting programmes

In accordance with the Group's wider corporate social responsibility programme and its values, the Group believes that any offsetting programme should be compatible with the spirit of its corporate social responsibility aims. It is for this reason that the selection of the offsetting programme:

/ Will not include "tree-planting" in the UK as its sole means of carbon reduction;
/ Shall not be limited to activities in the UK to reflect the geographic diversity of the Group;
/ Should empower gender and racial diversity and encourage economic growth within a community;
/ Should comply with the Group's ethical standards; and
/ Should be delivered through a Gold Standard VER/Verified Carbon Standard or equivalent scheme

Project Element Six: Carbon reduction and a low carbon future

Given some of the limitations of the current technology used directly and indirectly by the Group, it is likely that the Group will continue to use carbon offsetting as a means to mitigate its carbon footprint in future years. That said the Group's aim, through Project Element Six, is to introduce year-on-year improvements (however small) in energy efficiency, reducing its carbon footprint and that of its customers with regard to their aircraft use.

Specifically, through Project Element Six, the Group will:

/ Aim to improve audit accuracy and data such that the Group has, in the future, a near real time view of carbon emissions which is reported through the current quarterly business review cycle;
/ Fix, optimise or add policies/processes and changes in procurement practice that seek to lower the Group's scope one, two and three emissions through change;
/ Introduce new customer facing programmes in conjunction with leading audit/offsetting partners that can provide assistance in compensating and reducing carbon emissions; and
/ Review, provide assistance and partner with low carbon technologies (fuels, engines, systems) that may substitute current technologies to achieve a low carbon future

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2020.

Principal activities
The Group delivers a comprehensive array of high value aviation services through three distinct market facing strategic business units (SBU) these being Business Aviation, Special Mission and Technology & Outsourcing. Central to this successful model, and the Group's enduring customer relationships, has been the provision of the Group's 38 years of aviation design, maintenance, operational management, charter, software and facilities expertise.

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 Ruback
CK To
P Brown
C Clarke
M Howell
S Mount

Dividends
The Board does not recommend a dividend for 2020 (2019: nil pence per share). The Company intends to restore the parent company's distributable reserves which may involve extracting dividends from subsidiaries amongst other steps. The parent company financial statements show accumulated losses of £13,292k (2019: £5,847k accumulated profits).

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

Charitable and political donations
Group donations to charities worldwide were $5,035 (2019: $51,934). No donations were made to any political party in either year.

Engagement with employees and other stakeholders
The section 172 statement covering the interest of the Company's employees, on page 26, provides further details on engagement with employees.

Wider stakeholder engagement
The Group has continued to foster its relationships with wider stakeholders including investors, customers, suppliers, to help drive principal decisions taken by the Group during the financial year. Further details on how the Board have considered these stakeholders in their decision-making has been included within the Section 172 statement covering fostering business relationships with suppliers, customers and others, on page 26.

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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent 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. To support their assessment of Going Concern the Directors have performed a detailed analysis of cash flow projections for the Group covering the period from the date of approval of the annual financial statements to 31 December 2022. The analysis takes account of the following amongst other relevant considerations:

- The $50.0m committed revolving credit facility (RCF), of which $24.7m (2019: $5.0m) is undrawn at the reporting date and a £20.0m (2019: nil) term loan
- Receipt of the remaining balance of the US Air associate disposal proceeds of $18.0m at the reporting date but not the accelerated receipt of these cash flows as explained in Note 35
- The absence of the $16.0m of disposal consideration received in 2020 from future cash projections
- The acquisition of Jet East, which resulted in $10.0m drawn down on the RCF, $7.7m of initial consideration paid and $2.65m of acquired borrowings repaid
- Cash at the reporting date of $16.1m (2019: $8.5m)
- Working capital levels and a cautious conversion of profits into cash flows at circa 60 percent

The borrowing facilities have no covenants and fall due for repayment on 14 November 2022 and 31 January 2023 respectively. The Group has no reason to believe these facilities would not be renewed on comparable terms. The RCF, which is presented in non-current liabilities, is settled and drawdown on a cyclical basis with no right from the bank to demand full repayment within the next twelve months. 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 first quarter of FY21. Downside sensitivities have also been assessed, which reflect no further recovery in revenues and a continuation of the COVID-19 impacted trading performance in Q1 FY21 extending to the remainder of FY21. In both the Group'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 auditors
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.

On behalf of the Board

Marwan Khalek
Director

26 May 2021

PERFORMANCE Driven

Financial statements


Aviation
Your mission, our passion.

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 2020 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 and financial statements, which comprise: the Consolidated balance sheet and the Parent company statement of financial position as at 31 December 2020; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the Parent company statement 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

- We performed full scope audit procedures over 8 legal entities and performed specific audit procedures on a further 3 entities. This included the full scope audit of associate China Aircraft Services Limited, undertaken by PwC Hong Kong. All other work was undertaken by the UK Group audit team.
- Taken together, the entities over which audit work was performed accounted for 74.8% of the group's statutory revenue of $197,503k.
- Due to the current restrictions on travel and social distancing measures, enacted in response to the global COVID-19 pandemic, the group engagement team used video conferencing to oversee the component auditor work and conducted remote discussions and review activities to understand and supervise the work of PwC Hong Kong.

- Impairment of goodwill (Group)
- Long term contract accounting (Group)
- Valuation of parts inventory (Group)
- Recoverability of legacy trade receivables (Group)
- Presentation of exceptional items (Group)
- Business Aviation Centre ("BAC") Sharjah Impairment (Group)
- Impairment of investments accounted for under the equity method (Group)
- Consideration of the impact of COVID-19 (Group and Parent)
- Impairment of Investments (Parent)
- Paycheck Protection ("PPP") loan eligibility and forgiveness (Group)

- Overall Group materiality: $252,000 (2019: $338,000) based on approximately 0.14% of adjusted revenue.
- Overall Parent company materiality: £908,000 (2019: £1,213,000) based on approximately 1% of total assets.
- Performance materiality: $189,000.00 (Group) and £681,000 (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.

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.

BAC Sharjah impairment and Paycheck Protection ("PPP") loan eligibility and forgiveness are new key audit matters this year. Disclosure of related party transactions (Group and Parent company), Prior year restatements (Group and Parent company) and Lawfulness of dividends (Parent company), which were key audit matters last year, are no longer included, in part because of the improvements made following the change in financial management and additional controls being applied at the Group and Parent company level. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill (Group) *Page 34 (Audit Committee report) and page 67 (Note 2 (h) to the Consolidated Financial Statements – Accounting policies – Goodwill) and page 85 (Note 14 to the Consolidated Financial Statements – Goodwill)* The carrying value of goodwill is $22.5 million as at 31 December 2020. The goodwill substantially relates to the Europe Ground Division. The Group is required to test goodwill for impairment on an annual basis. Determining whether the carrying value of goodwill is impaired requires management to make significant judgements and assumptions in their assessment of the fair value less costs to sell or value in use. Management consider the value in use calculation 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. These include forecast cash flows, growth rates and discount rates. Management performed sensitivity analyses on certain key assumptions as noted above to understand the level of available headroom. No impairments were identified in the goodwill balances at 31 December 2020.	We have challenged management's key assumptions and tested the impairment models and calculations by performing the following: / Testing the mechanical and mathematical accuracy of the impairment models; we used PwC valuation specialists to assess the methodology applied in the valuation model and the appropriateness of the discount rates; / we benchmarked the discount rates to comparable companies and considered the underlying assumptions based on our knowledge of the group and its industry; / 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. As a result of our challenges, revisions to the valuation model were made by management. Based on our audit procedures performed we found that management's concluding calculation of the value in use supported their conclusion that no impairment charges to goodwill 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 in Note 3 and found these to be appropriate.
Long term contract accounting (Group) *Page 34 (Audit Committee report) and page 70 (Note 2 (s) to the Consolidated Financial Statements – Accounting policies – Revenue recognition)* The group has two material contracts which span multiple periods and are accounted for on a percentage of completion (POC) basis in accordance with IFRS 15. Long term contracting accounting requires a number of judgements and management estimates to be made, particularly in calculating the forecast costs to complete the contract. These judgements drive the revenue and profit recognition, and together with cash paid by the customer, impact the balance sheet position at the year end.	We held meetings with key financial and non-financial personnel to discuss contract performance, as well as evidence to support contract financials. Specifically our procedures included the following; / We assessed the basis of revenue recognition to ensure it is line with applicable accounting standards; / We agreed overall anticipated revenue to the underlying contract and validated a sample of customer invoices through to cash receipt; / We obtained evidence to corroborate management judgements and estimates, particularly around cost to complete and risk contingencies. Where applicable we obtained correspondence with the customer to evidence progress made on the contract during the year and remaining obligations; / We validated costs incurred and allocated to contracts to supporting documentation. No material exceptions were found.

Key audit matter	How our audit addressed the key audit matter
Valuation of parts inventory (Group) *Page 34 (Audit Committee report) and page 69 (Note 2 (m) to the Consolidated Financial Statements – Accounting policies – Inventories) and page 94 (Note 19 to the Consolidated Financial Statements – Inventories)* The group holds inventory of $5.9 million at year end which is stated after provisions for obsolete inventory of $5.0 million. Of the total year end provision, $1.5 million was charged to the income statement in the year. Inventory largely comprises parts, including rotable items, which are used to service aircraft. 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 that the aircraft these 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. Whilst this was a fairly manual process, in particular for rotables, we found that there was good third party evidence to support the determination of 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. 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 3 and found these to be appropriate.
Recoverability of legacy trade receivables (Group) *Page 34 (Audit Committee report) and page 69 (Note 2 (o) to the Consolidated Financial Statements – Accounting policies – Financial assets) and page 94 (Note 20 to the Consolidated Financial Statements – Trade and other receivables)* The group has trade receivables at 31 December 2020 of $23.8 million stated after impairment provisions of $7.0 million. Of the total provision of $7.0 million, an amount of $3.8 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 for the expected credit loss provision, performed look back tests to assess the accuracy of management's prior year estimates and, where applicable, reviewing legal correspondence and making enquiries of group legal counsel and external 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 3 and found these to be appropriate.
Presentation of exceptional items (Group) *Page 34 (Audit Committee report) and page 66 (Note 2 (e) to the Consolidated Financial Statements – Accounting policies – Exceptional items) and page 79 (Note 6 to the Consolidated Financial Statements – Adjusted performance measures)* 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 adjusted EBIT. During the year, the Directors classified $2.2 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 and established regulatory guidance on the reporting of alternative performance measures. As a result of our challenge a material items was adjusted to be excluded from Exceptional items; / 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. We found these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
BAC Sharjah impairment (Group) *Page 34 (Audit Committee report) and page 68 (Note 2 to the Consolidated Financial Statements – Accounting policies – Property, plant and equipment) and page 73 (Note 3 Critical accounting judgements and key sources of estimation uncertainty) and page 88 (Note 16 to the Consolidated Financial Statements – Property Plant & Equipment) and page 100 (Note 23 Obligations under leases)* In 2017 Gama 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 BAC at Sharjah Airport. The agreement runs from June 2017 until June 2042. The assets in the arrangement comprise of the land area provided and the buildings and infrastructure which Gama is building on the land. To date this has been recorded in assets under construction. The land footprint represents a contract containing a lease within the scope of IFRS 16 with a right of use asset. The assets under construction in relation to this agreement and the right of use asset have been fully impaired by $4.6 million and $7.0 million respectively to nil carrying value. Management have assessed the recoverable amount of these asset to be nil. This is based on: / Gama's judgement that it is unlikely to deploy further capital to fund the project; and / no clear plan as to securing other funding or contract restructure that will enable completion of the project or release Gama from the head lease.	We have assessed management's process for identifying a triggering event. We agree that poor performance in the Middle East business and management's decision not to continue to develop the BAC are triggering events that require an impairment assessment over the value of the assets under construction and right of use asset. In assessing management's position that there is nil value in use in the Middle East Ground division we have noted the performance of the division, as reported in Note 4 Segmental information has been a loss EBIT for several years, with declining revenue. Management have formally represented to us that there is currently no clear agreed plan to secure other funding or contract restructure that will enable completion of the project or release Gama from the head lease. We have identified no such discussions from our review of the Board minutes. We have evidenced from our review of the contract that Gama is contracted under the lease until 30 June 2042 but have no legal obligation to complete the development of the BAC. We concur that without further investment from Gama, alternative sources of financing or take on of the head lease, there is no certainty of any future income from the project. In the absence of any tangible interest from a third party, based on management judgement in regards to their intention to provide no further funding of the project and the uncertainty in securing financing from other parties, we consider management's conclusion to impair the assets under construction and right of use assets to nil to be reasonable. We also assessed the disclosures around the impairment assessment and have found these to be appropriate.
Impairment of investments accounted for under the equity method (Group) *Page 34 (Audit Committee report) and page 68 (Note 2 to the Consolidated Financial Statements – Accounting policies – Investments in associate and joint venture),page 92 (Note 18 to the Consolidated Financial Statements – Investments accounted for using the equity method), page 74 (Note 3 Critical accounting judgements and key sources of estimation uncertainty) and page 115 (Note 35 Events after the balance sheet date)* Investments accounted for using the equity method include an amount of $2 million in relation to the group's investment in China Aircraft Services Limited ("CASL"), after a current year impairment of $3.4 million. The 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 fair value less costs to sell. Management has based their fair value assessment on a recent proposal from a third party to acquire from an existing shareholder 20% shareholding in CASL for $2million. This is further supported by a very recent offer for Gama's 20% shareholding. Under the terms of the Shareholders' Agreement the existing shareholder is required to notify other shareholders of their intention to sell their shares to the third party. Gama were notified in a letter from the existing shareholder dated 12 April 21. Management has used this notification and the recent offer for its own shareholding as the basis for establishing the fair value of its 20% shareholding.	Based on our enquiries of PwC Hong Kong, statutory auditors to CASL, the business faces significant uncertainty and is forecasting losses for the foreseeable future. We therefore concur with management's opinion that neither a value in use assessment nor a percentage of net assets as a basis for establishing the recoverable amount is reliable. A fair value established from a recent arms length arrangement is a more appropriate basis. We have obtained a copy of the notification from the shareholder of their intention to sell their 20% shareholding in CASL for $2 million. As this is a recent proposal and represents the same shareholding as Gama's investment and taking into consideration the recent offer to acquire Gama's shareholding (for which we have also seen a copy), we found management's conclusion as to the fair value being $2 million and therefore recording an impairment charge of $3.4 million to be reasonable. We also read the disclosures around the impairment assessment, 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
Consideration of the impact of COVID-19 (Group and parent) Page 34 (Audit Committee report), page 6 (Chief Executive Officer's statement) and page 24 (Principal Risks & Uncertainties) Gama Aviation plc continues to deliver customer contracts and consider the impact of COVID-19 to the main group to be limited. Its associate, China Aircraft Services Limited has been significantly impacted by the dramatic reduction of air traffic caused by the pandemic. Management have taken precautionary action in implementing a series of temporary measures to reduce costs and preserve cash, including making use of the financial support available from both the UK and US Government. All bases have remained operational throughout the past 12 months albeit with a reduced demand. Whilst management consider the Group to remain resilient, economic uncertainty and restrictions on international travel from the continuing COVID-19 pandemic remains. The key potential impacts of COVID-19 on the Group and Parent company financial statements are: / The carrying value of goodwill: – budgets and models supporting the goodwill and impairment assessments have been updated to reflect management's best estimate of the impact of COVID-19. / These models and related assumptions also underpin management's going concern assessment. Management has modelled severe but plausible downside scenarios to its base case trading forecast. / The recoverability of receivable balances involves an increased level of judgement as a consequence of the COVID-19 pandemic and its impact on the wider economic environment. / The carrying value of the investment in associate (CASL) The pandemic has resulted in the year end financial close process, as well as the external audit, having to take place largely remotely.	We have discussed the impact of COVID-19 in each meeting held with management at multiple levels of the group. We validated that the cash flow forecast model used across the goodwill impairment and going concern were consistent. Our procedures in respect of the goodwill impairment assessments are covered in the related key audit matter above. With respect to management's going concern assessment, our procedures are covered in the 'conclusions relating to going concern' section below. With respect to recoverability of receivable balances, our procedures are covered in the 'Recoverability of legacy trade receivables' section above. With respect to carrying value of the investment in associate, our procedures are covered in the 'Impairment of investments accounted for under the equity method' section above. Whilst we have undertaken much of our year end work remotely, we did not encounter any significant difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions.
Impairment of investments (parent) *Page 34 (Audit Committee report) and Page 121 (Note 3 to the Company Financial Statements – Investments)* The Parent company statement of financial position includes investments of £51.7 million in relation to the Company's investments in subsidiary undertakings after a current year impairment of £24.5 million. Given the results of the Group have been below management's expectations and the share price remains at a level where the market capitalisation is below the total investment carrying value, an impairment trigger was identified. The investment 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.	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 rates used. We benchmarked the discount rates 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. As a result of our challenges, revisions to the valuation model were made by management. Based on our audit procedures performed we found that management's concluding calculation of the value in use for investments and net receivables owed by Group companies supported their conclusion that an impairment of £24.5 million was required over the investment balance. 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.

