

Company No. 09320708

GAL MSN 41027 Limited

Directors' report and financial statements

For the 14 month period from 20 November 2014 (date of
incorporation) to 31 December 2015



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GAL MSN 41027 Limited

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GAL MSN 41027 Limited

Directors and Other Information

Directors

M Kalsbeek (Appointed 1 June 2015)
D Vijselaar (Appointed on 15 April 2016)

Company registration number

09320708

Registered office

11 Old Jewry
7th Floor
EC2R 8DU
London
United Kingdom

Company secretary

Intertrust (UK) Limited
11 Old Jewry
7th Floor
EC2R 8DU
London
United Kingdom

Corporate Administrator

Intertrust (UK) Limited
11 Old Jewry
7th Floor
EC2R 8DU
London
United Kingdom

Auditors

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

Solicitors

Clifford Chance
10 Upper Bank Street
E14 5JJ
London
United Kingdom

Bankers

Investec Bank Plc
2 Gresham Street
EC2V 7QP
London
United Kingdom

Lease Manager

Goshawk Management (Ireland) Ltd.
The Harcourt Building
Harcourt Street
Dublin 2
Ireland

GAL MSN 41027 Limited

Directors' Report

The Directors present their Directors' report together with the audited financial statements of GAL MSN 41027 Limited (the "Company"), for the 14 month period from 20 November 2014 (date of incorporation) to 31 December 2015.

Principal Activities, Business Review and Future Developments

The Company was incorporated in England on 20 November 2014 as a special purpose company whose principal activity is the leasing of jet aircraft. The Directors expect these activities to continue for the foreseeable future and will continue to review and seek business opportunities for the Company. The Company is operated and managed as a single operating segment.

Results for the Period and Dividends

The results of the Company for the period are set out in the statement of profit and loss account and other comprehensive income on page 7 and in the balance sheet on page 8. The loss on ordinary activities for the period before taxation amounted to US\$1,947,602 and after crediting taxation of US\$326,437, the loss of US\$1,621,165 is transferred to reserves. Shareholders' funds at 31 December 2015 amounted to US\$1,621,163.

The Directors did not declare any dividends during the period.

Directors and Secretary and their Interests

The names of the persons who were Directors at any time during the period ended 31 December 2015 are set out below. In accordance with the Articles of Association the Directors are not required to retire by rotation.

Directors

M Kalsbeek (Appointed 1 June 2015)
D Vijselaar (Appointed 15 April 2016)
D M R Jaffe (Appointed 20 November 2014, resigned 1 June 2015)
L M Egan (Appointed 23 October 2015, resigned 15 April 2016)
C S Bidel (Appointed 20 November 2014, resigned 23 October 2015)

Secretary

Intertrust (UK) Limited

The Directors and the company secretary who held office at 31 December 2015 do not have any direct or beneficial interest in the shares, deferred shares, share options and debentures of the Company, or any group company at that date or during the period.

GAL MSN 41027 Limited

Directors' Report (continued)

Issue of Shares

Share capital consists of 1 ordinary shares of US\$1 issued on 20 November 2014 to GAL Holdco No.2 Limited.

Events after the end of the Reporting Date

There are no significant events affecting the Company since the end of the reporting period.

Political Donations

No political donations were made by the Company during the period.

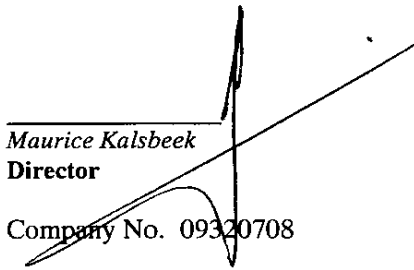
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/ she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Directors have appointed KPMG as the Company's Auditor pursuant to Section 485 of the Companies Act 2006

This report was approved by the board and authorised for issue on 08 August 2016.



Maurice Kalsbeek
Director

Company No. 09320708

GAL MSN 41027 Limited

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

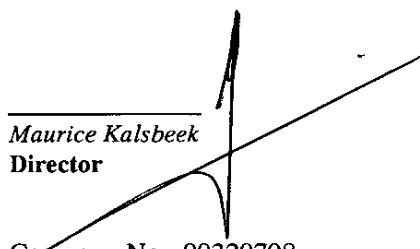
Company law requires the Directors to prepare financial statements giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 ("FRS 101") *Reduced Disclosure Framework* (Generally Accepted Accounting Practice in the United Kingdom), comprising applicable law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accounting in England and Wales.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board and authorised for issue on 08 August 2016.


Maurice Kalsbeek
Director

Company No. 09320708



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAL MSN 41027 LIMITED

We have audited the financial statements of GAL MSN 41027 Limited for the period ended 31 December 2015 which comprise the profit or loss account and other comprehensive income, balance sheet, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

3 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above responsibilities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAL MSN 41027 LIMITED
(continued)

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Killian Croke

for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

8 August 2016

GAL MSN 41027 Limited

Statement of Profit and Loss Account and Other Comprehensive Income For the 14 month period from 20 November 2014 (Date of incorporation) to 31 December 2015

		14 month period from 20 November 2014 to 31 December 2015 US\$
	Note	
Operating income	2	3,247,000
Operating expenses	3	(961,410)
Net operating profit on continuing activities		<u>2,285,590</u>
Interest income on deposit		4
Interest expense on loans payable	4	(2,057,973)
Loss on derivative financial instrument	9	(2,175,223)
Loss on ordinary activities before taxation		<u>(1,947,602)</u>
Taxation	5	326,437
Loss on ordinary activities after taxation		<u>(1,621,165)</u>
Other comprehensive income		-
Total comprehensive loss for the period		<u>(1,621,165)</u>

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

The Company has no recognised gains or losses in the period other than those included within the Statement of Profit and Loss Account and Other Comprehensive Income. All items relate to continuing operations.

Approved by the board and authorised for issue on 08 August 2016.

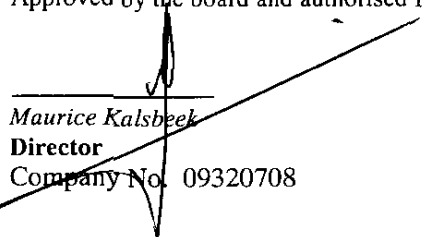

Maurice Kalsbeek
Director

Company No. 09320708

GAL MSN 41027 Limited
Balance Sheet
as at 31 December 2015

	Note	14 month period from 20 November 2014 to 31 December 2015 US\$
Non-current assets		
Property Plant & Equipment - Aircraft	7	88,833,851
Total non-current assets		88,833,851
Current assets		
Cash and cash equivalents	6	4
Other receivables	8	10,388
Deferred tax asset	5	326,437
Total current assets		336,829
Total assets		89,170,680
Creditors – amounts falling due within one year		
Other liabilities	12	635,252
Derivative financial instruments		2,175,219
Lease rental received in advance	11	1,273,128
Loans and borrowings	10	3,009,470
Total current liabilities		7,093,069
Creditors – amounts falling due after more than one year		
Loans and borrowings	10	83,698,774
Total non-current liabilities		83,698,774
Total liabilities		90,791,843
Net Liabilities		(1,621,163)
Capital and Reserves		
Share capital	13	2
Profit and loss account		(1,621,165)
Shareholder's funds – equity		(1,621,163)

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.
Approved by the board and authorised for issue on 08 August 2016.


Maurice Kalsbeek
Director
Company No. 09320708

GAL MSN 41027 Limited

Statement of Changes in Equity For the period ended 31 December 2015

	Ordinary Share Capital US\$	Profit and Loss US\$	Total Equity US\$
Transactions with shareholders recorded directly in equity			
Issue of ordinary shares	2	-	2
Total comprehensive loss for the period			
Loss for the period	-	(1,621,165)	(1,621,165)
Balance at 31 December 2015	2	(1,621,165)	(1,621,163)

GAL MSN 41027 Limited

Notes to the financial statements

For the 14 month period from 20 November 2014 (date of incorporation) to 31 December 2015

1 Significant Accounting Policies

GAL MSN 41027 Limited (the “Company”) is a limited liability company incorporated in England on 20 November 2014 as a special purpose company whose principal activity is the leasing of jet aircraft and is domiciled in the United Kingdom.

(a) Basis of Preparation

These financial statements were prepared in accordance with UK GAAP including Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“EU IFRSs”), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Goshawk Aviation Limited (whose accounts consolidate the accounts of the Company) include equivalent disclosures the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value measurement; and
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements have been prepared on a going concern and a historical cost basis.

The preparation of the financial report in conformity with FRS 101 requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the Directors 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.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

1 Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

The key judgments that could affect the reported results are those concerning the useful lives, residual values and carrying values of the aircraft.

The Company reviews the estimated useful lives, residual values and the carrying value of its aircraft assets at the end of each annual reporting year to support the estimates.

Prior year figures have been represented to conform to current year presentation.

(b) Foreign Currency

The financial statements are prepared in US Dollars (US\$) and accordingly foreign currency transactions are translated at the spot rate of exchange on the day the transaction occurs.

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at exchange rates prevailing at the end of the reporting period. Non-monetary assets and liabilities are stated at cost based on the exchange rate prevailing at the transaction date. All exchange differences are included in Statement of Profit and Loss Account and Other Comprehensive Income.

(c) Lease Rental Revenue

The Company as Lessor, leases the aircraft under operating lease and lease rental revenue is recognised on a straight line basis over the lease term of the aircraft.

(d) Interest Income

Interest on deposits with financial institutions is recognised as earned. A receivable is recorded for interest income earned but not yet received. To the extent interest is received but not yet earned a prepaid asset is recorded for the unearned portion.

(e) Interest Expense

Interest on loans payable is recognised on an effective rate basis. A prepayment is recorded for interest payments made and not yet incurred. For interest that has been incurred but unpaid at the end of the period, an accrual is recorded.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise of amounts due from banks and where applicable, overdrafts. They are convertible into cash with an insignificant risk of changes in value and with original maturities of less than 90 days.