Key audit matter	How our audit addressed the key audit matter
Paycheck Protection Program (PPP) loan eligibility and forgiveness (Group) *Page 34 (Audit Committee report) and page 73 (Note 2 to the Consolidated Financial Statements – Accounting policies – Government grants) and page 74 (Note 3 Critical accounting judgements and key sources of estimation uncertainty)* In May 2020 Gama Aviation Engineering Inc ("GAEI") secured and drew down a loan of $5.7million administered and guaranteed by the US government agency the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In making the application for the loan Gama have certified in good faith that before submitting the loan application that the economic uncertainty at the time GAEI made the loan request was necessary to support the ongoing operations of GAEI. The PPP loan is a loan arrangement which is forgivable if used for payroll costs and other qualifying expenditure incurred within a 24 week period from the date funds are received. Management have assessed that GAEI qualifies for $4.7million of the PPP loan and that it is reasonably assured that it will comply with the loan forgiveness conditions. IAS 20 "Accounting for Government Grants" addresses forgivable loans, and Gama have concluded that the application of IAS 20 to the PPP loan bests reflect the substance of the forgivable loan. In determining that there is "reasonable assurance" that they will meet the conditions for forgiveness of the $4.7million of the loan amount management have applied the income approach to IAS20 and recognised $4.7m of income in the consolidated income statement against the related costs for which the grant is intended to compensate. In reaching conclusions as to meeting the eligibility criteria for the loan of $4.7m and that it is reasonably assured that it will meet the conditions for forgiveness Gama has sort guidance from their external lawyer, that supports management's opinion.	We have audited management's assessment as to their eligibility for the loan and whether there is reasonable assurance that it will comply with the loan forgiveness conditions. We have validated the original loan of $5.7million back to management's certified application, the loan agreement and tested the funds received. We have challenged management's judgement as to their eligibility for the loan which concluded that economic uncertainty at the time made the loan request necessary to support the ongoing operations of GAEI. We have recalculated the level of loan GAEI were eligible to claim based on the rules set out by SBA. We have noted that management have determined that they were not eligible for $1m of the loan and this is in the process of being repaid to the SBA. We have understood the PPP loan conditions of forgiveness and audited Gama's determination of qualifying expenditure. We have reviewed the papers prepared by management, validating supporting evidence, including reviewing the opinion reached by their external lawyer that has considered management's position and concluded in agreement with management that GAEI was eligible for $4.7million loan and that there is reasonable assurance that this entire amount meets the conditions of forgiveness. We note that $1m remains presented in current liabilities. We concur with management's conclusions on eligibility for the loan, reasonable assurance as to its forgiveness and accounting for it in accordance with the income approach under IAS20. We also read the disclosures around the accounting for grant income, and management's disclosure of its judgement as to the loan eligibility and forgiveness as key accounting judgements and have found these to be appropriate.

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.

We determined that the most appropriate level at which to scope our audit was the legal entity level. We consider there to be 8 financially significant components within the group as listed within the highlights section. These components were subject to full scope audits for group purposes. The audits of all these components was performed by the group audit team in the UK. This provided sufficient coverage over the financial statement line items with the exception of Intangibles and amortisation, Right of use asset and lease liabilities, Investments accounted for using the equity method and cash and cash equivalents. We performed additional procedures over these financial statement line items.

In addition to the above, we performed analytical procedures on the remaining entities to understand key balances and transactions in the year and performed additional procedures on any unusual balances identified.

All work was performed by the UK group audit team with the exception of profit/loss from Investments accounted for using the equity method in relation to China Aircraft Services Limited which was performed by our PwC Hong Kong component audit team.

In total we performed procedures which together accounted for 74.8% of the Group's statutory revenue.

This, together with additional procedures performed at the group level, including testing of significant journals posted within the consolidation, impairment assessments and taxation, gave us the evidence we needed for our opinion on the financial statements as a whole.

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:

	Financial statements – group	Financial statements – parent company
Overall materiality	\$252,000 (2019: \$338,000).	£908,000 (2019: £1,213,000).
How we determined it	approximately 0.14% of adjusted revenue	approximately 1% of total assets
Rationale for benchmark applied	In the prior year adjusted EBIT was the benchmark used to set overall materiality. Adjusted EBIT has been particularly impacted by COVID-19 in 2020. We have therefore considered other more stable measures to identify an appropriate benchmark. Adjusted revenue has been concluded a more stable benchmark during the continuing period of instability to base our overall materiality calculation.	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 \$30,000 to \$239,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to \$189,000 for the group financial statements and £681,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$12,000 (group audit) (2019: \$10,000) and £45,000 (parent company audit) (2019: £60,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent company's ability to continue to adopt the going concern basis of accounting included:

/ An assessment of management's base case and downside scenarios, challenging the key assumptions
/ Considering the Group's available financing, and maturity profile to assess liquidity through the assessment period
/ Testing the mathematical integrity of the forecasts and the models and reconciled these to Board approved budgets
/ Performing our own independent sensitivity analysis to assess appropriate downside scenarios
/ Assessing the reasonableness of management's planned or potential mitigating actions
/ Assessing the adequacy of disclosures in the Going Concern statement on page 47 and statements in Note 2 of the Consolidated and Note 1 of the Company Financial Statements. We found these to be appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to AIM rules regulated by the LSE, applicable Generally Accepted Accounting Practices, tax compliance legislation, the regulations of country aviation authorities such as the Civil Aviation Authority, and the UK Bribery Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to : (1) posting inappropriate journal entries to manipulate financial results; (2) management bias in accounting estimates such as long-term contract accounting; (3) inappropriately including or excluding transactions from the group's underlying alternative performance metrics; and (4) transactions with related parties distorting the financial information in the financial statements and hiding the economic substance of transactions or fraud. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management at multiple levels and across the business throughout the year. At year end this also included a discussion with the group's legal counsel. These discussions have included consideration of known suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Reviewing correspondence with, and reports to, the relevant regulatory authorities;
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular in relation to long-term contract accounting;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations, and testing all material consolidation journals;
- Performing searches for purchase ledger transactions and payments with related parties including directors, close family members and other directorships and related companies. Testing identified transactions to related party disclosures in the financial statements;
- Incorporating elements of unpredictability into the audit procedures performed; and
- Challenging why certain items are excluded or included from adjusted EBIT and assessment of disclosures included in the Annual Report explaining and reconciling alternative performance measures to statutory metrics.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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.

Julian Gray
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

26 May 2021

/ CONSOLIDATED INCOME STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020			Year ended 31 December 2019 Restated*		
	Note	Statutory result $'000	Adjusting items[1] $'000	Adjusted result[1] $'000	Statutory result $'000	Adjusting items[1] $'000	Adjusted result[1] $'000
Continuing operations:							
Revenue	4	**197,503**	**(15,500)**	**182,003**	246,813	–	246,813
Cost of sales		**(145,468)**	**–**	**(145,468)**	(207,340)	–	(207,340)
Gross profit	4	**52,035**	**(15,500)**	**36,535**	39,473	–	39,473
– Other administrative expenses		**(28,939)**	**2,075**	**(26,864)**	(36,927)	6,692	(30,235)
– Impairment of right-of-use assets	23	**(7,013)**	**7,013**	**–**	(2,341)	2,341	–
– Impairment of goodwill and acquired intangibles	6	**(833)**	**833**	**–**	(540)	540	–
– Impairment of assets under construction	6	**(4,609)**	**4,609**	**–**	–	–	–
– Depreciation and amortisation	5	**(7,544)**	**614**	**(6,930)**	(5,198)	984	(4,214)
– Impairment of financial assets	20	**(3,083)**	**(709)**	**(3,792)**	(2,387)	2,010	(377)
Total administrative expenses		**(52,021)**	**14,435**	**(37,586)**	(47,393)	12,567	(34,826)
Operating profit/(loss)		**14**	**(1,065)**	**(1,051)**	(7,920)	12,567	4,647
Share of results from equity accounted investments	18	**(9,705)**	**6,433**	**(3,272)**	918	–	918
Impairment of equity accounted investments	18	**(3,421)**	**3,421**	**–**	–	–	–
Profit on disposal of interest in associates	7	**7,278**	**(7,278)**	**–**	–	–	–
Earnings before interest and taxation	4,5	**(5,834)**	**1,511**	**(4,323)**	(7,002)	12,567	5,565
Finance income	9	**1,535**	**–**	**1,535**	695	–	695
Finance expense	10	**(3,940)**	**–**	**(3,940)**	(4,657)	–	(4,657)
(Loss)/profit before tax		**(8,239)**	**1,511**	**(6,728)**	(10,964)	12,567	1,603
Taxation	11	**(6,496)**	**5,017**	**(1,479)**	(495)	(577)	(1,072)
(Loss)/profit for the year		**(14,735)**	**6,528**	**(8,207)**	(11,459)	11,990	531
Attributable to:							
Owners of the Company		**(14,780)**	**6,528**	**(8,252)**	(11,554)	11,990	436
Non-controlling interests	26	**45**	**–**	**45**	95	–	95
EPS attributable to the equity holders of the parent							
basic	12	**(23.2c)**	**10.2c**	**(13.0c)**	(18.2c)	18.9c	0.7c
diluted	12	**(23.2c)**	**10.2c**	**(13.0c)**	(18.2c)	18.9c	0.7c

1 The Alternative Performance Measures (APMs) are defined in Note 6 of the notes to the financial statements and reconciled to the nearest IFRS measure.

* Restatements are detailed in Note 2 of the notes to the financial statements. The only income statement restatement was a presentational change within adjusting items of an impairment of right-of-use assets.

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
/ FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 2020 $'000	Year ended 2019 $'000
Loss for the year		**(14,735)**	(11,459)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**2,194**	(1,160)
Share of other comprehensive income of associates	18	**92**	36
Tax charge on items in other comprehensive income	11	**–**	–
Other comprehensive income/(loss)		**2,286**	(1,124)
Total comprehensive loss for the year		**(12,449)**	(12,583)
Total comprehensive income/(loss) is attributable to:			
Owners of the Company		**(12,494)**	(12,678)
Non-controlling interest		**45**	95
		(12,449)	(12,583)

/ CONSOLIDATED BALANCE SHEET
/ COMPANY NUMBER 07264678
/ AS AT 31 DECEMBER 2020

	Note	2020 $'000	2019 Restated* $'000
Non-current assets			
Goodwill	14	**22,490**	21,750
Other intangible assets	15	**10,329**	10,148
Total intangible assets		**32,819**	31,898
Property, plant and equipment	16	**54,974**	35,324
Right-of-use assets	23	**38,022**	52,315
Investments accounted for using equity method	18	**2,000**	15,112
Trade and other receivables	20	**13,030**	4,221
Deferred tax asset	22	**–**	2,252
		140,845	141,122
Current assets			
Assets held for sale	18	**–**	2,598
Inventories	19	**5,978**	7,271
Trade and other receivables	20	**49,359**	72,956
Current tax receivable	11	**1,280**	1,146
Cash and cash equivalents		**16,136**	8,463
		72,753	92,434
Total assets		**213,598**	233,556
Current liabilities			
Trade and other payables	24	**(40,074)**	(52,353)
Current tax liabilities	11	**(15)**	–
Obligations under leases	23	**(5,848)**	(16,366)
Provisions	30	**(679)**	(521)
Borrowings	21	**(1,000)**	(848)
Deferred revenue	33	**(12,676)**	(2,707)
		(60,292)	(72,795)
Total assets less current liabilities		**153,306**	160,761
Non-current liabilities			
Borrowings	21	**(52,197)**	(45,394)
Deferred revenue	33	**(691)**	(4,382)
Provisions	30	**(818)**	(594)
Obligations under leases	23	**(43,644)**	(43,838)
Deferred tax liabilities	22	**(2,109)**	(819)
		(99,459)	(95,027)
Total liabilities		**(159,751)**	(167,822)
Net assets		**53,847**	65,734
Shareholders' equity			
Share capital	25	**953**	953
Share premium	25	**63,473**	63,473
Other reserves	25	**35,360**	34,798
Foreign exchange reserve		**(26,893)**	(29,179)
Accumulated losses		**(19,842)**	(5,062)
Total shareholders' equity		**53,051**	64,983
Non-controlling interest	26	**796**	751
Total equity		**53,847**	65,734

* 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 26 May 2021 and are signed on their behalf by:

Daniel Ruback
Director

/ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2020

	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 1 January 2019, as reported	**953**	**63,473**	**33,937**	**(28,055)**	**8,112**	**78,420**	**656**	**79,076**
(Loss)/profit for the year	–	–	–	–	(11,554)	**(11,554)**	95	**(11,459)**
Other comprehensive loss	–	–	–	(1,124)	–	**(1,124)**	–	**(1,124)**
Total comprehensive (loss)/profit for the year	**–**	**–**	**–**	**(1,124)**	**(11,554)**	**(12,678)**	**95**	**(12,583)**
Cost of share-based payments (Note 31)	–	–	861	–	–	**861**	–	**861**
Dividend paid (Note 38)	–	–	–	–	(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**
(Loss)/profit for the year	–	–	–	–	(14,780)	**(14,780)**	45	**(14,735)**
Other comprehensive income	–	–	–	2,286	–	**2,286**	–	**2,286**
Total comprehensive (loss)/profit for the year	**–**	**–**	**–**	**2,286**	**(14,780)**	**(12,494)**	**45**	**(12,449)**
Cost of share-based payments (Note 31)	–	–	562	–	–	**562**	–	**562**
Balance at 31 December 2020	**953**	**63,473**	**35,360**	**(26,893)**	**(19,842)**	**53,051**	**796**	**53,847**

/ CONSOLIDATED CASH FLOW STATEMENT
/ FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 2020 $'000	Year ended 2019 $'000
Net cash generated by operating activities	27	**33,683**	1,695
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**(25,298)**	(15,053)
Purchases of intangibles	15	**(2,521)**	(3,093)
Proceeds on disposal of assets held for sale	7	**9,954**	–
Interest received		**430**	–
Acquisition of business, net of cash acquired	13	**(1,544)**	(1,310)
Net cash used in investing activities		**(18,979)**	(19,456)
Cash flows from financing activities			
Lease payments	23	**(16,022)**	(14,062)
Interest received		**–**	2
Interest paid		**(660)**	(901)
Proceeds from borrowings	28	**33,987**	65,563
Repayment of borrowings	28	**(24,471)**	(32,915)
Dividend paid to equity holders of the parent	38	**–**	(1,620)
Net cash (used in)/generated from financing activities		**(7,166)**	16,067
Net increase/(decrease) in cash and cash equivalents		**7,538**	(1,694)
Cash and cash equivalents at the beginning of year		**8,463**	10,045
Effect of foreign exchange rates		**135**	112
Cash and cash equivalents at the end of year		**16,136**	8,463

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 (the "Company") is a public company limited by shares incorporated under the Companies Act 2006 and domiciled in England in the United Kingdom. The address of the registered office is 1st Floor, 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE. The nature of the Group's operations and its principal activities are set out in the Directors' Report.

Basis of preparation
These Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention. The preparation of Consolidated Financial Statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual future outcomes could differ from those estimates.

Climate change
In preparing the Consolidated Financial Statements the Group has informally considered the impact of climate change, particularly in the context of the disclosures included in our Corporate Social Responsibility report on page 41 and our Project Element Six ambitions. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 31 December 2022 nor the long-term viability of the Group.

2. Accounting policies
The Group's significant accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in these Consolidated Financial Statements. The comparative amounts for the year ended 31 December 2019 have been restated for three presentational items which are discussed in more detail below.

(a) Restatements
The balance sheet as at 31 December 2019 has been restated for three items:

I. To reclassify $389k of current tax receivable out of trade and other receivables and into a current tax receivable line item on the face of balance sheet. In addition, there was a reclassification from other taxation and social security, within trade and other payables, resulting in $757k increase in the year end trade and other payables and a corresponding increase to current tax receivable

II. To net contract assets and liabilities associated with a long-term contract where it would have been more appropriate to offset. Prepayments within trade and other receivables decreased by $160k in current and $171k in non-current. Current and non-current deferred revenue decreased by $160k and $171k respectively. The net impact on total asset was a decrease of $331k, with an equivalent decrease in total liabilities

III. Prior year bank borrowings on the revolving credit facility (the "RCF") of $44,767k have been reclassified from current liabilities to non-current liabilities. While the RCF is settled and drawdown on a cyclical basis there is no right from the bank to demand full repayment within the next twelve months and on that basis, presentation within non-current liabilities is appropriate

A third balance sheet, being the balance sheet at 31 December 2018 with the above restatements, has not been presented. While some of the misstatement are quantitatively material, qualitatively these misstatements are not considered material particularly given the disclosures in Note 21, limited number of restatement and nature of these restatements being discrete reclassifications.

Following a significant impairment of right-of-use assets in the current year, a $2,341k impairment of the right-of-use assets at Fairoaks in the prior year has been represented within adjusting items from integration and business re-organisation costs into a separate financial statement line item.

Goodwill at 31 December 2019 has not been restated however in Note 14 the allocation of Goodwill between cash generating units ("CGUs") has been restated for a disclosure error between Europe Ground and Flyertech. The carrying amount of Goodwill allocated to Europe Ground has been reduced by $1,194k and an equivalent amount has been allocated to Flyertech. Refer to Note 14 for further details.

Deferred tax assets at 31 December 2019 has not been restated however in Note 22 tax losses have been restated for disclosure difference between tax losses and other temporary differences. Tax losses have decreased by $662k and other temporary differences have increased by an equivalent amount. Refer to Note 22 for further details.

(b) Adoption of new and amended standards adopted by the Group
The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2020:

/ Definition of Material – amendments to IAS 1 and IAS 8
/ Definition of a Business – amendments to IFRS 3
/ Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
/ Revised Conceptual Framework for Financial Reporting

The Group will also adopt the following amendments:

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- COVID-19-Related Rent Concessions – amendments to IFRS 16

The amendments listed above will not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(c) New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact.

(d) Leases
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

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.

As a lessee
As a lessee, the Group leases many assets including aircraft, hangars, property, cars and IT equipment. The Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Lease liabilities are measured at the present value of the remaining lease payments. Where leases commenced after the initial transition date, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Where appropriate, lease liabilities are revalued at each reporting date using the spot exchange rate.

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 at the reporting date and further details on impairments are shown in Note 23.

The Group depreciates right-of-use assets over the over the shorter of its useful economic life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the Group, in which case the asset is depreciated to the end of the useful life of the asset.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in the income statement.

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 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.

2. Accounting policies (continued)

(e) 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 Revenue, Adjusted Gross Profit, 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.

The impact on application of IFRS 16 was presented in the prior year and no restatements to the impact previously reported have been made. However, the presentation of the impact on application of IFRS 16 within Note 4 has changed to aid year-on-year comparability. The impact on application of IFRS 16 in the prior year was a credit of $2,301k to Adjusted EBIT of which the credit to Gross Profit was $191k. The presentation of the impact on application of IFRS 16 was aggregated into one line item in the prior year and in the current year this has been disaggregated across the respective divisions resulting in the following to Adjusted EBIT: $396k credit in Europe Air, $14k credit in Asia Air, $538k credit in US Ground, $1,169k credit in Europe Ground, $193k credit in Middle East Ground, $6k charge in Central Costs and $3k charge in Global Services Division. In addition, earnings per share (EPS) presented in the highlights on page 5 of the annual report was shown before and after the application of IFRS 16. In the current year EPS is presented after the application of IFRS 16.