(g) Aircraft

Pursuant to International Accounting Standard ("IAS") 16, *Property, Plant and Equipment*, the Company state all aircraft owned at 31 December 2015 at cost less accumulated depreciation. The costs of the assets are made up of the purchase price of the assets plus any costs directly attributable to bringing the assets into working condition for its intended use. Included in this amount are related costs associated with the purchase of the aircraft. The related costs are capitalized as a component of the cost of the relevant aircraft asset and are depreciated over the life of the lease.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

1 Significant Accounting Policies (continued)

(g) Aircraft (continued)

The aircraft are depreciated on a straight line basis over their useful economic life currently estimated as their expected residual value at the end of the lease. The depreciation methodology was determined taking into consideration the expected pattern in which the asset's economic benefits are consumed by the Company.

The asset's residual value, useful life, and depreciation method are reviewed and adjusted if appropriate at each financial year end.

Impairment of the asset is recognised in accordance with IAS 36, *Impairment of Assets*, which stipulates that the recoverable amount of an asset is measured whenever there is an indication that the asset is impaired. An assessment of impairment is undertaken by the Company at each reporting date. Generally, impairment existed if the recoverable amount of an asset is less than its carrying amount as reflected in the Company's Balance Sheet.

An asset's recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is calculated as the present value of the future cash flows to be derived from the operation of the asset. Future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If recoverable amounts are lower than carrying values, assets are reduced to their recoverable amounts with the resultant impairment charges being recorded in the Profit and loss account and other comprehensive income.

The aircraft is valued based on periodic (but at least annual) valuations by external independent valuers who apply International Society of Transport Aircraft Trading (ISTAT) methodology. These valuations are used for the purpose of impairment testing.

(h) Loans Payable

Initial Recognition

Loans payable are classified as loans and borrowings in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Loans payable are initially recognised at fair value, being their issue proceeds net of any transaction costs incurred.

Subsequent Measurement

After initial recognition, interest bearing loans payable are subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption value is recognised in the Statement of Profit and Loss Account and Other Comprehensive Income using the effective interest rate method.

(i) Maintenance Reserves

In accordance with the terms of the lease agreement, the Lessee has an obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (hereafter referred to as supplemental amounts). Upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Company reimburses the Lessee for the work, up to a maximum of the supplemental amounts received with respect to such work.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

1 Significant Accounting Policies (continued)

(i) Maintenance Reserves (continued)

These supplemental amounts are recorded in the Balance Sheet as maintenance reserves. Amounts not refunded during the lease are recorded as lease revenue at lease termination or at a point in time where the revenue becomes highly probable and reliably measurable.

(j) Leases

Leases are accounted for and classified in accordance with IAS 17, *Leases*. Leases where the company transfers substantially all of the risks and rewards of ownership to the lessee are classified as finance leases. All other leases are classified as operating leases. On the basis that the Company retains substantially all of the risks and rewards of ownership of the aircraft, the lease has been classified as an operating lease.

Initial direct costs incurred in negotiating and executing an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental revenue.

(k) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax expense is recognised through profit or loss in the Statement of Profit and Loss Account and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in there.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. The Company is subject to United Kingdom corporation tax on trading operations at the standard rate of 20%.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting period where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax. Provision is made at the rates expected to apply when the temporary differences reverse based on legislation substantively enacted at the end of the reporting period. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

2 Operating income

Operating income is comprised of rentals from the operating lease aircraft, which is recognised in the Statement of Profit and Loss Account and Other Comprehensive Income on a straight line basis over the lease term.

Operating lease commitments – as Lessor

In connection with the operating lease, future minimum rentals receivable under this lease are as follows:

	14 month period from 20 November 2014 to 31 December 2015 US\$
Within 1 year	9,040,256
More than 1 year but less than 5 years	36,161,024
Later than five years	40,681,152
Total	85,882,432

3 Operating expenses

	14 month period from 20 November 2014 to 31 December 2015 US\$
Depreciation (note 7)	(789,839)
Asset management fees	(90,404)
Advisory fee	(81,167)
Derivate financial instrument	-
	(961,410)

4 Interest expense on loans payable

	14 month period from 20 November 2014 to 31 December 2015 US\$
Interest expenses on loans	1,971,719
Amortisation of upfront fees	86,254
	2,057,973

The interest expense relates to the Junior Loan calculated at 11% per annum and Senior Loan calculated as the sum of the Fixed Interest Swap Rate plus the Margin. See note 10 for details of Junior and Senior Loan.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

5 Taxation

	14 month period from 20 November 2014 to 31 December 2015 US\$
<i>a) Analysis of tax charge for the period</i>	
Current tax	
Income tax expense for the period on ordinary activities	-
Deferred tax	
Origination and reversal of timing differences	(330,462)
Effect of increased/decreased tax rate	4,025
Taxation for the period	<u>(326,437)</u>

b) Factors affecting current tax charge for the period

The reconciliation of current tax on profits on ordinary activities at the standard rate of UK corporation tax to the Company's actual current tax charge is analysed as follows:

	14 month period from 20 November 2014 to 31 December 2015 US\$
Gain/(loss) on ordinary activities before taxation	(1,947,602)
Add back junior loan interest provision	-
Gain/(loss) on ordinary activities before taxation	<u>(1,947,602)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20%	(394,323)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	63,861
Adjustments in respect of prior periods	-
Effect of increased/decreased tax rate	4,025
Total tax expense	<u>(326,437)</u>

c) Circumstances affecting current and future tax charges

Tax is chargeable in future periods unless group relief is available. To the extent losses are incurred in the future, these can be carried forward. From 1 April 2017, the corporation tax rate is expected to decrease to 19% and reduce further to 15% from 1 April 2020.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

5 Taxation (continued)

d) *Deferred tax*

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year which are available for carry forward and an excess of capital allowances over accounting depreciation.

The reconciliation of deferred tax assets and liabilities for the period is as follows:

	14 month period from 20 November 2014 to 31 December 2015 US\$
Deferred tax assets	
At beginning of the period	-
Movement during the period	996,046
At end of the period	996,046
	14 month period from 20 November 2014 to 31 December 2015 US\$
Deferred tax liabilities	
At beginning of the period	-
Movement during the period	(669,609)
At end of the period	(669,609)
Net deferred tax asset	326,437
6 Cash and cash equivalents	31 December 2015 US\$
Cash and cash equivalents	4
	4

GAL MSN 41027 Limited

Notes to the financial statements (continued)

7	Aircraft	31 December 2015
	Cost	US\$
	At beginning of the period	-
	Additions during the period	89,623,691
	Balance at end of the period	<u>89,623,691</u>
	Accumulated depreciation	
	Balance at the beginning	-
	Current period depreciation	(789,939)
	Balance at the end of period	<u>(789,939)</u>
	Net book value at end of period	<u>88,833,851</u>

At 31st December 2015 the company owned one aircraft. The company's obligations under its loans payable are secured by charges over, among other things, the company's aircraft and related assets. During the period ended 31st December 2015, no impairment charges were recognized. The geographical region of the aircraft operation is Australia.

8	Other receivables	31 December 2015
		US\$
	Other receivables	10,388
		<u>10,388</u>

9	Derivative Financial Instrument	31 December 2015
		US\$
	Loss on Derivative financial Instrument	2,175,219
		<u>2,175,219</u>

GAL MSN 41027 Limited

Notes to the financial statements (continued)

10 Loans payable

The balance of the loans as of 31 December 2015 is US\$86,708,244 net of unamortised transaction fees of US\$1,250,119 as outlined below. Aircraft lease rentals are fixed and structured to ensure that lease payments cover the debt funding over the term of the lease. The interest rates are floating. The maturity date of the junior loans is 31 August 2025 and the maturity date for the senior loans is 31 August 2025.

Costs and fees incurred to secure the loans payable are capitalised and amortised over the term of the loans.

Loan Type:	31 December 2015 US\$
Current Loan Payable	3,232,750
Current unamortised loan establishment fee	(223,280)
Total Current Loans Payable	3,009,470
Non-current Loan Payable	84,725,613
Non-current unamortised loan establishment fee	(1,026,839)
Total Non-Current Loans Payable	83,698,774
Total Loans Payable	86,708,244

The aircraft and its undertakings are pledged as security to the Security Trustees, as outlined in the security assignment. The aircraft has also been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deeds. The recourse of the Lenders and the other parties to the transaction documents is limited to the assets secured by the Company in favour of the Security Trustees and to any monies received by the Company pursuant to the transaction documents. None of these parties has a right to wind-up or take any other insolvency proceedings against the Company.

11 Lease rentals received in advance

	31 December 2015 US\$
Lease rentals received in advance	1,273,128
	1,273,128

12 Other liabilities

	31 December 2015 US\$
Interest payables	635,252
	635,252

GAL MSN 41027 Limited

Notes to the financial statements (continued)

13 Ordinary share capital

The profit on ordinary activities before taxation is stated after charging:

	December 2015 US\$
<i>Allotted, called up and unpaid</i>	2
1 Ordinary share of GBP£1 each	<u>2</u>

14 Statutory and other information

The profit on ordinary activities before taxation is stated after charging:

	14 Month period from 10 June 2014 to 31 December 2015 US\$
Depreciation	(789,839)
	<u>(789,839)</u>

Auditors' remuneration for the period arises solely on fees incurred for the statutory audit and it has been borne by Company's parent and will not be recharged to the Company.

15 Employees

Intertrust (UK) Limited acts as corporate administrator to the Company in accordance with the terms of the Administration Agreement. The Company has entered into a lease management agreement with Goshawk Management (Ireland) Ltd to provide leasing and asset management services as per the service agreement however, the Company did not directly employ any persons during the period.

16 Commitments

At 31 December 2015 there are no outstanding capital commitments.