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

Within Adjusting items, exceptional items are items of income or expenditure that are not considered to reflect in year operational performance of the continuing business. These are recorded in accordance with the policy set out below:

- **Transaction costs** – arising on acquisitions, disposals, and debt refinancing
- **Integration and business re-organisation** – legal and professional fees and non-recurring operating costs arising from significant acquisition integration or business re-organisation activities. Non-recurring operating costs means those costs that are related to a specific integration or re-organisation 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** – arising from significant losses identified from impairment reviews
- **Other items** – other significant non-recurring items

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 adjusting item because share-based payments are a significant non-cash charge driven by a valuation model that references Gama's share price and each new share award is subject to volatility when it is measured at the grant date. No grants were made in the year and after the reporting date new schemes were announced, refer to Note 31 and Note 35 for further details. Share-based payments have not been routinely issued in the prior years and the level of the charge is expected to be significantly different following the changes announced.

Tax related to adjusting 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.

(f) 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. To support their assessment of going concern the Directors have performed a detailed analysis of cash flow projections for the Group covering the period from the date of approval of the annual financial statements to 31 December 2022. The analysis takes account of the following amongst other relevant considerations:

- The $50.0m committed revolving credit facility ("RCF"), of which $24.7m (2019: $5.0m) is undrawn at the reporting date and a £20.0m (2019: nil) term loan
- Receipt of the remaining balance of the US Air associate disposal proceeds of $18.0m at the reporting date but not the accelerated receipt of these cash flows as explained in Note 35
- The absence of the $16.0m of disposal consideration received in 2020 from future cash projections
- The acquisition of Jet East, which resulted in $10.0m drawn down on the RCF, $7.7m of initial consideration paid and $2.65m of acquired borrowings repaid
- Cash at the reporting date of $16.1m (2019: $8.5m)
- Working capital levels and a cautious conversion of profits into cash flows at circa 60 percent

The borrowing facilities have no covenants and fall due for repayment on 14 November 2022 and 31 January 2023 respectively. The Group has no reason to believe these facilities would not be renewed on comparable terms. The RCF, which is presented in non-current liabilities, is settled and drawdown on a cyclical basis with no right from the bank to demand full repayment within the next twelve months. 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 first quarter of FY21. Downside sensitivities have also been assessed, which reflect no further recovery in revenues and a continuation of the COVID-19 impacted trading performance in Q1 FY21 extending to the remainder of FY21. In both the Group'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.

(g) 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.

(h) 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.

(i) 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. The Group has no indefinite life intangible assets.

2. Accounting policies (continued)
(i) Intangible assets (continued)
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

Amortisation rates shown above are the maximum for these intangible assets and in the current year there were no intangibles that had a shorter useful life.

(j) 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 and no residual value
/ Right-of-use assets	Life of lease and no residual value
/ Aircraft and refurbishments	

The higher of 20 years (5% per annum) less the age of aircraft at purchase and 5 years (20% per annum). A 25% residual value (on the original cost) is in place where engines are on an engine maintenance programme as this is considered to support a residual value.

/ Helicopters	5% per annum and 25% residual value (on the original cost)
/ Furniture, fixtures and equipment	20% per annum and no residual value
/ Motor vehicles	20% per annum and no residual value

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.

(k) 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.

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

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

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

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

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.

(m) 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 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 stock could either be recognised as property, plant and equipment (PPE) or inventory. In line with industry practice, the Group policy recognises Rotable stock as inventory. In addition, the cost of any refurbishment of Rotable stock is recognised in inventory.

The Group policy on recognising inventory at the lower of cost and net realisable value does this by providing for aged inventories on a sliding scale over the preceding eight years (2019: four years on the "core" component). As a result, inventory older than eight years is written off in full.

The significant estimation uncertainty to the valuation of inventory arises out of the wide range and nature of inventory held, each with different demand, inventory days and opportunity to utilise. While no specific inventory line has material estimation uncertainty in its valuation, there is risk across all lines in aggregation.

(n) 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.

(o) 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 subsequently 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.

Where there are sub-participation arrangements, sub-participation proceeds are offset against the financial asset provided that the sub-participation meets all pass through conditions, namely, there is no recourse to the transferor, and the transferor does not retain any significant risks and rewards of ownership of the financial asset.

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 is 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, accrued income and contracts assets as 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 the economic exposure which comprises of trade receivables, contract assets and accrued income, all of which is then reduced by any specific loss allowances, and any related trade and other payables with the debtor. A probability risk spread is used to apportion the loss rate across the ageing categories 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

2. Accounting policies (continued)
(o) Financial instruments (continued)
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.

(p) 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.

(q) 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.

(r) Supplier volume rebates
The Group has supplier contracts for the provision of certain services, which attract volume rebates, the credit for which is initially recognised centrally and together with other central income and expenses allocated to the respective divisions as appropriate. The anticipated rebate receivable is accrued throughout the year based on the agreement terms.

(s) 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. The Group has revenue from the sale of business aviation services and branding fees, each of which is covered in further detail below.

- 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")
  - Global services
- Branding fees generated from utilisation of the Gama brand

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 does 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.

Shorter duration ad-hoc maintenance revenues are recognised at a point in time in line with the performance obligation.

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). A contract liability (deferred revenue) is recognised on the balance sheet for revenues deferred until the performance obligations are discharged.

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

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.

FlyerTech revenue from services is primarily derived from the provision of airworthiness services. Revenue includes fixed contract fees and variable fees such as revenue earned with reference to ad-hoc services. Flyertech records revenue relating to services rendered using an accrual method and in accordance with the terms of the contracts pursuant to which such services are rendered. Revenue from aircraft services is recognised based on contractual rates as the related services are performed.

myairops® revenue represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred revenue.

2. Accounting policies (continued)

(s) Revenue recognition (continued)

Branding fees from associates

The Group receives a branding fee from Gama Aviation LLC in addition to the equity accounted share of profit from the US Air Associate prior to disposal (refer to Note 7 for further details). The branding fee was payable quarterly in arrears and the Group recognises revenue over time as the customer simultaneously receives and consumes the benefits provided by the Group.

(t) 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. Foreign currency fluctuations on monetary items that are financing in nature, being foreign currency borrowings, are presented in finance income or expenses. All other foreign currency fluctuations on monetary items are presented within Adjusted EBIT.

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.

(u) 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.

(v) 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.

(w) Government grants
During the year the Group received a potentially forgivable loan under the Paycheck Protection Program ("PPP"), managed by the US Small Business Administration (SBA) under the auspices of the US government Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under IAS 20 a forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. The Group has adopted the income approach in relation to this loan which provides that government grants should be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate.

The Group applied to Citibank for a loan under the PPP in order to avoid significant pandemic-driven headcount reductions in its US workforce. $5,753k was received from Citibank on 12 May 2020 and was initially recognised as borrowings in current liabilities. $4,753k of these funds are considered by the Company to be eligible for forgiveness within the terms of the PPP and have therefore been recognised as income against the related expenses in the income statement, reducing the amount of borrowings at the period end to $1,000k. The utilisation of the grant is reflected against the related expenses in cost of sales and administrative expenses. Refer to Notes 3 and 21 for further details.

Although the CARES Act suspends the ordinary requirement that borrowers must be unable to obtain credit elsewhere (as defined in section 3(h) of the Small Business Act), borrowers still must certify in good faith that their PPP loan request is necessary. Specifically, before submitting a PPP application, borrowers are required to consider the required certification that "current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business. Conscious of the significant uncertainty regarding the extent and duration of the global pandemic and its potential impact on the Group's activities and financial resources, the Group applied for the loan in good faith on the above basis, and the proceeds have been used to defray qualifying expenditures. The Group has to date been unable to submit a loan forgiveness application as the portal managed by Citibank on behalf of the SBA has only recently opened. The Board has consulted with its outside legal advisors as to the eligibility for forgiveness of the loan. The Board believes it is appropriate under IAS 20 to recognise the receipt of the loan and its anticipated partial forgiveness and that such treatment is necessary for these accounts to show a true, fair and balanced view of the Group's 2020 results given the impact of the global pandemic on its operations.

Other forms of government grants were received by the Group in the year including $616k under the UK Furlough scheme, $148k under a Hong Kong payroll scheme and a $267k rent rebate in the Middle East. As noted elsewhere in these accounts the nature of the Group's operations in the UK, and the long-term nature of its special mission contracts, provided a greater degree of resilience to the pandemic with a consequently lower need for government support. All other forms of government grants have been recognised on the income approach, reducing the costs for which the grant is intended to compensate.

In accordance with IAS 20, in the event that a government grant becomes repayable, this would be accounted for as a change in accounting estimate and therefore prospectively through the income statement.

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, including anticipated future events and market conditions, 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.

Paycheck Protection Program (PPP) qualifying expenditure
During the year the Group received funds under the Paycheck Protection Program (PPP) in the form of a loan arrangement from Citibank guaranteed by the US government, which is specifically intended to help businesses maintain their US workforce during the COVID-19 pandemic. The Group made the application in good faith and in the belief that the PPP loan request was necessary and otherwise in accordance with the then applicable rules, to support its ongoing operations given the economic uncertainty caused by the pandemic. $5,753k funds were received on 12 May 2020 and was initially recognised as borrowings in current liabilities. $4,753k of these funds are considered by the Company to be eligible for forgiveness within the terms of the PPP and have therefore been recognised as income against the related expenses in the income statement, reducing the amount of borrowings at the period end to $1,000k. Confirmation of partial loan forgiveness is expected within 12 months from the balance sheet date. The Board has consulted with its outside legal advisors as to the eligibility for forgiveness of the loan. The Board believes it is appropriate under IAS 20 to recognise the receipt of the loan and its anticipated partial forgiveness and that such treatment is necessary for these accounts to show a true, fair and balanced view of the Group's 2020 results given the impact of the global pandemic on its operations. The total balance is material and, while a different outcome is considered highly unlikely, this balance is sensitive to a material change in judgement in the event the US government assessed the forgiveness differently. Refer to Note 2 (w) and Note 21 for further details.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Presentation of consideration received from the sale of its US Air Associate, Gama Aviation LLC

Gama Aviation Plc received consideration of $33.0m for the sale of its US Air Associate, Gama Aviation LLC. Management exercised judgement in determining the allocation of consideration between the 24.5% equity interest considered to be $10.0m, the $15.5m settlement of the existing branding contract (accelerated branding fees) and the $7.5m of consideration allocated for the continued use of the Gama Aviation brand for up to two years after the date of disposal, which is consistent with the pre-existing level of branding fee of $3.75m per year (total $7.5m).

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

Management consider exceptional items to be those that do not contribute to the underlying performance of the Group as set out in the policy on page 66. This requires judgment as the management and Group's view of what qualifies as exceptional items 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 accelerated branding fees, transaction costs; business integration and re-organisation costs; legal costs arising primarily from historical Hangar 8 activity; and other non-recurring items that management judge to be exceptional.

Recoverable amount for CASL

Impairment is assessed by the recoverable amount which is the higher of the fair value less costs to sell and the value in use (VIU). The recoverable amount of CASL has been determined on the fair value less cost to sell based on an arm's length offer another CASL shareholder received for their 20 percent shareholding in 2021 and is therefore an appropriate basis upon which to measure the fair value of the Group's 20 percent shareholding in CASL. Impairment charges of $3,421k (2019: nil) have been recognised to reduce the equity accounted investment in CASL from the carrying amount to its recoverable amount of $2,000k. Refer to Note 18 for further details. In May 2021, the Group also received a similar offer for its 20 percent shareholding in CASL. The Board is currently considering the terms of the offer and is in negotiations with the counterparty. CASL was not held for sale at 31 December 2020 and this event is a non-adjusting event after the reporting date.

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 on non-current assets

The goodwill, investment in associates, right-of-use assets and assets under construction require the use of estimates related to future profitability and the cash-generating ability of the related businesses or in the case of the investment in associates, the fair value less costs to sell. The estimates used may differ from the actual outcome. Details of the impairment review performed are set out in Notes 14, 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 regular communication with aged 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. Management's critical estimate relating to unimpaired receivables relates to the enforceability of liens over an aircraft to ensure settlement of a balance of $4.6m aging over 120 days. A change in the enforceability of this liens would materially change the loss allowance on financial assets.

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. An analysis of the inventories and an inventory obsolescence allowance is provided in Note 19. Inventory valuation is sensitive to management's assessment of aging and obsolescence of certain line items. Management assess inventory aging over eight years to be fully impaired. A change in this assumption of a lesser or greater usage from years 2-6 would lead to a material change in inventory valuation.

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 the customer to conduct a retrospective review of costs incurred which could result in revision to the estimates made at this point in time. In addition, management exercised judgment in determining the period over which incremental consideration was received on renegotiation of a long-term contract in the prior year. For example, on one material contract, the estimated period to the next major engine overhaul, which reflects the flying hours to which the incremental consideration relates, was determined to be a three-year period. This estimate is determined to be reflective of the fulfilment of the related performance obligations in lieu of the contract duration which spans 11 years and relates to other performance obligations.

4. Segment information

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 Group has eleven reportable segments (Air Division – four regional operating segments; Ground Division – four regional operating segments; Global Services Division – comprising two operating segments combined as one reportable segment; the Associates Division – two operating segments combined as one reportable segment; and Central Costs), which are defined by markets rather than product type. Each segment includes businesses with similar operating and marketing characteristics. The operating segments that have been aggregated into reportable segments have similar economic characteristics or provide similar services. The two operating segments within the Global Services Division provide similar Technology and Outsourcing services to the group's customers. The two operating segments within the Associates Division provide a similar range of Air services. None of these four operating segments meet the quantitative thresholds to report separately under IFRS 8.

These segments are consistent with the internal reporting reviewed each month by the Group Chief Executive Officer who acts as the Chief Operating Decision Maker ("CODM"). The CODM reviews monthly internal reporting on a pre-IFRS 16 basis at the operating segment level. The impact on application of IFRS 16 is reviewed separately ahead of statutory reporting.

As noted in the Strategic report on page 9, three new market facing SBUs have been created after the reporting date in lieu of the eleven reportable segments. Future segmental reporting, from the interim results covering the period to 30 June 2021, will be presented to reflect this structure. The Group believes this will provide a direct line of sight for shareholders such that the SBU's activities in each market, its investment requirements and performance can be more easily assessed and understood. For the year ending 31 December 2020, internal reporting on the new SBUs was not available or reviewed by the CODM.

Reconciliation of divisional to overall Group performance is tabulated below:

	2020 $'000				
	Adjusted Revenue	Adjusted Gross Profit	Statutory EBIT	Adjusted EBIT	Adjusted EBIT pre-IFRS 16
US Air*	3,750	3,750	19,317	3,817	3,817
Europe Air	62,707	6,060	552	138	(43)
Middle East Air	18,603	1,501	(474)	(296)	(296)
Asia Air	13,370	762	(1,286)	(311)	(362)
Air Division	**98,430**	**12,073**	**18,109**	**3,348**	**3,116**
US Ground	38,605	9,097	57	720	(333)
Europe Ground	35,243	10,384	211	301	(851)
Middle East Ground	3,766	674	(11,864)	(236)	(427)
Asia Ground	2,314	1,384	(80)	(80)	(80)
Ground Division	**79,928**	**21,539**	**(11,676)**	**705**	**(1,691)**
Global Services	3,645	2,923	(371)	(22)	(137)
Associates	–	–	(5,848)	(3,272)	(3,272)
Central Costs	–	–	(6,048)	(5,082)	(4,824)
Adjusted Result	**182,003**	**36,535**	**(5,834)**	**(4,323)**	**(6,808)**
Adjusting Items (Note 6)	15,500	15,500	–	(1,511)	(1,511)
Application of IFRS 16 (Note 23)	–	–	–	–	2,485
Statutory Result	**197,503**	**52,035**	**(5,834)**	**(5,834)**	**(5,834)**

* Adjusted Revenue and Adjusted Gross Profit, which relate solely to the US Air Division, have been presented in the current year to exclude accelerated branding fees of $15,500k (2019: nil) and thereby improve comparability. Refer to Note 6 for further details of Alternative performance measures

4. Segment information (continued)

	2019 $'000				
	Revenue	Gross Profit	Statutory EBIT	Adjusted EBIT	Adjusted EBIT pre-IFRS 16
US Air	4,050	4,050	3,648	3,898	3,898
Europe Air	99,145	6,160	(1,054)	1,018	622
Middle East Air	16,778	1,519	(437)	(571)	(571)
Asia Air	20,650	1,218	121	137	123
Air Division	**140,623**	**12,947**	**2,278**	**4,482**	**4,072**
US Ground	48,943	6,396	(927)	270	(268)
Europe Ground	48,176	15,650	2,525	7,416	6,247
Middle East Ground	4,372	1,453	(273)	(273)	(466)
Asia Ground	1,476	632	(577)	(551)	(551)
Ground Division	**102,967**	**24,131**	**748**	**6,862**	**4,962**
Global Services	3,223	2,395	325	686	689
Associates	–	–	918	918	918
Central Costs	–	–	(11,271)	(7,383)	(7,377)
Adjusted Result	**246,813**	**39,473**	**(7,002)**	**5,565**	**3,264**
Adjusting Items (Note 6)	–	–	–	(12,567)	(12,567)
Application of IFRS 16 (Note 23)	–	–	–	–	2,301
Statutory Result	**246,813**	**39,473**	**(7,002)**	**(7,002)**	**(7,002)**

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

	2020		2019 Restated*	
$'000	**Assets**	**Liabilities**	Assets	Liabilities
US Air	**22,033**	**(9,174)**	4,172	(125)
US Ground	**18,454**	**(10,066)**	27,423	(15,342)
Europe Air	**57,013**	**(20,849)**	59,812	(36,786)
Europe Ground	**53,626**	**(38,245)**	55,401	(39,403)
Middle East Air	**4,133**	**(5,662)**	5,518	(5,650)
Middle East Ground	**1,421**	**(8,907)**	12,922	(9,658)
Asia Air	**6,381**	**(4,044)**	10,951	(8,184)
Asia Ground	**425**	**(23)**	1,080	(94)
Global Services	**13,734**	**(1,952)**	11,543	(924)
Associates	**2,000**	**–**	17,710	–
Central Costs	**34,378**	**(60,829)**	27,024	(51,656)
Total	**213,598**	**(159,751)**	233,556	(167,822)

* Restatements are detailed in Note 2 of the financial statements

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

	Year ended 2020 $'000	Year ended 2019 $'000
Sale of business aviation services	**178,253**	242,763
Branding fees	**3,750**	4,050
Total Adjusted Revenue	**182,003**	246,813
Accelerated branding fees	**15,500**	–
Statutory revenue	**197,503**	246,813

	2020 $'000
Revenue recognised at a point in time	**115,107**
Europe Ground	**12,736**
US Ground	**236**
Europe Air	**52,806**
myairops®	**1,118**
Revenue recognised over time	**66,896**
Total Adjusted Revenue	**182,003**
Accelerated branding fees (revenue recognised at a point in time)	15,500
Statutory revenue	**197,503**

Comparatives for revenue recognised at a point in time versus over time are impracticable to disclose as this was not tracked internally. Revenue recognised over time relates to the following operating divisions:

/ Europe Ground has contract revenue for the maintenance of aircraft of $52,869k to be earned over the next four years, and $12,736k of revenue has been recognised in the year
/ US Ground during the year earned revenue of $236k in relation to maintenance contracts with $346k contracted to be earned over the next year
/ Within Europe Air $52,806k of contract revenue has been earned during the year in relation to the provision of air ambulance services and other specific air services. Over the next five years there is $83,328k to be earned in remaining contracted revenue
/ Within the Global Service Division, myairops® has $1,118k of contract revenue recognised during the year in relation to the provision of software services with $2,278k due over the next five years

Revenue of $18,301k (2019: $18,965k) has been recognised in respect of a single customer within the Europe Air reporting segment. This represents 9% of revenue (2019: 10%).