17 Ultimate and immediate parent undertaking

The Company's immediate parent undertaking and controlling party is GAL Holdco 2 Limited, a UK registered company whose registered office is at 11 Old Jewry, 7th Floor, London, United Kingdom, EC2R 8DU. The entire share capital of GAL Holdco 2 Limited is held by Intertrust Trustees (UK) Limited, holding one ordinary share. This share is held in trust for charitable purposes under a declaration of trust.

The Company's ultimate controlling party is Goshawk Aviation Limited. The consolidated financial statements of Goshawk Aviation Limited may be obtained from Level 23, Chifley Tower, 2 Chifley Square, Sydney NSW, Australia.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

18 Related party transactions

As at 31 December 2015, the Directors of the Company, Maurice Kalsbeek was an employee of Intertrust (UK) Limited and therefore may be deemed to be interested in the Corporate Services Agreement. During the period Intertrust (UK) Limited received fees of US\$7,496.60 for the provision of administration services to the Company. The fees were paid by the Investec Bank Plc as part of the Lease Management Agreement. The Directors of the Company are employees of the Administrator. The Directors fees for the period are US\$Nil.

Junior financing of US\$19,800,000 was provided by GAL Dutch Finance B.V. on inception. Total interest charged for the period in respect of the Junior financing was US\$776,900. The total balance payable in respect of the loan provided by Investec Bank Plc at 31 December 2015 is US\$19,800,000. There are several charges in place over the aircraft and book debts of the Company in favour of GAL Dutch Finance B.V.

19 Events after the end of the Reporting Date

There are no significant events affecting the Company after the end of the reporting period.

20 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The Company has only one operating segment. This operating segment generates revenues from the leasing of aircraft.

21 Approval of financial statements

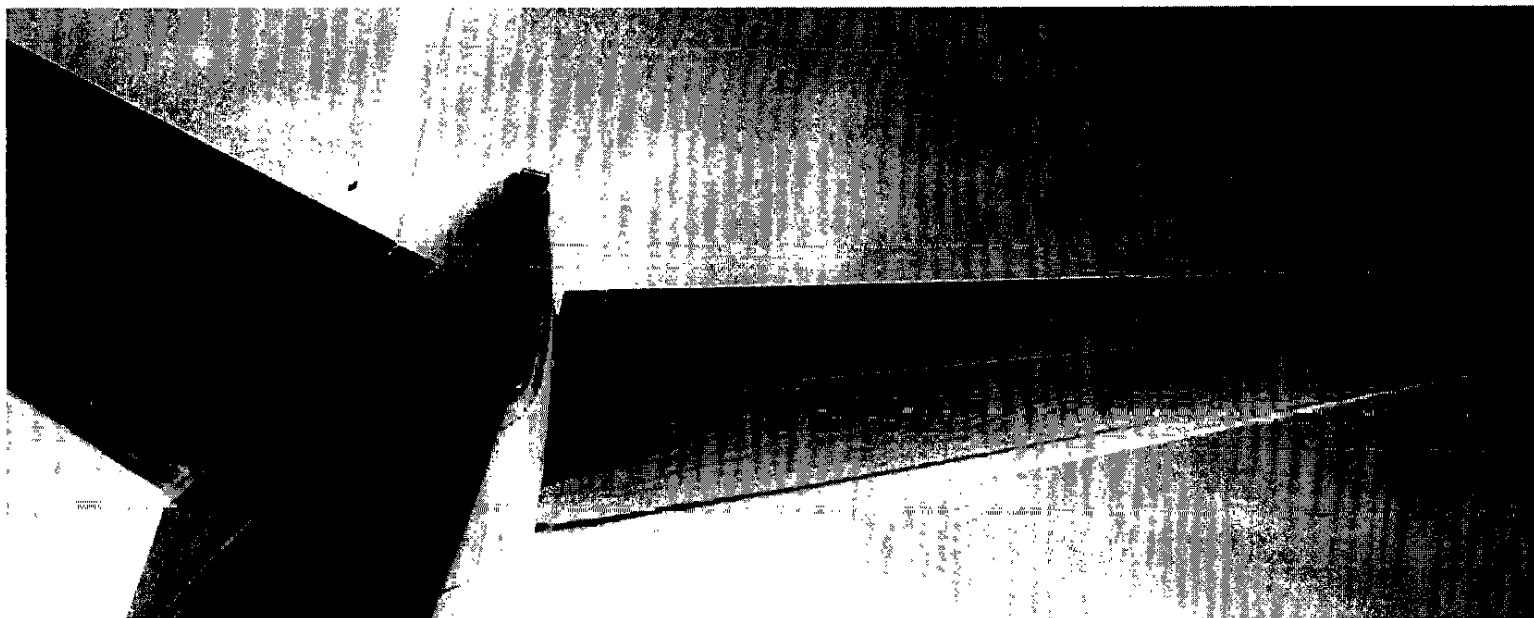
The Board of Directors approved and authorised these financial statements on 08 August 2016.



THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No.9320708....

Goshawk Aviation Limited

Consolidated financial statements
for the year ending 31 December 2015



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Goshawk Aviation Limited

Directors and other information

Directors	On Yip Patrick Tsang Kun Zhang Cheng Chi Ming Brian Hui Hon Chung Michael Francis
Company registration number	00281736
Company secretary	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Registered office	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Solicitors	Clifford Chance LLP 10 Upper Street London E14 5JJ United Kingdom
Independent auditor	KPMG 1 Harbourmaster Place IFSC Dublin 1 Ireland
Bankers	Investec Bank Plc 2 Gresham Street London EC2V 7QP United Kingdom

Goshawk Aviation Limited

Directors' report

The Directors present their annual report, together with the audited consolidated financial statements of Goshawk Aviation Limited (the "Company") and its subsidiaries, for the year ending 31 December 2015. The Company is the parent entity of Goshawk Aviation, which comprises a group of entities which collectively make up the investment structure (the "Group").

The consolidated financial statements include a consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the Group as at 31 December 2015 and for the year then ended.

Principal activities

The principal activities of the Group are investment in commercial aircraft and aircraft leasing. The Directors expect these activities to continue in the foreseeable future.

Directors

The following persons were Directors of the Company during the financial year and until the date of this report:

	Date Appointed	Date Resigned
Richard Forlee	6 January 2014	1 May 2015
Lam Wai Hon Patrick	2 February 2015	29 September 2015
Christopher Meyer	1 May 2015	6 November 2015
On Yip Patrick Tsang	6 January 2014	
Kun Zhang	6 January 2014	
Cheng Chi Ming Brian	2 February 2015	
Hui Hon Chung	29 September 2015	
Michael Francis	6 November 2015	

Group Advisor

The Group Advisor is Goshawk Management Holdings (Cayman) Limited and group companies ("GMHL"). GMHL replaced Investec Bank plc as Group Advisor on 1 April 2015. The Group Advisor has overall responsibility for the asset management of the aircraft portfolio. In addition to its own capabilities the Group Advisor engages a suitably qualified technical asset manager who assists in providing ongoing technical asset management of the portfolio, including aircraft remarketing and disposals.

During the period for which Investec Bank plc acted as Group Advisor, it assigned the following executive officer to the Group:

Richard Forlee

Goshawk Aviation Limited

Directors' report (continued)

Principal risks and uncertainties

Any of the following risks could adversely affect the financial performance, position and / or growth potential of the Group.

General economic conditions

Economic conditions can have an impact on demand for air travel which in turn will have an impact on airline profitability and demand for aircraft. In stressed economic conditions there may be greater risk of lessee default and greater risk of aircraft values decreasing. It may also be more difficult to dispose of or re-lease aircraft on acceptable terms, or at all.

Debt market volatility

In times of financial or economic uncertainty, the availability of new debt and refinancing existing debt may not be assured, or may not be available on acceptable terms. This may adversely impact on the future value of aircraft and the ability of the Group to re-lease or dispose of the aircraft or the price at which it can do so.

Leverage risk

The capital structure of the aircraft owning entities involves significant leverage and the Company invests in the junior debt tranche (carrying equity-like exposure) of financing across all the aircraft which will rank behind the secured bank loan and bridging debt financiers. While investments in leveraged companies offer the opportunity for capital appreciation, such investments may also involve a high degree of risk and magnify the Company's exposure to adverse economic conditions.

Financiers of the secured bank loans will require operating and financial covenants which in certain circumstances may restrict the ability of the Group to pay distributions. The covenants in the financing documents may also restrict the sale of aircraft in certain circumstances.

Financial risks

The principal financial risks and uncertainties, to which the Group is exposed, including the associated hedging activities, are addressed in note 18 to these financial statements. These include:

- Asset risk;
- Foreign exchange risk;
- Interest rate risk;
- Credit risk; and
- Liquidity risk.

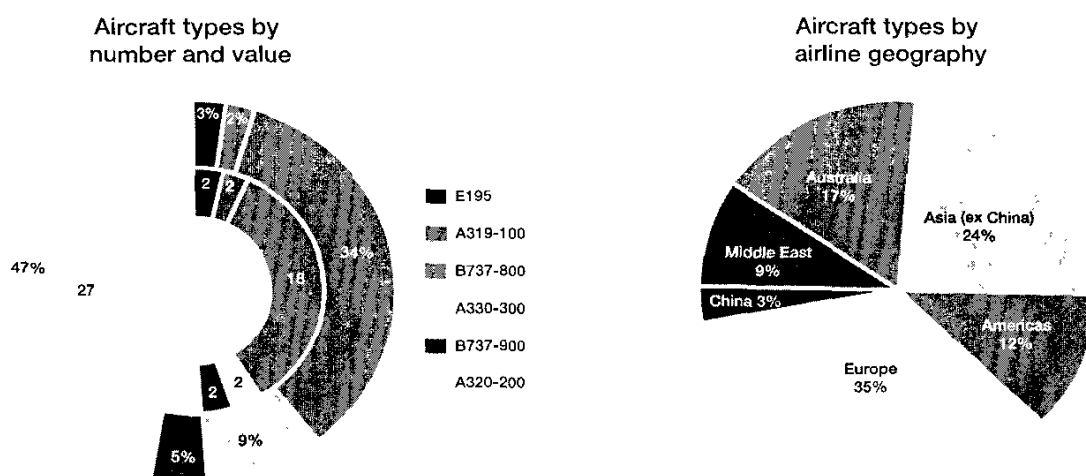
Goshawk Aviation Limited

Directors' report (continued)