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 by origin 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 UAE.

Geographic information

	2020 $'000	2019 $'000
Non-current assets		
US	**9,250**	13,540
Europe	**76,205**	61,687
Asia	**230**	482
Middle East	**219**	11,825
Group	**7,092**	105
	92,996	87,639

Non-current assets for this purpose consist of property, plant and equipment and right-of-use assets. Goodwill and Intangible assets are shown by division and thereby geographic region in Note 14 and Note 15. Refer to Note 20 for non-current trade and other receivables which relate solely to the US Air Division.

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

	Year ended 2020 $'000	Year ended 2019 $'000
Amortisation of intangibles in adjusted result (Note 15)	**1,581**	441
Amortisation of intangibles in adjusting items (Note 15)	**614**	984
Amortisation of intangibles (Note 15)	**2,195**	1,425
Depreciation of property, plant and equipment (Note 16)	**4,809**	3,019
Depreciation of right-of-use assets in administrative expenses (Note 23)	**540**	754
Depreciation within administrative expenses	**5,349**	3,773
Depreciation of right-of-use assets in cost of sales (Note 23)	**10,708**	15,152
Net foreign exchange loss on trading monetary items	**350**	188
Loss on disposal of property, plant and equipment (Note 16)	**63**	82
Impairment of goodwill and other intangible assets (Note 14 and 15)	**833**	540
Impairment of right-of-use assets (Note 23)	**7,013**	2,341
Impairment of assets under construction (Note 16)	**4,609**	–
Impairment of equity accounted investments (Note 18)	**3,421**	–
Impairment of non-current assets within share of results of equity accounted investments (Note 18)	**6,433**	–
Profit on disposal of interest in associates (Note 7)	**(7,278)**	–
Accelerated branding fees (Note 6)	**(15,500)**	–
Cost of inventories recognised as an expense including changes in inventory obsolescence (Note 19)	**16,202**	30,706
Change in provision for inventory obsolescence (Note 19)	**1,520**	2,364
Staff costs (Note 8)	**63,506**	70,982
Impairment losses recognised on trade receivables (Note 20)	**3,083**	2,387
Auditors' remuneration:		
Audit of the Company's financial statements	**198**	278
Audit of the financial statements of subsidiaries	**667**	610
Other support services	**26**	–
Other deal support services	**141**	77

6. Adjusted performance measures

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

	Year ended 2020 $'000	Year ended 2019 Restated* $'000
Adjusting items in revenue and gross profit:		
Accelerated branding fees	**(15,500)**	–
Exceptional items:		
– Transaction costs	**692**	88
– Integration and business re-organisation costs	**202**	2,905
– Legal costs	**619**	2,212
– Other items	**(709)**	2,636
– Impairment of assets under construction (Note 16)	**4,609**	–
– Impairment of right-of-use assets (Note 23)	**7,013**	2,341
– Impairment of goodwill and acquired intangibles (Note 15)	**833**	540
Total exceptional items	**(2,241)**	10,722
Other adjusting items:		
Share-based payments expense (Note 31)	**562**	861
Amortisation of acquired intangible assets (Note 15)	**614**	984
Adjusting items in Operating (loss)/profit	**(1,065)**	12,567
Impairment of equity accounted investments (Note 18)	**3,421**	–
Impairment of non-current assets within share of results of equity accounted investments (Note 18)	**6,433**	–
Profit on disposal of interest in associates (Note 7)	**(7,278)**	–
Adjusting items in EBIT	**1,511**	12,567
Tax related to Adjusting items (Note 11)	**5,017**	(577)
Adjusting items in profit	**6,528**	11,990

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

Accelerated branding fees

Adjusted Revenue and Adjusted Gross Profit, which relate solely to the US Air Division, have been presented in the current year to exclude accelerated branding fees of $15,500k (2019: nil) and thereby improve comparability. Refer to Note 7 for further details of disposal of the US Air Associate.

	2020	
	Adjusted Revenue $'000	**Adjusted Gross profit $'000**
Adjusted Result	**182,003**	**37,250**
Accelerated branding fees	15,500	15,500
Statutory Result	**197,503**	**52,750**

Transaction costs

Transaction costs during the year comprise $662k in relation to the acquisition of Jet East (Note 35) and $30k in relation to the acquisition of air ambulance services to Jersey and Guernsey (Note 13).

6. Adjusted performance measures (continued)

Integration and business re-organisation costs

Integration and business re-organisation costs include:

- Fairoaks direct closure costs of $16k (2019: $1,012k) (Note 30);
- Gama International Saudi Arabia (GISA) redundancy provision following the notice of closure of $173k (2019: nil) and other closure related costs of $17k (2019: nil);
- Accounting support, compliance and control reviews and other Group re-organisation costs of nil (2019: $960k);
- Non-recurring costs related to property and facility re-organisation at Bournemouth, Farnborough and Florida of nil (2019: $933k); and
- Income on receipt of a credit for costs previously charged to exceptional integration and business re-organisation costs $4k (2019: nil)

Legal costs

Legal costs 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 $499k in income relating to part settlements on a legacy case, and a $210k release of an impairment allowance on trade receivables under the legal proceedings that had been provided for in full in the prior year through exceptionals. In the prior 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.

Impairment of acquired intangibles

The impairment charge of $833k (2019: $540k) in the current year on acquired intangible assets originally recognised on acquisition of Gama Aviation Hutchison Holdings Limited (GAHH) which were impaired to nil. In the prior year, intangible assets recognised on acquisition of the Florida Paint-Shop of $540k were allocated to the US Ground CGU, and subsequently impaired. Refer to Note 15 for further details.

Impairment of assets under construction

In the current year an impairment charge of $4,609k has been recognised relating to the Business Aviation Centre (BAC) at Sharjah Airport following material uncertainties related to the project, the prospects for which have been significantly impacted by the ongoing COVID-19 pandemic (2019: nil). The impairment charge reduced the carrying amount to the recoverable amount of nil. Refer to Note 16 for further details.

Impairment of right-of-use asset

An impairment charge of $7,013k has also been recognised to reduce the carrying amount of the right-of-use asset at Sharjah to the recoverable amount of nil (2019: $2,341k impairment on the Fairoaks right-of-use asset) for the reasons noted above. Refer to Note 23 for further details.

Impairment of investment in associate and non-current assets in associate

Impairment charges of $6,433k (2019: nil) relate to non-current assets in CASL and the remaining $3,421k (2019: nil) is to reduce the carrying amount of the equity accounted investment to the recoverable amount of $2,000k. Taken together, impairment charges of $9,854k (2019: nil) have been recognised in relation to associates. Refer to Note 18 for further details.

Tax related to adjusting items

A significant tax charge of $5,017k (2019: $577k credit) was recognised for the tax consequences of the disposal of the US Air Associate and the related accelerated branding fee. Other adjusting items that are expected to be deductible.

Organic and constant currency growth

Organic and constant currency growth in Revenue, Gross Profit and EBIT is a measure which seeks to reflect the performance of the Group that will contribute to long-term sustainable growth. As such, organic and constant currency growth excludes the impact of acquisitions or disposals, and effect of foreign exchange translation. As the average USD-GBP exchange rate for the year of $1.28 to £1 is the same for both 2020 and 2019, constant currency growth is not presented.

Results of acquired and disposed businesses are excluded where the results include only part-year results in either current or prior periods. In the prior year, the paint and interior business acquired on 10 January 2019 (“Paint-Shop”) was excluded in calculating organic growth. In the current year, the Paint-Shop is in all material respects comparable year on year and not adjusted for the purpose of organic growth. The US Air associate was sold on 2 March 2020 resulting in $78k of Adjusted EBIT in 2020 prior to disposal and $518k Adjusted EBIT in the prior year. The impact of associates is separately covered because both the US Air associate and CASL are not comparable year on year. On 18 July 2020, the Group acquired the trade and assets to provide air ambulance services for the Government of Jersey and the Government of Guernsey, however the impact on Adjusted EBIT is not material to present separately. Organic growth is therefore not presented. Further details on acquisitions and disposals year on year are shown in Note 13 and 7 respectively.

Net debt

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

	2020 $'000	2019 $'000
Cash	**16,136**	8,463
Borrowings	**(53,197)**	(46,242)
Net debt pre IFRS 16	**(37,061)**	(37,779)
Obligations under leases	**(49,492)**	(60,204)
Net debt	**(86,553)**	(97,983)

7. Disposal of assets held for sale

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 was 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 (Merritt Property LLC and Puritan Aviation LLC).

Gama Aviation received consideration of $33.0m, comprising $10.0m in return for its 24.5% equity interest and $23.0m for licensing and other trading related considerations. $13.0m of the consideration was received in cash on 2 March 2020, with the remaining $20.0m to be paid in cash, with interest of $2,774k, in eight equal six-month instalments over the next four years. The first instalment was received in September 2020 and the second instalment was received in March 2021, both instalments were received in full and when contractually due. Refer to Note 35 for details of a non-adjusting event that may give rise to some or all of the deferred consideration outstanding being settled in cash shortly after the reporting date.

The $20.0m of deferred consideration is recognised as a financial asset at fair value and then subsequently at amortised cost. The effective interest rate of this financial asset is 6.0%, which results in the recognition of finance income of $964k in the income statement for the year ended 31 December 2020. The first instalment of $2,500k capital and $430k interest was received in September 2020.

Included within trade and other receivables at 31 December 2020 is deferred consideration of $18,034k, with $5,004k in current assets and $13,030k in non-current assets. Included within deferred revenue at 31 December 2020 is licensing and other trading related considerations of $4,375k, with $3,750k in current liabilities and $625k in non-current liabilities.

As part of the transaction, Gama Group Inc has licensed the continued use of the Gama Aviation brand for up to two years, for which $7.5m of consideration has been allocated and will be recognised as revenue over the two year period. Post disposal, $3.125m has been recognised as revenue for this licensing component in the 10 month period to 31 December 2020, in line with the $3.75m annual licence fee prior to disposal. In addition, an accelerated branding fee of $15.5m has been recognised in adjusting items.

	Year ended 2020 $'000
Cash received	**13,000**
Fair value of deferred consideration	**20,000**
Total discounted consideration receivable at the transaction date	**33,000**
Less: Branding fees and other trading related considerations	**(23,000)**
Gross proceeds on disposal	**10,000**
Add: Closing working capital, cash and indebtedness adjustments	**592**
Add: Post closing adjustment	**254**
Less: Transaction costs	**(892)**
Proceeds on disposal of assets held for sale, net of transaction costs	**9,954**
Assets held for sale at 31 December 2019	**2,598**
Share of profit of equity accounted investments prior to disposal*	**78**
Carrying amount of net assets sold	**2,676**
Profit on disposal of interest in associates, before taxation	**7,278**

* The equity accounting of Gama Aviation LLC was not discontinued after Gama Aviation LLC was held for sale at 31 December 2019 and prior to disposal on 2 March 2020. Had this been the case there would have been a $78k increase in share of losses of associates and a $78k increase in the profit on disposal of interest in associates. The impact of this reclassification, which has no impact on the statutory loss for the year, is considered immaterial.

8. Staff costs

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

	Year ended 2020 Number	Year ended 2019 Number
Operations and administration	**357**	411
Pilots and cabin crew	**108**	115
Aircraft engineering	**298**	254
	763	780

Their aggregate remuneration comprised:

	Year ended 2020 $'000	Year ended 2019 $'000
Wages and salaries	**56,614**	60,878
Social security costs	**4,506**	7,796
Share-based payments (Note 31)	**562**	861
Other pension costs (Note 32)	**1,824**	1,447
	63,506	70,982

Aggregate remuneration is stated after netting off government grants received in the year. Refer to Note 2 for further details.

Details of Directors' remuneration are given in the Remuneration Report and refer to Note 35 for details of share option transactions approved after the reporting date. The share option costs relating to these Directors amounted to $152k (2019: $208k).

9. Finance income

	Year ended 2020 $'000	Year ended 2019 $'000
Foreign currency translation on intercompany balances	**405**	–
Foreign currency translation on borrowings	**–**	693
Interest income on financial assets	**1,130**	–
Interest income on bank deposits	**–**	2
Total finance income	**1,535**	695

Interest income on financial assets comprises $964k of interest on deferred consideration relating to the disposal of the US Air associate (Note 7), and $166k interest on other financial assets in the year.

10. Finance expense

	Year ended 2020 $'000	Year ended 2019 $'000
Foreign currency translation on intercompany balances	**–**	136
Foreign currency translation on borrowings	**178**	–
Interest on borrowings before capitalised interest	**878**	965
Capitalised interest (Note 16)	**(179)**	(122)
Discounting on provisions (Note 30)	**28**	35
Interest on lease liabilities (Note 23)	**2,743**	3,061
Write-off loan arrangement fees (Note 21)	**–**	398
Amortisation of loan arrangement fees	**168**	172
Other similar charges payable	**124**	12
Total finance costs	**3,940**	4,657

11. Taxation

	Year ended 2020 $'000			Year ended 2019 $'000		
	Statutory result	**Adjusting items**	**Adjusted result**	Statutory result	Adjusting items	Adjusted result
Corporation tax:						
Current year charge	**3,016**	**(2,977)**	**39**	729	–	729
Deferred tax charge:						
Current year charge	**3,136**	**(2,040)**	**1,096**	(30)	577	547
Adjustment in respect of prior years	**344**	**–**	**344**	(204)	–	(204)
Deferred tax charge/(credit) (Note 22)	**3,480**	**(2,040)**	**1,440**	(234)	577	343
Total tax charge for the year	**6,496**	**(5,017)**	**1,479**	495	577	1,072

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 2020 $'000			Year ended 2019 $'000		
	Statutory result	**Adjusting items**	**Adjusted result**	Statutory result	Adjusting items	Adjusted result
(Loss)/Profit before tax	**(8,239)**	**1,511**	**(6,728)**	(10,964)	12,567	1,603
Tax at the corporation tax rate of 19% (2019: 19%)	**(1,565)**	**287**	**(1,278)**	(2,083)	2,387	304
Effects of:						
Other expenses not deductible/income not taxable	**728**	**–**	**728**	1,810	(1,810)	–
Income not taxable – other forms of government support	**(196)**	**–**	**(196)**	–	–	–
Income not taxable – PPP loan forgiveness	**(903)**	**–**	**(903)**	–	–	–
Non-deductible – impairment of right-of-use asset	**1,332**	**(1,332)**	**–**	–	–	–
Non-deductible – impairment of assets under construction	**876**	**(876)**	**–**	–	–	–
Non-deductible – impairment of goodwill and acquired intangibles	**164**	**(164)**	**–**	–	–	–
Non-deductible – impairment of equity accounted investments	**1,872**	**(1,872)**	**–**	–	–	–
Non-deductible – share of losses of CASL in adjusted result	**637**	**–**	**637**	–	–	–
Non-deductible – share-based payments	**107**	**(107)**	**–**	–	–	–
Non-deductible – amortisation of acquired intangibles	**111**	**(111)**	**–**	–	–	–
Adjustment in respect of prior years	**344**	**–**	**344**	(204)	–	(204)
Effect of tax rates in different jurisdictions	**2,490**	**(842)**	**1,648**	338	–	338
Tax losses in the year not recognised in deferred tax	**14**	**–**	**14**	124	–	124
De-recognition of deferred tax	**485**	**–**	**485**	468	–	468
Other timing differences	**–**	**–**	**–**	42	–	42
Total tax charge for the year	**6,496**	**(5,017)**	**1,479**	495	577	1,072

Adjustment in respect of prior years includes $293k decrease in deferred tax asset relating to temporary timing differences on the assets held for sale in the prior year. This is an immaterial change to the prior year recognised in advance of the disposal in March 2020.

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.

11. Taxation (continued)
Temporary differences of $26,233k (2019: $29,179k) have arisen as a result of the translation of the financial statements of the Group's subsidiaries. However, a deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future. As a result, there is no deferred tax charge in other comprehensive income in relation to the translation of the Group's subsidiaries into the presentation currency of US Dollars.

Deferred tax assets in prior periods were pre-COVID and recognised where the expected utilisation in future periods was estimated by pre-COVID forecasts. Future profitable projections were impacted by the ongoing COVID-19 pandemic and as a result deferred tax balances of $485k were written off.

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 2020 $'000	Year ended 2019 $'000
Numerator		
Statutory earnings:		
Loss attributable to ordinary equity holders of the parent	**(14,780)**	(11,554)
Adjusted earnings:		
(Loss)/profit attributable to ordinary equity holders of the parent	**(8,252)**	436
Denominator		
Weighted average number of shares used in basic EPS	**63,636,279**	63,636,279
Effect of dilutive share options	**–**	–
Weighted average number of shares used in diluted EPS	**63,636,279**	63,636,279
Earnings per share (cents)		
Statutory earnings per share		
Basic	**(23.2)**	(18.2)
Diluted	**(23.2)**	(18.2)
Adjusted earnings per share		
Basic	**(13.0)**	0.7
Diluted	**(13.0)**	0.7

The average share price for the year ended 31 December 2020 was 54 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 18 July 2020, the Group acquired a business to provide air ambulance services for the Government of Jersey and the Government of Guernsey. Cash consideration of $1.5m was paid. 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 fair value of assets acquired, and the liabilities assumed at the acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed.

	Note	$'000
Property, plant and equipment	16	1,070
Other receivables		116
Customer relationships (included within intangibles)	15	390
Deferred tax liability	22	(62)
Total consideration		1,514
Acquisition costs	6	30
Acquisition of business, including acquisition costs		1,544

From the date of acquisition, the air ambulance services contributed $2.0m revenue, and $0.3m gross profit. It is impracticable to quantify the period prior to acquisition and therefore disclose the impact if the air ambulance services acquisition had taken place at the beginning of the year.

Refer to Note 35, for further details on the acquisition of Jet East after the reporting date.

14. Goodwill

	$'000
Cost	
At 1 January 2019	44,884
Recognised on acquisition	787
Exchange differences	849
At 31 December 2019	**46,520**
Exchange differences	1,514
At 31 December 2020	**48,034**
Accumulated impairment losses	
At 1 January 2019	24,770
At 31 December 2019	**24,770**
Exchange differences	774
At 31 December 2020	**25,544**
Carrying amount	
At 31 December 2020	**22,490**
At 31 December 2019	21,750

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

	2020 $'000	2019 Restated* $'000
Carrying amount		
US: Ground	**787**	787
Europe: Ground	**20,467**	19,769
Global Services: FlyerTech	**1,236**	1,194
	22,490	21,750

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

When testing for impairment, recoverable amounts for all of the Group's CGUs are measured at their VIU by discounting the future expected cash flows from the assets in the CGUs. The CGUs that have goodwill are Europe Ground, FlyerTech and US Ground (2019: Europe Ground, FlyerTech and US Ground). The key assumptions and estimates used for VIU calculations are as follows:

14. Goodwill (continued)
Future expected cash flows
VIU calculations are based on estimated post-tax cash flows for 2021 as approved by the Board. Recognising the inherent uncertainty in the ongoing COVID-19 pandemic:

- for cash flows beyond the current year forecast period, a terminal growth rate has been applied
- CGU specific operating assumptions are applicable to the forecast cash flows for the year to 31 December 2021 and relate to revenue forecasts, expected project outcomes, cash conversion, levels of capital expenditure 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.
- The post-tax cash flows for 2021 forecast that the first quarter of 2021 was COVID impacted, and thereafter a progressive recovery was reflected

Terminal growth rate
Beyond the current year forecast period, a long-term terminal growth rate has been applied to calculate terminal values for all CGUs. The Group has used the Real GDP Growth Rate as a proxy for long-term terminal growth rate of Gama Aviation Plc. The average Real GDP Growth Rate for the world per the IMF World Economic Outlook published in April 2021 from 2020 to 2022 was 2.4%. Considering regional variations in terminal growth rates in these outlooks as well as other outlooks from the Organisation for Economic Cooperation and Development ("OECD"), Bank of England in the UK and Federal Reserve in the US, the terminal growth rates applied are as tabulated below. The Group has used the Real GDP Growth Rate as a proxy for long-term terminal growth rate of Gama Aviation Plc.

	2020 %	2019 %
United Kingdom	**2.3**	1.9
United States	**2.2**	1.9
Asia	**2.1**	1.9
Middle East	**1.0**	1.9

Weighted average cost of capital ("WACC")
A pre-tax discount rate is calculated by reference to the 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 discount rate is calculated for each CGU. For the CGUs that have goodwill, the discount rates are tabulated below. For the CGUs with no goodwill the pre-tax discount rates vary from 9.8% to 13.7%.

	2020 %	2019 %
Europe Ground	**11.1**	10.1
Global Services: FlyerTech	**13.1**	10.1
US Ground	**13.4**	10.1

The discount rates in the current year have increased across all CGUs, which is driven by increases in market-based inputs into the WACC contributing to a higher return on both equity and debt.

Sensitivity to changes in assumptions
The calculation of VIU 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, acquired intangible assets, right-of-use assets, property, plant and equipment, computer software and an allocation of corporate assets, using reasonably possible changes in the already conservative long-term growth rates and pre-tax discount rates.

No reasonably possible change in assumptions would diminish the US Ground or FlyerTech recoverable amount below the carrying amount of assets in this CGU. The CGU which is most sensitive to changes in assumptions is Europe Ground.

The sensitivity analysis in Europe Ground showed:

- The recoverable amount was $2,958k higher than the carrying value of all assets, including goodwill, in the CGU
- A 1% decrease in the terminal growth rate would result in an impairment of $6,901k
- A 1% increase in the discount rate would result in an impairment of $6,991k
- The terminal rate growth rate of 2.3% would have to decrease to 2.0% for an impairment

The limited headroom in Europe Ground is in part due to a long-term terminal growth rate being applied after the 2021 forecast cash flows and the 2021 forecast being COVID impacted for the first quarter of 2021.

A reasonably possible change in assumptions would result in the Europe Ground recoverable amount being below the carrying amount of assets in this CGU. Any potential impairment would be limited to the goodwill within Europe Ground and no reasonably possible change in assumptions would result in other assets in this CGU being impaired.

No impairment has been recognised in the current year.

15. Other intangible assets

	Commence operations $'000	Part 145 approvals $'000	Licences and brands $'000	Customer relations $'000	Computer software $'000	Total $'000
Cost						
At 1 January 2019	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**
Additions	–	–	–	–	2,521	2,521
Disposals	(1,481)	(3,442)	(1,605)	–	–	(6,528)
Recognised on acquisition	–	–	–	390	–	390
Foreign exchange differences	–	–	–	–	417	417
At 31 December 2020	**–**	**–**	**–**	**15,869**	**10,272**	**26,141**
Amortisation and accumulated impairment losses						
At 1 January 2019	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**
Amortisation	–	–	55	559	1,581	2,195
Disposals	(1,481)	(3,442)	(1,605)	–	–	(6,528)
Impairment loss	–	–	–	833	–	833
Foreign exchange differences	–	–	1	1	117	119
At 31 December 2020	**–**	**–**	**–**	**13,597**	**2,215**	**15,812**
Carrying amount						
At 31 December 2020	**–**	**–**	**–**	**2,272**	**8,057**	**10,329**
At 31 December 2019	–	–	56	3,275	6,817	10,148

The carrying amount of customer relationships relate to:

/ FlyerTech: $1,276k (2019: $1,591k);
/ Europe Ground: $638k (2019: $743k);
/ Gama Aviation Hutchison Holdings Ltd ("GAHH"): nil (2019: $941k); and
/ Europe Air $358k (2019: nil)

Licences and Brands (which include protected intellectual property) have been fully amortised and written-off during the year as these are no longer being utilised.

Commence operations and Part 145 approvals are legacy intangible balances comprising internally generated costs which were fully amortised in the prior year, and have been written-off during the year.

Computer software costs comprise internally developed software costs arising in the Group's myairops® 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 $6,729k (2019: $5,310k).

The carrying amount of GAHH acquired intangible assets in Asia Air exceeded the recoverable amount due to uncertainties arising from the COVID-19 pandemic that resulted in the customer relationship no longer being active. An impairment charge of $833k was recognised in the year to impair the GAHH customer relationship intangible to the recoverable amount of nil.

Impairment charges on other acquired intangibles in 2019 of $540k, which related to customer relationships and brand intangibles in the US Ground CGU.

16. Property, plant and equipment

	Helicopters $'000	Leasehold improvement $'000	Aircraft and refurbishments $'000	Fixtures, fittings and equipment $'000	Motor vehicles $'000	Asset under construction $'000	Total $'000
Cost							
At 1 January 2019	–	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**
Additions	19,045	2,413	1,883	1,896	61	–	25,298
Acquisitions	–	–	819	251	–	–	1,070
Impairment	–	–	–	–	–	(4,609)	(4,609)
Capitalised interest	–	–	–	–	–	179	179
Transfers	8,484	–	–	–	–	(8,484)	–
Disposals	–	(1,294)	(35)	(1,633)	(11)	–	(2,973)
Exchange differences	1,559	1,838	352	1,831	(12)	–	5,568
At 31 December 2020	**29,088**	**18,259**	**12,161**	**11,861**	**2,773**	**–**	**74,142**
Accumulated depreciation							
At 1 January 2019	–	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**
Charge for the year	679	933	957	1,787	453	–	4,809
Disposals	–	(1,294)	(35)	(1,570)	(11)	–	(2,910)
Exchange differences	43	1,048	80	1,810	3	–	2,984
At 31 December 2020	**722**	**5,764**	**3,254**	**7,598**	**1,830**	**–**	**19,168**
Carrying amount							
At 31 December 2020	**28,366**	**12,495**	**8,907**	**4,263**	**943**	**–**	**54,974**
At 31 December 2019	–	10,225	6,890	3,945	1,350	12,914	35,324

During the year and before the helicopters were brought into use, the Group capitalised borrowing costs of $179k (2019: $122k).

As previously reported, deployment of the helicopters occurred on 1 June 2020 in support of a long-term contract. As a result, helicopters have been transferred from assets under construction into the helicopters asset class within property, plant and equipment. They have been brought into use and depreciated from 1 June 2020.

The assets under construction relating to the investment in the Sharjah Business Aviation Centre project was fully impaired. The impairment arose due to uncertainties arising in part from the ongoing COVID-19 pandemic. Total impairment costs of $4,609k (2019: nil) have been recognised during the year.

An acquisition of an air ambulance business in the year included the purchase of aircraft for $819k, included in Aircraft and refurbishments, and medical equipment for $251k, included in Fixtures, fittings and equipment.

Estimation uncertainty

The key source of estimation uncertainty at the reporting date, relates to the determination of the recoverable amount of nil for the Sharjah Business Aviation Centre project. This is based on the Group's judgement that whilst discussions with the Sharjah Airport Authority concerning the project, the prospects for which have been frustrated by the COVID-19 pandemic, are ongoing there is currently no clear agreed plan to secure other funding or contract restructure that will enable completion of the project or release Gama from the head lease.

Refer to Note 14 for further details on a sensitivity analyses across all CGUs which have goodwill, acquired intangible assets, right-of-use assets, property, plant and equipment, computer software and an allocation of corporate assets, using reasonably possible changes in the already conservative long-term growth rates and pre-tax discount rates.

17. Subsidiaries and other related undertakings

Details of the Company's subsidiaries and other related undertakings held directly or indirectly at 31 December 2020 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest 2020	Proportion of voting and ownership interest 2019	Nature of business	Registered address
Aerstream Limited(1) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	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) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Aviation Crewing Limited	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) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Aviation (Training) Limited(1) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	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) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama (Engineering) Limited(1) (2)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
GA FM54 Limited(1) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	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) (8)	England and Wales	100%	100%	Dormant and struck off after reporting date	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Gama Support Services Limited(1) (2)	England and Wales	100%	100%	Dormant	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE

17. Subsidiaries and other related undertakings (continued)

Name	Place of incorporation and operation	Proportion of voting and ownership interest 2020	Proportion of voting and ownership interest 2019	Nature of business	Registered address
Hangar 8 AOC Limited[(8)]	England and Wales	100%	100%	Dormant and struck off after reporting date	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Hangar 8 Engineering Limited[(8)]	England and Wales	100%	100%	Dormant and struck off after reporting date	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Hangar 8 Management Limited	England and Wales	100%	100%	Non-trading	1st Floor 25 Templer Avenue, Farnborough, Hampshire, England, GU14 6FE
Infinity Flight Crew Academy Limited[(8)]	England and Wales	100%	100%	Dormant and struck off after reporting date	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) (7)]	Jersey	100%	100%	Dormant and struck off after reporting date	Beauport House L'Avenue De La Commune St Peter Jersey JE3 7BY
Ferron Trading Limited[(1) (7)]	Jersey	100%	100%	Dormant and struck off after reporting date	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*	United Arab Emirates ("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 International Saudi Arabia[(4)]	Kingdom of Saudi Arabia	49%	49%	Aviation management	6646 Abi Haitham Al Ansari, al Madina Square Center – Office 2 & 3, Muhammadiyah District, Jeddah 23624-3270, KSA
Gama Aviation SPV Limited (Plc) [(6)]	UAE	100%	10%	Aviation management	2428 Res Co-work 03 Level 24, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, 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 2020	Proportion of voting and ownership interest 2019	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
Hangar 8 Nigeria Limited(3)	Nigeria	100%	100%	Applicant of Nigerian AOC	*
Hangar 8 Mauritius Limited	Mauritius	100%	100%	Holding company	*
GB Aviation Holdings LLC(9)	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 Aviation LLC	Delaware, USA	–	24.5%	Associate	Two Corporate Drive, Suite 1050, Shelton, Connecticut, 06484, USA
China Aircraft Services Limited (CASL)	Hong Kong	20%	20%	Associate	8th Floor, Main Building, Hangar and Workshop Complex, 81 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong
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
Gama Aviation (Cayman) SEZC	Cayman Islands	100%	100%	Aviation Management	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

(1) Indicates indirect holding.

(2) For the year ending 31 December 2020, 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:

– Aravco Limited, company number 01316174.

– Gama Aviation (Asset 2) Limited, company number 08586412.

– International JetClub Limited, company number 03538780.

– Ronaldson Airmotive Limited , company number 06391499.

– Gama (Engineering) Limited, company number 03745678

– Gama Support Services Limited, company number 02784991

(3) The consolidated financial statements include amounts relating to Hangar 8 Nigeria Limited, a company established in Lagos, Nigeria. The Group holds 11% of the share capital, of which 7% is owned through a wholly owned subsidiary, Hangar8 Mauritius Limited. Whilst the Group therefore does not have legal control of this entity, the Directors and officers comprise only 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) No non-controlling interest has been recognised on the remaining 51%, as the Group has the full beneficial interest.

(5) 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.

(6) Gama Group Mena FZE acquired 90% of the issued share capital on 17 February 2020.

(7) Struck off after the reporting date

(8) Application for strike-off filed with Companies House and strike-off expected to complete in the first half of 2021

(9) GB Aviation Holdings LLC is the entity jointly held with Signature Aviation plc. The Company's sole asset was its 49% investment in Gama Aviation LLC, the Group's US Air associate, which was disposed of the year, refer to Note 7. The Group's ownership interest in Gama Aviation LLC is 24.5%.

* The registered office addresses 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 2020 are as follows:

Name	Investment	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
China Aircraft Services Limited (CASL)	Associate	Hong Kong	20.0%	20.0%
GB Aviation Holdings LLC*	Joint Venture	USA	50.0%	50.0%

* GB Aviation Holdings LLC is the entity jointly held with Signature Aviation plc. The company's sole asset was its 49% investment in Gama Aviation LLC, the Group's US Air associate, which was disposed in the year, refer to Note 7. At GB Aviation Holdings LLC direction proceeds from the disposal were in favour of Gama Group Inc and Signature Aviation plc according to their respective interests. The Group's ownership interest in Gama Aviation LLC is nil after the disposal (2019: 24.5%) and the carrying value of the investment in GB Aviation Holdings LLC is nil.

Details of the Group's investments accounted for using the equity method at 31 December 2019 were 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%
GB Aviation Holdings LLC*	Joint Venture	USA	50.0%	50.0%
China Aircraft Services Limited	Associate	Hong Kong	20.0%	20.0%

* GB Aviation Holdings LLC is the entity jointly held with Signature Aviation plc. The company's sole asset was its 49% investment in Gama Aviation LLC, the Group's US Air associate, which was disposed in the year, refer to Note 7. The Group's ownership interest in Gama Aviation LLC is 24.5%. The Group equity accounted for the consolidated results of GB Aviation Holdings LLC, which included its' sole undertaking and trading entity, Gama Aviation LLC.

On the balance sheet at 31 December 2019, the equity accounted investment in Gama Aviation LLC was 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 7 for further details on the disposal.

The results of the equity accounted investments are as follows:

	Gama Aviation LLC*		CASL	
	Year ended 2020 $'000	Year ended 2019 $'000	**Year ended 2020 $'000**	Year ended 2019 $'000
Revenue	**75,053**	436,520	**33,389**	62,985
Expenditure	**(74,732)**	(434,323)	**(50,432)**	(61,033)
Impairment of property, plant and equipment	**–**	–	**(16,433)**	–
Impairment of right-of-use assets	**–**	–	**(15,732)**	–
Profit/(loss) before tax	**321**	2,197	**(49,208)**	1,952
Income tax (charge)/credit	**(2)**	(84)	**292**	(282)
Profit/(loss) after tax	**319**	2,113	**(48,916)**	1,670
Statutory result: Group's share of net profit/(loss)	**78**	518	**(9,783)**	334
Finalisation and reversal of prior year pre-acquisition loss	**–**	–	**–**	66
Statutory result: Share of results from equity accounting	**78**	518	**(9,783)**	400
Less adjusting items:				
Group's share of impairment of property, plant and equipment	**–**	–	**3,287**	–
Group's share of impairment of right-of-use assets	**–**	–	**3,146**	–
Adjusted result: Share of results from equity accounting	**78**	518	**(3,350)**	400
Impairment of equity accounted investments	**–**	–	**(3,421)**	–

* The equity accounting of Gama Aviation LLC was not discontinued after Gama Aviation LLC was held for sale at 31 December 2019 and prior to disposal on 2 March 2020. Had this been the case there would have been a $78k increase in share of losses of associates and a $78k increase in the profit on disposal of interest in associates. The impact of this reclassification, which has no impact on the statutory loss for the year, is considered immaterial. In the prior year, equity accounting of Gama Aviation LLC was for the full year.