Review of operations

The Group invested the share capital raised by the Company totalling US\$612.3m in a portfolio of 54 aircraft on lease to 21 airline groups around the world with an acquisition price of US\$2,110.8m. One aircraft incurred significant damage after a hard landing and was consequently declared a total loss. The aircraft was comprehensively insured and the Group did not suffer any financial loss from the incident.

As at 31 December 2015 the Group held the following aircraft types by number and value on lease to airlines operating in the following regions.



The profit before income tax for the year amounted to US\$69.5m (2014: US\$24.9m). Total equity at 31 December 2015 amounted to US\$633.0m (2014: US\$294.0m). The results for the year ended 31 December 2015 are set out in the statement of profit or loss and other comprehensive income on page 8 and in the consolidated statement of changes in equity on page 11.

Dividend distributions

The directors declared and paid dividends on preference shares totalling US\$46.4m during the year.

14 January 2015	US\$6.2m
27 April 2015	US\$7.0m
4 August 2015	US\$8.5m
10 September 2015	US\$13.9m
6 November 2015	US\$10.8m

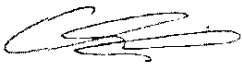
Goshawk Aviation Limited

Directors' report (continued)

Events after the end of the reporting date

Details of important events affecting the Group and Company which have taken place since the end of the reporting period are disclosed in note 21 in the financial statements.

Approved by the board and authorised for issue on 30 May 2016.



Kun Zhang
Director



On Yip Patrick Tsang
Director



KPMG
Audit
Limited
F.C.
Dublin
Ireland

Independent auditor's report to the directors on the consolidated financial statements of Goshawk Aviation Limited

We have audited the accompanying consolidated financial statements of Goshawk Aviation Limited ("the Company") and its subsidiaries (together and hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to directors. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (UK & Ireland). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent auditor's report to the directors on the consolidated financial statements of Goshawk Aviation Limited (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink, appearing to read 'KPMG', written over the printed KPMG logo.

KPMG
Chartered Accountants

30 May 2016
1 Harbourmaster Place,
IFSC,
Dublin 1,
Ireland

Goshawk Aviation Limited

Consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2015

		Year ending 31 December 2015 US\$	Period from 9 October 2013 to 31 December 2014 US\$
	Note		
Revenues			
Lease revenue	4	154,523,918	65,902,851
Other income			
Insurance proceeds	10	42,800,000	—
Trade sale gain		1,521,012	—
Total other income		44,321,012	—
Total income		198,844,930	65,902,851
Expenses			
Aircraft depreciation	10	(42,689,819)	(19,976,900)
Loss on transfer to held for sale	11	(3,977,356)	—
Aircraft asset loss	10	(27,041,580)	—
Asset management fee	5	(5,907,691)	(2,401,278)
Advisory fee	5	(7,237,265)	(3,403,765)
Other fees and expenses	6	(1,385,307)	(1,150,934)
Foreign exchange gain/(loss)		2,014	(65,720)
Total expenses		(88,237,004)	(26,998,597)
Results from operating activities		110,607,926	38,904,254
Finance income	3	8,344	6,531
Finance expense	3	(38,291,010)	(15,385,939)
Net gain/(loss) on derivative financial instruments	16	(2,777,495)	1,398,213
Net finance cost		(41,060,161)	(13,981,195)
Profit before income tax		69,547,765	24,923,059
Income tax gain/(expense)	7	(3,960,224)	(712,184)
Profit for the year/period		65,587,541	24,210,875
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value		(9,599,613)	(1,981,594)
Cash flow hedges - reclassified to profit or loss		867,923	—
Total other comprehensive loss, net of tax	16	(8,731,690)	(1,981,594)
Total comprehensive income for the year		56,855,851	22,229,281

All activities derive from continuing operations. All profits and total comprehensive income for the year and the preceding financial period are attributable to the owners of the Company. The accompanying notes on pages 12 to 39 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Consolidated statement of financial position as at 31 December 2015