Impairment is assessed by the recoverable amount which is the higher of the fair value less costs to sell and the VIU. The recoverable amount has been determined on the fair value less cost to sell.

CASL suffered substantial losses, the Group's share of which amounted to $3,350k of Adjusted EBIT, due to vastly reduced commercial aviation volumes at Hong Kong airport, impacted by COVID-19. CASL is in the process of seeking funding to continue as a going concern and at the time of reporting the funding hasn't been secured. Impairment charges of $9,854k (2019: nil) have been recognised in adjusting items. $6,433k (2019: nil) relates to an impairment on non-current assets in CASL which have been presented outside Adjusted EBIT due to their size, irregular occurrence and to enable better comparability year on year. The remaining impairment charge of $3,421k (2019: nil) to reduce the equity accounted investment in CASL from the carrying amount to its recoverable amount of $2,000k. The fair value of $2,000k represents a credible offer another CASL shareholder received for their 20 percent shareholding in 2021 and is therefore an appropriate basis upon which to measure the fair value of the Group's 20 percent shareholding in CASL. Costs to sell are estimated to be nil. In May 2021, the Group also received a similar offer for its 20 percent shareholding in CASL. The Board is currently considering the offer and is in negotiations with the counterparty.

Estimation uncertainty

The key source of estimation uncertainty at the reporting date, 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, relates to the determination of the recoverable amount on fair value less cost to sell. Changes in the financial performance and outlook for CASL will inevitably impact the fair value of the investment to a market participant.

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

	Gama Aviation LLC		CASL	
	Year ended 2020 $'000	Year ended 2019 $'000	**Year ended 2020 $'000**	Year ended 2019 $'000
At 1 January	**–**	2,080	**15,112**	16,207
Other comprehensive income	**–**	–	**92**	36
Share of net profit/(loss)*	**78**	518	**(9,783)**	400
Dividends declared	**–**	–	**–**	(1,276)
Prior year dividend	**–**	–	**–**	(255)
Impairment	**–**	–	**(3,421)**	–
Transfer to profit on sale*	**(78)**	–	**–**	–
Transfer to assets held for sale	**–**	(2,598)	**–**	–
At 31 December	**–**	–	**2,000**	15,112

* The equity accounting of Gama Aviation LLC was not discontinued after Gama Aviation LLC was held for sale at 31 December 2019 and prior to disposal on 2 March 2020. Had this been the case there would have been a $78k increase in share of losses of associates and a $78k increase in the profit on disposal of interest in associates. The impact of this reclassification, which has no impact on the statutory loss for the year, is considered immaterial.

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

	Gama Aviation LLC		CASL	
	Year ended 2020 $'000	Year ended 2019 $'000	**Year ended 2020 $'000**	Year ended 2019 $'000
Total assets	**–**	38,175	**63,284**	87,216
Total liabilities	**–**	(26,948)	**(46,014)**	(18,257)
Net assets/(liabilities)	**–**	11,227	**17,270**	68,959
Group's share of net assets/(liabilities)	**–**	2,751	**3,454**	13,792
Goodwill*	**–**	751	**1,320**	1,320
Impairment	**–**	(904)	**(2,774)**	–
Transfer to assets held for sale	**–**	(2,598)	**–**	–
At 31 December	**–**	–	**2,000**	15,112

* The impairment of $2,774k excludes an adjustment of $647k from the preceding table, which has an impairment of $3,421k. The adjustment is in respect of the impact of IFRS 16 on CASL in 2019 and this was due to the timing of final signed accounts being made available in 2019. Comparative disclosures have not been restated due to the significant impairment charge taken in the current year, on this investment, which make the restatement to 2019 immaterial to the users of the accounts.

19. Inventories

	2020 $'000	2019 $'000
Raw materials and consumables	**5,922**	7,182
Work in progress	**56**	89
	5,978	7,271

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 $16,202k (2019: $30,706k). This includes an amount of $1,520k resulting from a write down of inventories (2019: $2,364).

Nil (2019: $626k) of the write down of inventories is shown in Note 6 as an exceptional item. The remaining write down comprises $1,492k in Europe Ground and $28k in US Ground to measure inventories at the lower of cost or net realisable value. Included within inventories is an inventory obsolescence allowance of $5,048k (2019: $5,413k).

Estimation uncertainty

The key source of estimation uncertainty at the reporting date, that may have a significant risk of causing a materially different outcome to the carrying amounts of inventories within the next financial year, relates to a change in the net realisable value due to change in customer demand or obsolescence of certain inventory lines. At 31 December 2020, the Board considers its assessment of net realisable value to be appropriate based on best information available.

20. Trade and other receivables

	2020 $'000	2019 Restated* $'000
Financial assets		
Amounts receivable for the sale of services	**30,792**	36,044
Loss allowance	**(6,954)**	(3,896)
	23,838	32,148
Amounts due from associates	**970**	4,265
Financial asset at amortised cost	**18,034**	–
Accrued income**	**14,475**	28,387
Financial assets	**57,317**	64,800
Non-financial assets		
Prepayments**	**3,763**	12,053
Other debtors	**1,309**	324
Total trade and other receivables	**62,389**	77,177
Current	**49,359**	72,956
Non-current	**13,030**	4,221
Total trade and other receivables	**62,389**	77,177

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

** Includes contract assets which are described in further detail below.

Amounts receivable for the sale of services

The average Days Sales Outstanding (DSO) is 62 days (2019: 55 days) due to receivables past due over 120 days increasing year on year by $1,427k. 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 has been charged on overdue receivables (2019: 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.

As there is no significant financing component to amounts receivable for the sale of services, a provision matrix has been used to calculate the expected credit losses for amounts receivable for the sale of services, contract assets and accrued income, which is permitted by IFRS 9. The Group carries an expected credit loss allowance of $6,954k (2019: $3,896k).

Amounts receivable for the sale of services 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. No loss allowance is carried for other debtors.

Ageing of unimpaired amounts receivable for the sale of services

	2020 $'000	2019 $'000
Not yet due	**8,590**	12,747
Less than 30 days	**3,676**	5,283
30-60 days	**2,448**	7,271
61-90 days	**1,467**	1,985
91-120 days	**2,104**	736
Greater than 120 days	**5,553**	4,126
Total	**23,838**	32,148

Movement in the loss allowance

	2020 $'000	2019 $'000
At 1 January	**3,896**	3,198
Impairment losses recognised in income statement in Adjusted result	**3,792**	377
Impairment losses recognised in income statement in Adjusting items	**(709)**	2,010
Amounts written off as uncollectible	**(171)**	(1,835)
Foreign exchange translation gains and losses	**146**	146
At 31 December	**6,954**	3,896

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 amounts receivable for the sale of services

	2020 $'000	2019 $'000
Not yet due	**54**	–
< 30 days	**43**	663
30-60 days	**9**	30
61-90 days	**63**	30
91-120 days	**73**	356
121+ days	**6,712**	2,817
Total	**6,954**	3,896

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

No general security is normally taken on trade receivables, but may be sought once receivables become past due or the financial circumstances of a customer are known or expected to change. However, for trade receivables of $3,452k (2019: $2,128m) in Europe Air the Group has liens over the aircraft and the aircraft is currently in our possession which provides security while recovery is pursued. In US Ground, for trade receivables of $1,148k (2019: $1,095k) we have claims of lien registered with local authorities as well as the FAA on each of the aircraft.

20. Trade and other receivables (continued)

Sensitivity analysis on loss allowance

The estimate of the loss allowance may vary from the actual amounts recovered if an individual becomes unable to pay or able to pay. There is a $6,954k loss allowance and if a portion of the impaired receivable balance was recovered there may be material credit to the income statement. Similarly, if the unimpaired receivable balance over 120 days of $5,553k was unable to be recovered, there may be a material charge to the income statement. However, as noted earlier, there are liens over the aircraft relating to unimpaired receivables over 120 days, amounting to $4,600k.

Amounts due from associates

Amounts due from associates of $970k (2019: $4,265k) represent balances arising in the ordinary course of business between the Group and its associate companies, China Aircraft Services Limited and Gama Aviation LLC before its disposal in 2020 (Note 7). Amounts due to associates of $1,046k (2019: $4,363k) (see Note 24) also arise in the ordinary course of business between the Group and the same associate companies. The net payable to associates of $76k is expected to be settled in the next twelve months and represents:

- A receivable due to the Group of $970k from China Aircraft Services Limited; and
- A payable due from the Group of $1,046k to China Aircraft Services Limited.

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

Amounts due from associates do not include a loss allowance (2019: nil loss allowance). The $1,046k payable due from the Group is expected to mitigate any credit losses on the $970k receivable due to the Group.

Financial asset at amortised cost

Following the disposal of the US Air Associate a financial asset measured at amortised cost was recognised for deferred consideration on the sale. At 31 December 2020 the carrying amount is $18,034k (2019: nil), with $5,004k in current asset and $13,030k in non-current assets. Refer to Note 7 for further details. No expected credit loss allowance has been recognised on this financial asset. Refer to Note 35 for further details on the expected receipt of this receivable.

Accrued income

Accrued income is expected to be billed within the next twelve months. The reduction in accrued income year on year is largely driven by managed aircraft revenue, which has reduced due to lower flying activity as a result of the COVID-19 pandemic.

Contract assets

As part of a Fleet Maintenance programme on a long-term contract, contract assets of $579k (2019: $2,112k) have been recognised in prepayments.

Contract assets arising from design and modification projects of $1,419k (2019: $2,575k) have been included within the accrued income.

As previously reported, the Group commenced all Helicopter Emergency Medical Services (HEMS) on behalf of the Scottish Ambulance Service on 1 June 2020 using its fleet of three Airbus H145 helicopters. In support of this long-term contract, contract assets of $1,692k (2019: $456k) are included within prepayments.

Total contract assets are $3,690k (2019: $5,143k).

21. Borrowings

	2020 $'000	2019 Restated* $'000
Secured borrowings at amortised cost		
Other loans	–	1,475
Bank borrowings	**52,197**	44,767
Unsecured borrowing at amortised cost		
Paycheck Protection Program	**1,000**	–
	53,197	46,242
Total borrowings		
Other loans	–	848
Paycheck Protection Program	**1,000**	–
Bank borrowings	–	–
Amount due for settlement within 12 months	**1,000**	848
Other loans	–	627
Bank borrowings	**52,197**	44,767
Amount due for settlement after 12 months	**52,197**	45,394

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

Analysis of borrowings by currency:

	Sterling $'000	US Dollars $'000	Euros $'000	Total $'000
31 December 2020				
Paycheck Protection Program	–	**1,000**	–	**1,000**
Bank borrowings	**52,197**	–	–	**52,197**
	52,197	**1,000**	–	**53,197**
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

During the year the Group received funds under the Paycheck Protection Program (PPP) in the form of a loan arrangement from Citibank guaranteed by the US government, which is specifically intended to help businesses maintain their US workforce during the COVID-19 pandemic. The Group made the application in good faith and in the belief that the PPP loan request was necessary and otherwise in accordance with the then applicable rules, to support its ongoing operations given the economic uncertainty caused by the pandemic. $5,753k funds were received on 12 May 2020 and was initially recognised as borrowings in current liabilities. $4,753k of these funds are considered by the Company to be eligible for forgiveness within the terms of the PPP and have therefore been recognised as income against the related expenses in the income statement, reducing the amount of borrowings at the period end to $1,000k. Confirmation of partial loan forgiveness is expected within 12 months from the balance sheet date. Refer to Note 2 (w) and Note 3 for further details.

Other loans were secured by assets and settled in full at the reporting date. Interest arose at an average of 5.4% (2019: 6.1%).

21. Borrowings (continued)
The other principal features of the Group's bank borrowings are as follows.

I. Bank borrowings in 2020 of $52,197k (2019: $44,767k) comprise drawdowns from a revolving credit facility (the "RCF") and a term loan (the "Loan") both secured with HSBC

II. The RCF, which is presented in non-current liabilities, is settled and drawdown on a cyclical basis with no right from the bank to demand full repayment within the next twelve months

III. A letter of awareness has been provided by CK Hutchison Holdings Ltd (CKHH), which 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 its shareholding in the Group below 25.0% without consent from the lender or discharge of the facility. No legal implications are imposed on CKHH

IV. The revolving credit facility is $50,000k, and $24,749k (2019: $5,233k) was undrawn at the end of the reporting period

V. During 2020 the Group completed the purchase of three Airbus H145 helicopters, which came into use on 1 June 2020 in support of a long-term contract. The purchase was funded through a £20m Loan. The Loan is separate from the RCF which was transferred from RBS to HSBC on improved terms in November 2019

VI. The Loan and the RCF (collectively the "Facilities") are subject to customary banking security arrangements

VII. During the year the Group issued a debenture as security against the Loan and RCF

2020	Interest	Maturity	Facility ’000	Drawn (Local currency) ’000	Drawn (Presentation currency) $’000
RCF	LIBOR + 0.94%	14 November 2022	USD 50,000	GBP 18,500	25,251
Term loan	LIBOR + 1.12%	31 January 2023	GBP 20,000	GBP 20,000	27,298
Bank borrowing before arrangement fees					**52,549**
Capitalised loan arrangement fees					(352)
Bank borrowings					**52,197**

2019	Interest	Maturity	Facility ’000	Drawn (Local currency) ’000	Drawn (Presentation currency) $’000
RCF	LIBOR + 0.94%	14 November 2022	USD 50,000	GBP 17,500	23,072
				USD 8,500	8,500
				EUR 12,000	13,460
Bank borrowing before arrangement fees					**45,032**
Capitalised loan arrangement fees					(265)
Bank borrowings					**44,767**

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 and other temporary differences $'000	Deferred consideration on US air associate temporary differences $'000	Tax losses $'000	Total $'000
At 1 January 2019	(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, as reported	–	(819)	–	2,252	1,433
Restatement*	–	662	–	(662)	–
At 31 December 2019, as restated	–	(157)	–	1,590	1,433
Acquisitions	(62)	–	–	–	(62)
Credit/(charge) in year (Note 11)	5	62	(2,986)	(561)	(3,480)
Exchange differences	–	(23)	–	23	–
At 31 December 2020	**(57)**	**(118)**	**(2,986)**	**1,052**	**(2,109)**

* 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:

	2020 $'000	2019 $'000
Deferred tax asset	**–**	2,252
Deferred tax liability	**(2,109)**	(819)
Net deferred tax (liability)/asset	**(2,109)**	1,433

The Group has the following tax losses:

	2020 Recognised $'000	2019 Recognised $'000	**2020 Unrecognised $'000**	2019 Unrecognised $'000	**2020 Total $'000**	2019 Total $'000
UK	**2,321**	3,389	**29,184**	19,595	**31,505**	22,984
US	**6,528**	4,516	**–**	–	**6,528**	4,516
KSA	**–**	1,511	**–**	695	**–**	2,206
HK	**–**	588	**5,095**	6,175	**5,095**	6,763
Tax losses	**8,849**	10,004	**34,279**	26,465	**43,128**	36,469

The above losses represent the following value at tax rates applicable at the balance sheet date:

	2020 Recognised $'000	2019 Recognised Restated* $'000	**2020 Unrecognised $'000**	2019 Unrecognised $'000	**2020 Total $'000**	2019 Total $'000
UK	**441**	644	**5,545**	3,723	**5,986**	4,367
US	**611**	565	**–**	–	**611**	565
KSA	**–**	287	**–**	132	**–**	419
HK	**–**	94	**968**	988	**968**	1,082
Potential tax benefit of tax losses	**1,052**	1,590	**6,513**	4,843	**7,565**	6,433

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

22. Deferred tax (continued)

The Group has not recognised a deferred tax asset in respect of losses brought forward of $6,513k (2019: $4,843k) because the future recoverability of the asset is uncertain. Recognising the inherent uncertainty in the ongoing COVID-19 pandemic future profitable projections beyond the current year forecast period are uncertain and therefore these deferred tax assets have not been recognised, see Note 15 for further details on projections.

Losses in the UK and Hong Kong can be carried forward indefinitely. US losses can be carried forward for up to seven years.

The Group is able to recognise the deferred tax asset on tax losses of $1,052k (2019: $1,590k) and its expected utilisation in future periods based on future profitable projections for that entity in which the deferred tax asset arose.

No deferred tax liabilities have been recognised for temporary differences associated with investment in associates.

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					
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**
Additions	6,846	–	–	–	6,846
Derecognition	(2,539)	–	(19,417)	–	(21,956)
Exchange differences	1,595	2	299	8	1,904
At 31 December 2020	**57,498**	**74**	**–**	**213**	**57,785**
Accumulated depreciation					
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**
Charge for the year – admin expenses	521	19	–	–	540
Charge for the year – cost of sales	5,582	–	5,052	74	10,708
Derecognition	(2,539)	–	(15,574)	–	(18,113)
Impairment	7,013	–	–	–	7,013
Exchange differences	691	4	237	7	939
At 31 December 2020	**19,538**	**69**	**–**	**156**	**19,763**
Net book value at 31 December 2020	**37,960**	**5**	**–**	**57**	**38,022**
Net book value at 31 December 2019	43,326	26	8,833	130	52,315

Lease liabilities
Maturity analysis – contractual undiscounted cash flows

	2020 $'000	2019 $'000
Less than one year	**8,404**	19,811
One to five years	**21,172**	23,835
More than five years	**45,776**	38,173
Total undiscounted lease liabilities at 31 December	**75,352**	81,819
Lease liabilities included in the statement of financial position at 31 December		
Discounted lease liabilities	**5,531**	12,527
Accruals for lease payments	**317**	3,839
Current	**5,848**	16,366
Non-current	**43,644**	43,838
Total lease liabilities at 31 December	**49,492**	60,204

Lease liability

	Leasehold property $'000	Fixtures, fittings and equipment $'000	Aircraft $'000	Vehicles $'000	Total $'000
At 1 January 2019	50,621	70	18,466	125	69,282
Additions	–	–	–	73	73
Finance expense	2,524	2	529	6	3,061
Lease payments	(6,610)	(6)	(7,421)	(25)	(14,062)
Exchange differences	1,282	(46)	654	(40)	1,850
At 31 December 2019	**47,817**	**20**	**12,228**	**139**	**60,204**
Additions	6,846	–	–	–	6,846
Finance expense	2,592	–	147	4	2,743
Derecognition	–	–	(4,083)	–	(4,083)
Lease payments	(8,094)	(6)	(7,878)	(44)	(16,022)
Exchange differences	264	(9)	(414)	(37)	(196)
At 31 December 2020	**49,425**	**5**	**–**	**62**	**49,492**

Following the settlement of all aircraft leases in the year a $240k profit has been recognised in derecognition of the related right-of-use assets and lease liabilities.

23. Obligations under leases (continued)

Amounts recognised in profit and loss

Depreciation charge of right-of-use assets

	2020 $'000	2019 $'000
Leasehold property	6,103	5,860
Fixtures, fittings and equipment	19	46
Aircraft	5,052	9,927
Vehicles	74	73
Total	**11,248**	15,906

Expenses relating to short-term leases of twelve months or less total $740k (2019: $1,681k). There are no expenses relating to low value assets or expenses relating to variable lease payments.

Impact of IFRS 16 adjustments to the income statement

The following table reflects the impact of IFRS 16 adjustments on Gross Profit, Adjusted EBIT and Profit before tax. The CODM reviews monthly internal reporting on a pre-IFRS 16 basis and pre-IFRS 16 adjusted EBIT by reportable segment is presented in Note 4.

	2020 $'000	2019 $'000
Operating lease expense reversal in cost of sales	11,671	15,343
Depreciation charge on right of use assets	(10,708)	(15,152)
Impact on Gross Profit	963	191
Operating lease expense reversal in administrative expenses	2,062	2,864
Impact on EBITDA	3,025	3,055
Depreciation charge on right of use assets	(540)	(754)
Impact on Adjusted EBIT (Note 4)	2,485	2,301
Impairment losses	(7,013)	(2,341)
Impact on EBIT	(4,528)	(40)
Interest expense on lease liabilities (Note 10)	(2,743)	(3,061)
Total amount recognised in the income statement	**(7,271)**	(3,101)

An impairment loss of $7,013k has been recognised in relation to the right-of-use leased asset at Sharjah Airport (2019: $2,341k at Fairoaks Airport).

Average incremental borrowing rates applied across the Group were:

	2020 %	2019 %
Leasehold property	5.5	5.5
Vehicles	3.9	3.9
Fixtures, fittings and equipment	4.6	4.6
Aircraft	3.9	3.9

Property leases with a remaining lease term of more than ten 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 ten-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 ten-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% (2019: 7.3%). The Sharjah BAC includes a nil (2019: $7,339k) right-of-use asset and $7,441k (2019: $7,681k) obligation under leases at 31 December 2020.

24. Trade and other payables

	2020 $'000	2019 Restated* $'000
Financial liabilities		
Trade and other payables	**11,484**	22,209
Accruals	**15,853**	15,958
Amounts due to associates	**1,046**	4,363
	28,383	42,530
Non-financial liabilities		
Other taxation and social security	**5,002**	2,000
Income received in advance	**6,689**	7,823
	11,691	9,823
Total trade and other payables	**40,074**	52,353

* 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 29 days (2019: 39 days).

No interest is charged on the trade payables. The Group has financial risk management policies in place that target settlement within agreed credit terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Income received in advance relates to advance payments for operating expenses incurred by the Group on managed aircraft in the Air Division prior to these expenses being billed to the customer. The outstanding performance obligations are expected to be fulfilled within the next twelve months. Income received in advance represents a contract liability, see Note 33 for other contract liabilities. Income received in advance decreased year on year due to less managed aircraft in the current year.

Amounts due to associates of $1,046k (2019: $4,363k) represent balances arising in the ordinary course of business between the Group and its associate company, China Aircraft Services Limited. These amounts are disclosed as related party transactions in Note 36.

25. Issued capital and reserves

	Number	£	$'000
Ordinary shares: authorised, issued and fully paid			
At 1 January 2019	63,636,279	635,862	953
At 31 December 2019	63,636,279	635,862	953
At 31 December 2020	**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.

	$'000
Share premium	
At 1 January 2019	63,473
At 31 December 2019	63,473
Balance at 31 December 2020	**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 (2019: £1,526k or $1,987k).

25. Issued capital and reserves (continued)

Other reserves

	Merger relief reserve $'000	Reverse takeover reserve $'000	Other reserve $'000	Share-based payment reserve $'000	Total $'000
At 1 January 2019	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
Share-based payment expense (Note 31)	–	–	–	562	562
Balance at 31 December 2020	**108,595**	**(95,828)**	**20,336**	**2,257**	**35,360**

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

The reverse takeover reserve represents the balance of the amount attributable to equity after adjusting the accounting acquirer's capital to reflect the capital structure of the legal parent in a reverse takeover.

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

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 (2019: 219,310) shares which are held in the employee benefit trust. The fair value of these shares at 31 December 2020 was £84k (2019: £138k).

26. Non-controlling interest

	$'000
Balance at 1 January 2019	656
Total comprehensive income attributable to minority interests	95
Balance at 31 December 2019	751
Total comprehensive income attributable to minority interests	45
Balance at 31 December 2020	**796**

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

	2020 $'000	2019 Restated** $'000
Loss before tax	**(8,239)**	(10,964)
Adjustments for:		
Finance income (Note 9)	**(1,535)**	(695)
Finance costs (Note 10)	**3,940**	4,657
Depreciation of property, plant and equipment (Note 16)	**4,809**	3,019
Depreciation of right-of-use assets in administrative expenses (Note 23)	**540**	754
Depreciation of right-of-use assets in cost of sales (Note 23)	**10,708**	15,152
Amortisation of intangible assets (Note 15)	**2,195**	1,425
Impairment of right-of-use assets (Note 23)	**7,013**	2,341
Impairment of property, plant and equipment	**4,609**	–
Impairment of equity accounted investment in associate	**3,421**	–
Impairment of non-current assets within share of results from equity accounted investments	**6,433**	–
Impairment of goodwill and other intangible assets (Note 15)	**833**	540
Loss on disposal of property, plant and equipment	**63**	82
Share of loss/(profit) of associates (Note 18)	**3,272**	(918)
Profit on disposal of interest in associate	**(7,278)**	–
Utilisation of PPP loan	**(4,753)**	–
Share-based payment (Note 31)	**562**	861
Operating cash inflow before movements in working capital	**26,593**	16,254
Unrealised foreign exchange movements	**843**	226
Increase in gross inventories	**(80)**	(2,397)
Increase in inventory obsolescence (Note 19)	**1,520**	2,364
Decrease/(increase) in gross receivables	**10,161**	(22,208)
Increase in loss allowance for receivables (Note 20)	**3,083**	2,387
(Decrease)/increase in payables	**(12,050)**	3,757
Increase in deferred revenue	**6,365**	1,189
Increase in provisions	**333**	1,115
Working capital movements	**10,175**	(13,567)
Cash generated by operations	**36,768**	2,687
Taxes paid	**(3,085)**	(992)
Net cash generated by operating activities	**33,683**	1,695

* Included within cash generated by operations is cash outflows on exceptional items of $0.7m in the year (2019: $7.8m)

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

28. Changes in liabilities arising from financing activities

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 2019, as reported	–	12,522	–	–	12,522
Restatement*	10,853	(10,853)	–	–	–
At 1 January 2019, as restated	10,853	1,669	–	–	12,522
Cash flows:					
Repayments	(32,094)	(821)	–	–	(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
Lease additions*	–	–	–	73	73
Interest on lease liabilities	–	–	–	3,061	3,061
Foreign currency translation on borrowings in profit or loss (Note 9)	(693)	–	–	–	(693)
Exchange differences*	1,411	–	–	1,850	3,261
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, as restated	45,394	848	43,838	16,366	106,446
Cash flows:					
Repayments	(23,623)	(848)	–	–	(24,471)
Proceeds	28,234	5,753	–	–	33,987
Lease payments	–	–	–	(16,022)	(16,022)
Non-cash:					
Interest on lease liabilities	–	–	–	2,743	2,743
Lease additions	–	–	6,158	688	6,846
Derecognition	–	–	(2,110)	(1,973)	(4,083)
Loan forgiveness	–	(4,753)	–	–	(4,753)
Foreign currency translation on borrowings in profit or loss (Note 9)	178	–	–	–	178
Exchange differences	1,872	–	–	(196)	1,676
Amortisation of arrangement fees (Note 10)	168	–	–	–	168
Arrangement fee movement on new facility	(26)	–	–	–	(26)
Reclassification	–	–	(4,242)	4,242	–
At 31 December 2020	**52,197**	**1,000**	**43,644**	**5,848**	**102,689**

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

29. Contingent assets and liabilities

The Group had no contingent assets at 31 December 2020 (2019: nil). The Group had material contingent liabilities at 31 December 2020 in respect of:

A claim for unspecified damages was lodged against the Group's US subsidiary Gama Aviation (Engineering) Inc. ("GAEI") in May 2020 in relation to alleged negligent maintenance and paintwork undertaken on an aircraft. The case has been dormant so far as it relates to GAEI since the case is predominantly progressing between the primary defendant and the claimant. In the interim GAEI's application for motion to strike the case is pending hearing. It is not practical to estimate the potential effect of this claim, but legal advice indicates that GAEI has strong merits in defending the claim.

A subsidiary of the Group, Gama Support Services FZE ("GSSF"), entered into a Build Operate & Transfer Agreement ("BOT") and a Concession Agreement with Sharjah Airport Authority ("SAA") on 1 July 2017. Under the BOT GSSF agreed to procure the design and construction of the buildings and other structures comprising a Business Aviation Centre and hangars at Sharjah Airport, UAE and to use reasonable endeavours to ensure that the completion of the construction occurs by the construction completion date as envisaged under the BOT. The Group is in discussion with SAA concerning these agreements, the prospects for which have been frustrated by the COVID-19 pandemic. This has resulted in related assets under construction and right-of-use assets being impaired as described in Note 6 above. SAA may terminate the BOT if there is a breach of any material obligations under the BOT which remain unremedied. In the event GSSF fails to comply with its construction obligations under the BOT, SAA will have the rights to seek compensation for any damage or loss it sustains. Pending conclusion of the on-going discussions with SAA, it is not possible to estimate the potential contingent liability.

30. Provisions for liabilities

	2020 $'000	2019 $'000
At 1 January	**1,115**	–
Charged to the income statement during the year	**471**	1,067
Utilised during the year	**(462)**	(503)
Additions for dilapidations on new leases	**312**	–
Foreign exchange	**33**	24
Discounting (Note 10)	**28**	35
Transferred from accruals	**–**	492
At 31 December	**1,497**	1,115
Amount due for settlement within 12 months	**679**	521
Amount due for settlement after 12 months	**818**	594
Total provisions	**1,497**	1,115

Provisions as at 31 December 2020 include a closure provision of $665k (2019: $620k), a dilapidations provision of $332k (2019: $50k) and an employees end of service indemnity provision of $500k (2019: $443k).

The dilapidations provision increased due to a lease entered into during 2020 for the new head office building in Farnborough with a dilapidation provision recognised of $312k (2019: nil). In the prior year, dilapidation obligations were in place on various other property leases.

The closure provision includes $486k relating to the cessation of the Group's business activities at Fairoaks Airport and the associated unavoidable costs. The obligation under leases, contains the related lease liability at Fairoaks (see Note 23). Refer to Note 35 for non-adjusting events after the reporting date related to the business activities at Fairoaks airport. During the year the Group recognised redundancy provisions of $173k. This provision relates to the reduction of business activities in Saudi Arabia, reported within the Middle East Air Division. In addition, there was $6k of other closure provisions.

30. Provisions for liabilities (continued)

Provision for employees' end of service indemnity is made in accordance with the UAE labour laws and is based on current remuneration and cumulative years of service at the reporting date.

	2020 $'000	2019 $'000
Dilapidations provision	**332**	50
Employee indemnity provision	**500**	443
Closure provision	**665**	620
	1,497	1,115

31. Share-based payments

Equity-settled share option scheme

No options were granted during 2020. 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 three years. If options remain unexercised after a period of ten years from the grant date, the options expire. Options are forfeited if the employee leaves the Group before the options vest and is a "bad leaver". If the employee is a "good leaver", the only shares forfeited are the proportion of the original shares granted that relate to the period after resignation and prior to vesting.

Details of the options outstanding during the year are:

	2020 '000	2019 '000
At 1 January	**3,747**	2,731
Granted during the year	**–**	1,226
Forfeited during the year	**(446)**	(210)
At 31 December	**3,301**	3,747
Exercisable at 31 December	**1,503**	670

The estimated fair value of the options granted in 2019 is $465,880.

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

	2019
Share price, US$ cents	92.50
Exercise price, US$ cents	91.50
Expected volatility	41.19%
Expected life, years	6.5
Risk-free rate	0.72%
Expected dividend yields	2.16%

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 $562k (2019: $861k) related to equity settled share-based payment transactions in the year.

Refer to Note 35 for details of share option transactions approved after the reporting date.

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 2020, contributions of $261k (2019: $259k) due in respect of the current reporting period had not been paid over to the schemes.

33. Deferred revenue

	2020 $'000	2019 Restated* $'000
Deferred revenue	**13,367**	7,089
Current	**12,676**	2,707
Non-current	**691**	4,382
Total	**13,367**	7,089

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

The deferred revenue arises in respect of management fee, maintenance contracts and "software as a service" (SaaS) contracts invoiced in advance, all 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 fifteen months. Deferred revenue also arises on licensing revenue connected to the disposal of the US Air Associate with $625k recognised as non-current and $3,750k recognised as current. See Note 7 for further details on licensing revenue. Deferred revenue represents a contract liability.

Deferred revenue has increased year on year primarily due to $4,375k of US Air associate licencing revenue as noted above, a new SaaS contract in myairops® with $667k deferred, and the acquisition of the trade and assets to provide air ambulance services for the Government of Jersey and the Government of Guernsey in the year.

Contract liabilities

Deferred revenue of $13,367k (2019: $7,089k) is a contract liability and so too is income received in advance, as shown in Note 24, of $6,689k (2019: $7,823k). Total contract liabilities are $20,056k (2019: $14,912k).

34. Financial instruments

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

At 31 December 2020	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	**16,136**	**–**	**16,136**	**16,136**
Trade and other receivables (Note 20)	**57,317**	**–**	**57,317**	**57,317**
Financial liabilities				
Trade and other payables (Note 24)	**–**	**(28,383)**	**(28,383)**	**(28,383)**
Lease obligation (Note 23)	**–**	**(49,492)**	**(49,492)**	**(49,492)**
Borrowings (Note 21)	**–**	**(53,197)**	**(53,197)**	**(53,197)**
Net financial assets/(liabilities)	**73,453**	**(131,072)**	**(57,619)**	**(57,619)**

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)
Borrowing (Note 21)	–	(46,242)	(46,242)	(46,242)
Lease obligation (Note 23)	–	(60,204)	(60,204)	(60,204)
Net financial assets/(liabilities)	73,263	(148,976)	(75,713)	(75,713)

34. Financial instruments (continued)

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 is 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 ongoing operations and future growth of the Group.

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. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

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 each group's presentational currency:

	GBP $'000	USD $'000	EUR $'000	HKD $'000	Other $'000	Total $'000
At 31 December 2020						
Borrowings						
Entities with functional currency USD	–	(1,000)	–	–	–	(1,000)
Entities with functional currency GBP	(52,197)	–	–	–	–	(52,197)
Total borrowings	(52,197)	(1,000)	–	–	–	(53,197)
Obligations under leases						
Entities with functional currency USD	–	(14,390)	–	–	–	(14,390)
Entities with functional currency GBP	(35,102)	–	–	–	–	(35,102)
Total obligation under leases	(35,102)	(14,390)	–	–	–	(49,492)
Cash						
Entities with functional currency USD	13	6,017	–	51	272	6,353
Entities with functional currency GBP	4,022	5,309	345	–	107	9,783
Total cash	4,035	11,326	345	51	379	16,136
Net trade financial assets						
Entities with functional currency USD	(84)	20,829	(6)	334	(282)	20,791
Entities with functional currency GBP	5,319	2,766	123	–	(65)	8,143
Total net trade financial assets*	5,235	23,595	117	334	(347)	28,934
Net exposure						
Net monetary in USD entities	(71)	–	(6)	385	(10)	298
Net monetary in GBP entities	–	8,075	468	–	42	8,585
Total net exposure	(71)	8,075	462	385	32	8,883

* Working capital comprises financial assets per Note 20 of $57,317k and financial liabilities per Note 24 of $28,383k

	GBP $'000	USD $'000	EUR $'000	HKD $'000	Other $'000	Total $'000
At 31 December 2019						
Net exposure						
Net monetary items in USD entities	(45)	–	(65)	931	294	1,115
Net monetary items in GBP entities	–	(2,100)	(2,220)	–	645	(3,675)
Net monetary items in CHF entities	(3)	(2)	–	–	–	(5)
Total net exposure	(48)	(2,102)	(2,285)	931	939	(2,565)

34. Financial instruments (continued)
34.2 Market risk (continued)
34.2.1 Foreign currency risk management (continued)
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 2020						
Total effect on profit/(loss) of depreciation in foreign currency exchange rates	**7**	**(808)**	**(46)**	**(39)**	**(3)**	**(889)**
At 31 December 2019						
Total effect on profit/(loss) of depreciation in foreign currency exchange rates	5	210	229	(93)	(94)	257

34.2.2 Interest rate risk management
The Group is exposed to interest rate risk as it finances fixed asset purchases using floating interest rates.

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 2020 would increase by $522k (2019: $448k). 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 2020					
Trade and other payables (Note 24)	n/a	40,074	–	–	40,074
Lease liabilities (Note 23)	*	8,404	21,172	45,776	75,352
Bank borrowings	1.1%	–	52,197	–	52,197
At 31 December 2019					
Trade and other payables (Note 24)***	n/a	52,353	–	–	52,353
Lease liabilities (Note 23)**	*	19,811	23,835	38,173	81,819
Other loans	6.1%	848	627	–	1,475
Bank borrowings***	1.7%	–	44,767	–	44,767

* Refer to Note 23 which provides the incremental borrowing rate for each category of lease
** Restated to reconcile with Note 23
*** Restatements are detailed in Note 2 of the notes to the financial statements

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 endeavours to only deal with creditworthy counterparties and requesting payments on account, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored.

Financial assets, including trade receivables, consist of many customers, coming from diverse backgrounds and geographical areas. Ongoing review of the financial condition of the counterparty and ageing of financial assets 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 manner in which credit 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:

Jet East

As announced on 15 January 2021, the Group acquired 100% of the issued share capital of Jet East from East Coast Aviation, LLC which will significantly expand its existing US aircraft maintenance operations.

The acquisition of Jet East has been transacted by the Group's wholly owned US subsidiary Gama Aviation Engineering Inc (GAEI) for $7.7m in cash, with a further $1.0m in deferred cash payable over two years and the assumption of Jet East debt. The transaction has been entirely funded from the Group's existing resources.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	$'000
Cash paid	7,700
Deferred consideration	953
Total consideration	8,653

Deferred consideration of $1.0m has been discounted at 2.5% to a present value of consideration.

A post-closing consideration adjustment for net assets acquired has not been recognised as part of the total consideration shown above. The post-closing adjustment is in process of being agreed and will be confirmed in the interim reporting for the first half of 2021.

A provisional calculation of purchase price accounting has been performed. The purchase price accounting will be finalised once all facts and circumstances at acquisition date are established but within the twelve month measurement period permitted under IFRS 3 Business Combinations. Recognised amounts of identifiable assets acquired and liabilities assumed are as follows:

	$'000 Provisional purchase price accounting
Property, plant and equipment	2,559
Trade and other receivables non-current	289
Inventories	1,165
Trade and other receivables current	5,361
Cash and cash equivalents	64
Trade and other payables	(3,682)
Intangible assets – Brand	1,181
Intangible assets – Customer relationships	5,021
Deferred tax liability	(1,736)
Goodwill	2,633
Enterprise value	12,855
Borrowings	(4,202)
Total consideration	8,653

35. Events after the balance sheet date (continued)
Acquisition costs of $662k were incurred in 2020, and further acquisition costs of $466k are expected to be incurred in 2021 following the execution of the deal. As the latter these costs were contingent on the deal completing no accrual has been recognised at the reporting date.

Of the $4.2m borrowings assumed on acquisition, $2.65m has been settled to date and $1.55m remains outstanding.

Two significant identifiable intangible assets were identified separate from goodwill. An identifiable intangible asset relating to the brand of Jet East (and related trademarks, logos and domain names) has been identified as acquired as part of the transaction. The brand (including related trademarks, logos and domain names etc associated with the brand) is valued using the "relief from royalty" valuation method. There was also an identifiable intangible asset identified relating to the customer relationships acquired as part of the transaction. This intangible asset is valued using a "multi period excess earnings" valuation method.

The goodwill is attributable to the workforce in place and growth through extension of services and the acquisition of new customers. It will not be deductible for tax purposes.

In 2020, Jet East's performance was negatively impacted by COVID-19. In 2020, it reported revenues of $28.2m (2019: $29.5m) and an underlying EBIT of $1.8m (2019: $1.2m) inclusive of a depreciation charge of $0.5m (2019: $0.3m). The net assets of Jet East as at 31 December 2020 were $4.6m (2019: $6.7m).

Wheels Up plans to list in Q2 2021 via merger with Aspirational Consumer Lifestyle Corporation
Following the disposal of the US Air Associate to Wheels Up, a financial asset measured at amortised cost was recognised for deferred consideration on the sale (refer to Note 7 for further details). At 31 December 2020 the carrying amount of the financial asset is $18,034k (2019: nil), with $5,004k in current assets and $13,030k in non-current assets.

On 1 February 2021 Wheels Up announced plans to list in Q2 2021 via merger with Aspirational Consumer Lifestyle Corporation. The transaction values Wheels Up at an enterprise value of $2.1 billion and is expected to provide up to $790 million in cash proceeds.

A consequence of a mandatory prepayment clause in the promissory note with Wheels Up stipulates that Wheels Up listing is a capital raise acceleration event. Within ten business days after the consummation of the capital raise, depending on certain parameters of the capital raise, some or all of the deferred consideration outstanding will be due to be settled in cash. This event has been treated as a non-adjusting event at the reporting date but does support the nil expected credit loss allowance on this financial asset at 31 December 2020.

Grant and surrender of share options
The following transactions in relation to ordinary shares of 1p each ("shares") occurred after the reporting date:

1. The Company granted options over a total of 1,025,000 shares, at 39.0p, to Directors and other employees on 26 March 2021. These options vest in three years and have no performance conditions

2. Options over a total of 2,276,000 shares previously granted to Directors and other employees were agreed to be surrendered by those employees on 29 March 2021

3. The Company agreed to grant options over a total of 1,138,000 shares, at 68.8p, to Directors and other employees on 29 March 2021. These options vest in three years and have no performance conditions

4. The Company agreed to grant options over a total of 1,817,805 shares, at 1p, to Directors and other employees on 29 March 2021. These options vest in 2024 and are subject to a performance condition based on the Company's average share price over the 30 days following release of the Company's results for the year ending 31 December 2023

5. The Company granted options over a total of 155,000 shares, at 1p, to Directors on 29 March 2021. These options vest immediately and have no performance conditions. Of these, an option for 25,000 shares was granted to Neil Medley in fulfilment of the final tranche of sign on shares due under his employment contract

The grant date and surrender date of the above transactions are as set out above. The Company and the respective employees agreed to the share-based payment arrangement on these dates, and this was the date that there was a shared understanding of the terms and conditions of the arrangement. In addition, the above listed transactions were subject to an approval process and the Remuneration Committee approved those transactions on 19 March 2021.

Change in UK tax rate

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset and the related deferred tax liability, with no significant change in the tax charge.

Surrender of the remainder of a lease at Fairoaks airport

Gama Aviation (Engineering) Limited (GAEL), a subsidiary of the Group, is a lessee of property at Fairoaks airport. On 27 April 2021, GAEL and the lessor released each other and their predecessors in title from all past, present and future claims, demands, liabilities and obligations in respect of the rights contained in a lease and of the lease covenants and from all liability for any subsisting breach of any of them and from all damages, actions, proceedings costs, claims, demands, expenses and from any liability for dilapidations and wants of repair, decoration or re-instatement at the property arising under the lease. At the reporting date, there was an obligation under leases of $1,758k and a right-of-use asset of nil. In addition, there was a closure provision of $486k for the unavoidable costs of closure. As a result of the surrender, a significant portion of these liabilities are expected to be released to the income statement in the 2021 financial year.

CASL

In May 2021, the Group received an offer for its 20 percent shareholding in CASL. The Board is currently considering the terms of the offer and is in negotiations with the counterparty. CASL was not held for sale at 31 December 2020 and this event is a non-adjusting event after the reporting date.

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 International Accounting Standard (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 prior 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 prior 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** – an associate in which GB Aviation Holdings LLC owned a 49% member interest before disposal in March 2020 (Note 7); and
- **China Aircraft Services Limited** – is an associate in which the Group owns a 20% equity interest

36. Related party transactions

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	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Gama Aviation LLC (branding fee)**	**625**	4,050	**–**	–
Gama Aviation LLC (other trading balances)*	**1,552**	7,579	**561**	857
China Aircraft Services Limited	**1,993**	747	**2,950**	3,271
Valentia Properties Limited	**–**	–	**–**	11
Golconda Investments Ltd	**–**	2	**–**	5
Air Arabia/Felix Trading Company LLC	**25**	644	**151**	150
BBGA Ltd	**–**	–	**–**	3
Oneti Lebanon Sarl	**–**	–	**–**	4,922
Oneti SAL	**–**	–	**–**	112
Mr Canning Fok	**1,646**	1,016	**–**	–
M Khalek	**23**	48	**–**	–

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

** In the current year branding fees are for the two months prior to disposal.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Gama Aviation LLC	**23**	921	**17**	139
China Aircraft Services Limited	**970**	3,344	**1,046**	4,224
Oneti SAL	**–**	–	**–**	36
Merritt Property LLC	**–**	1,000	**–**	–
Air Arabia	**204**	211	**182**	25
Mr Canning Fok	**138**	39	**–**	–
GB Aviation Holdings LLC	**40**	40	**–**	–

Material transactions with related parties

Gama Aviation LLC

During the year Gama Aviation LLC paid $3.75m (of which $0.625m was prior to disposal and $3.125m was post disposal) in cash to the Group in accordance with the branding agreement and a further $15.5m accelerated branding fee as part of the disposal of the associate (Note 7).

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.

During the year the Group received cash consideration of $1.0m to settle the full amount due.

Oneti Lebanon Sarl
During 2019 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 to 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.

Mr Canning Fok
During the year, within the Asia Air Division, sales of services of $1,646k (2019: $1,016k) were made to Mr Canning Fok.

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.

	2020 £'000	2019 £'000
Short-term employee benefits	**1,410**	1,262
Post-employment benefits	**181**	144
Total	**1,591**	1,406

Details of Directors' remuneration are given in the Remuneration Report on pages 36 to 40.

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
In June 2017, as described in Note 29 above, a subsidiary company entered into a non-cancellable Build-Operate-Transfer and Service Concession agreement with Sharjah Airport Authority under which it is committed to construct a Business Aviation Centre ("BAC") at Sharjah Airport. At 31 December 2020 the Group had other outstanding contracted commitments of nil (2019: $114k).

As part of the commitment to voluntary carbon offsetting, the Group has the intention to purchase verified emission reductions for 3,210 tonnes of CO_2e during 2021. At the reporting date this has not been contracted.

38. Dividends
The Board does not recommend a dividend for 2020 (2019: 2.0 pence per share).

	2020 $'000	2019 $'000
Final dividend paid of nil (2019: 2.0p)	**–**	1,620

/ PARENT COMPANY STATEMENT OF FINANCIAL POSITION
/ FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 Restated* £'000
Non-current assets			
Investments	3	**51,683**	75,715
		51,683	75,715
Current assets			
Trade and other receivables	4	**37,536**	44,451
Cash at bank and in hand		**5,582**	1,086
		43,118	45,537
Total assets		**94,801**	121,252
Current liabilities			
Trade and other payables	5	**(21,223)**	(11,845)
		(21,223)	(11,845)
Net current assets		**21,895**	33,692
Total assets less current liabilities		**73,578**	109,407
Non-current liabilities: Borrowings	6	**(38,242)**	(33,955)
Total liabilities		**(59,465)**	(45,800)
Net assets		**35,336**	75,452
Capital and reserves			
Called up share capital	7	**636**	636
Share premium account		**46,278**	46,278
Merger reserve		**–**	21,415
Share-based payment reserve		**1,714**	1,276
(Accumulated losses)/accumulated profits	7	**(13,292)**	5,847
Equity shareholder funds		**35,336**	75,452

* Prior year borrowings have been separately presented on the face of the balance sheet. This presentational change is the only restatement. Refer to Note 1 for further details.

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 £40,554k for the year (2019: loss of £48,976k).

The financial statements on pages 118 to 119 were approved by the Board of Directors on 26 May 2021 and signed on its behalf by

Daniel Ruback
Director

The notes on pages 120 to 123 form part of these parent company financial statements.

/ PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
/ FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Accumulated profit/ (accumulated losses) £'000	Total £'000
At 1 January 2019	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
Loss for the year	–	–	–	–	(40,554)	(40,554)
Utilisation of merger reserve	–	–	–	(21,415)	21,415	–
Share-based payment contribution	–	–	438	–	–	438
At 31 December 2020	**636**	**46,278**	**1,714**	**–**	**(13,292)**	**35,336**

1. Accounting policies

Statement of Compliance

These financial statements have been prepared 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.

Restatement

Prior year borrowings of £33,955k have been separately presented on the face of the balance sheet and reclassified from current liabilities to non-current liabilities. While the revolving credit facility (the "RCF") is settled and drawdown on a cyclical basis there is no right from the bank to demand full repayment within the next twelve months and on that basis, presentation within non-current liabilities is appropriate. This presentational change is the only restatement.

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 £40,554k for the year (2019: loss of £48,976k), had net current assets of £21,895k (2019: net current assets £33,692k), and had net assets of £73,578k (2019: £109,407k).

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 its liabilities as they fall due.

Financial assets

Trade receivables and other receivables are subsequently 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 excluding amounts owned by subsidiary undertakings is nil. Amounts owed by subsidiary undertakings are non-interest bearing, unsecured and repayable on demand. Refer to Note 4 for the expected loss allowance on amounts owed by subsidiary undertakings.

Taxation

The Company is part of a tax Group and surrenders losses for group relief.

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 investments to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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. Refer to Note 3 for further details.

STRATEGIC REPORT

GOVERNANCE

FINANCIALS

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 requires 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 £40,554k for the year (2019: loss of £48,976k). As at 31 December 2020 the Company had accumulated losses amounting to £13,292k.

The Company did not pay an ordinary dividend in the year (2019: £1,268k) to shareholders in the period.

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 (2019: 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 2019	122,057
Additions – parent contribution in respect of share-based payments	653
Provision for impairment	(46,995)
Balance at 31 December 2019	75,715
Additions – parent contribution in respect of share-based payments	438
Provision for impairment	(24,470)
Closing balance at 31 December 2020	**51,683**

In the current year an impairment of £24,470k (2019: £46,995k) has been made to reduce the investment carrying amount to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and 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 £51,683k based on the VIU of each of the investments held.

The additions of £438k (2019: £653k) are in respect of share-based payment charges arising in relation to subsidiaries of the Company.

Details of the Company's subsidiaries at 31 December 2020 are set out in Note 17 to the Group financial statements.

4. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**37,512**	44,311
Tax and social security	**22**	88
Prepayments and accrued income	**2**	5
Other debtors	**–**	47
	37,536	44,451

Amounts due from subsidiary undertakings are repayable on demand. Amounts due from subsidiary undertakings do not carry any interest charge.

In the current year, an impairment of £14,252k (2019: nil) has been made against amounts owed by subsidiary undertakings to reduce the carrying amount to the recoverable amount. Balances were impaired where subsidiaries have negative net assets and their future valuations (VIUs) do not exceed the carrying amount. The significant impairment is in relation to funding historically provided to Asia and Middle East Ground, where as a result of the COVID-19 pandemic there is increased uncertainty. The loss allowance on amounts owed by subsidiary undertakings at the reporting date is £16,748k (2019: £2,496k).

5. Trade and other payables

	2020 £'000	2019 Restated* £'000
Amounts owed to subsidiary undertakings	**20,738**	10,386
Trade creditors	**147**	594
Accruals and deferred income	**338**	860
Other payables	**–**	5
	21,223	11,845

* Prior year borrowings have been separately presented on the face of the balance sheet. This presentational change is the only restatement. Refer to Note 1 for further details.

Amounts due to subsidiary undertakings are carried at amortised cost, are repayable on demand, and do not carry any interest charge.

6. Borrowings

	2020 £'000	2019 Restated* £'000
Amount due for settlement within 12 months: Bank borrowings	**–**	–
Amount due for settlement after 12 months: Bank borrowings	**38,242**	33,955
	38,242	33,955

* Prior year borrowings have been separately presented on the face of the balance sheet and reclassified from current liabilities to non-current liabilities. This presentational change is the only restatement. Refer to Note 1 for further details

The principal features of bank borrowings are as follows.

I. Bank borrowings in 2020 of £38,242k (2019: £33,955k) comprise of drawdowns from a revolving credit facility (the "RCF") and a term loan (the "Loan") both secured with HSBC

II. A letter of awareness has been provided by CK Hutchison Holdings Ltd (CKHH), which 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 its shareholding in the Company below 25.0% without consent from the lender or discharge of the facility. No legal implications are imposed on CKHH.

III. During 2020 the Group completed the purchase of three Airbus H145 helicopters, which came into use on 1 June 2020 in support of a long-term contract. The purchase was funded through a £20m Loan. The Loan is separate from the RCF which was transferred from RBS to HSBC on improved terms in November 2019.

IV. The RCF is settled and drawdown on a cyclical basis with no right from the bank to demand full repayment within the next twelve months. The RCF, is presented in non-current liabilities

V. The Loan and the RCF are subject to customary banking security arrangements

VI. During the year the Company issued a debenture as security against the Loan and RCF

2020	Interest	Maturity	Facility ’000	Drawn (Local currency) ’000	Drawn (Presentation currency) £’000
RCF	LIBOR + 0.94%	14 November 2022	USD 50,000	GBP 18,500	18,500
Term loan	LIBOR + 1.12%	31 January 2023	GBP 20,000	GBP 20,000	20,000
Bank borrowing before arrangement fees					**38,500**
Capitalised loan arrangement fees					(258)
Bank borrowings					**38,242**

2019	Interest	Maturity	Facility ’000	Drawn (Local currency) ’000	Drawn (Presentation currency) £’000
RCF	LIBOR + 0.94%	14 November 2022	USD 50,000	GBP 17,500	17,500
				USD 8,500	6,447
				EUR 12,000	10,209
Bank borrowing before arrangement fees					**34,156**
Capitalised loan arrangement fees					(201)
Bank borrowings					**33,955**

7. Share capital and reserves

	Nominal value	2020 number	2020 £’000	2019 number	2019 £’000
Issued and fully paid ordinary shares					
At the beginning of the period	1p	63,636,279	636	63,636,279	636
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.

The Directors apply the guidance provided by ICAEW TECH 02/17 in determining reserves available for distribution.

8. Related party transactions

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

9. Events after the balance sheet date

Refer to Note 35 to the consolidated financial statements for details on non-adjusting events that occurred after the reporting date that are relevant to the Company.

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