	Note	2015 US\$	2014 US\$
Assets			
Non-current assets			
Aircraft assets	10	1,927,132,591	810,748,678
Other receivables	9	—	11,442,986
Total non-current assets		1,927,132,591	822,191,664
Current assets			
Cash and cash equivalents	8	83,133,733	17,539,482
Restricted cash	8	19,515,520	22,431,326
Assets classified as held for sale	11	90,013,184	—
Derivative financial instruments	16	4,244,568	2,445,328
Other receivables	9	12,759,795	428,429
Total current assets		209,666,800	42,844,565
Total assets		2,136,799,391	865,036,229
Equity			
Share capital and equity contributions	17	612,326,264	283,786,264
Retained earnings	17	31,423,416	12,185,875
Hedging reserve	17	(10,713,284)	(1,981,594)
Total equity		633,036,396	293,990,545
Liabilities			
Non-current liabilities			
Loans and Borrowings	13	1,080,645,933	330,769,550
Other payables	12	—	11,442,986
Derivative financial instruments	16	18,962,690	3,689,240
Deferred tax liabilities	7	1,571,189	51,653
Total non-current liabilities		1,101,179,812	345,953,429
Current liabilities			
Lease rentals received in advance		12,444,274	7,045,098
Loans and Borrowings	13	228,388,787	186,004,485
Maintenance reserves	14	93,524,107	16,476,577
Security deposits	15	25,138,702	5,954,749
Other payables	12	43,087,313	9,611,346
Total current liabilities		402,583,183	225,092,255
Total liabilities		1,503,762,995	571,045,684
Total equity and liabilities		2,136,799,391	865,036,229

The accompanying notes on pages 12 to 39 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Consolidated statement of cash flows for the year ending 31 December 2015

		Year ending 31 December 2015	Period from 9 October 2013 to 31 December 2014
	Note	US\$	US\$
Cash flows from / (used in) operating activities			
Lease revenue received		158,261,277	68,046,244
Finance income received		8,344	6,531
Finance expense paid		(34,188,742)	(12,691,644)
Trade sale gain		1,521,012	–
Other expenses paid		(14,297,950)	(5,546,543)
Net cash flows from operating activities		111,303,941	49,814,588
Cash flows from / (used in) investing activities			
Restricted cash		2,915,806	(22,431,326)
Purchases of aircraft		(1,278,282,454)	(821,621,228)
Insurance proceeds		42,800,000	–
Net cash flows used in investing activities		(1,232,566,648)	(844,052,554)
Cash flows from / (used in) financing activities			
Proceeds from preference shares issued and called		78,240,000	283,786,264
Proceeds from capital contributions		250,300,000	–
Cash placed on deposit for future acquisitions		(905,000)	–
Cash received from shareholders for future acquisitions		19,760,000	–
Lessee contributions to security and maintenance deposits		96,231,483	22,619,272
Proceeds from borrowings		876,793,902	541,858,129
Upfront borrowing fees paid		(17,470,231)	(5,913,094)
Repayments of borrowings		(69,745,210)	(18,482,403)
Dividends paid to the preference shareholders		(46,350,000)	(12,025,000)
Net cash flows from financing activities		1,186,854,944	811,843,168
Net movement in cash and cash equivalents		65,592,237	17,605,202
Cash and cash equivalents at the beginning of the year		17,539,482	–
Foreign currency translation adjustment		2,014	(65,720)
Cash and cash equivalents at the end of the year/period	8	83,133,733	17,539,482

The accompanying notes on pages 12 to 39 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Consolidated statement of changes in equity for the year 31 December 2015

	Share capital US\$	Retained earnings US\$	Hedging reserve US\$	Total equity US\$
On incorporation 9 October 2013	–	–	–	–
Total comprehensive income for the period				
Profit for the period	–	24,210,875	–	24,210,875
Other comprehensive income for the period	–	–	(1,981,594)	(1,981,594)
Transactions with shareholders, recorded directly in equity				
Issue of ordinary and preference share capital	283,786,264	–	–	283,786,264
Dividend distribution to preferred shareholders	–	(12,025,000)	–	(12,025,000)
Balance at 31 December 2014	283,786,264	12,185,875	(1,981,594)	293,990,545
Total comprehensive income for the year				
Profit for the year	–	65,587,541	–	65,587,541
Other comprehensive income for the year	–	–	(8,731,690)	(8,731,690)
Transactions with shareholders, recorded directly in equity				
Issue of preference share capital	78,240,000	–	–	78,240,000
Capital contributions	250,300,000	–	–	250,300,000
Dividend distribution to preferred shareholders	–	(46,350,000)	–	(46,350,000)
Balance at 31 December 2015	612,326,264	31,423,416	(10,713,284)	633,036,396

The accompanying notes on pages 12 to 39 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2015

1 General information

Goshawk Aviation Limited is a limited liability company incorporated on 9 October 2013 in the Cayman Islands (registered no. 281736), whose registered office is at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands KY1-1104. The Company is the parent entity of the Goshawk Aviation group, which comprises a group of entities which collectively make up the investment structure (the "Group"). The consolidated financial statements have been prepared for the year ended 31 December 2015.

The principal activities of the Group are investment in commercial aircraft and aircraft leasing.

2 Significant accounting policies

2(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB.

IFRS applied by the Group in the preparation of these consolidated financial statements are those that were effective at 31 December 2015.

2(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as explained in the policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that is price directly observable or estimated using another valuation technique. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the period presented unless otherwise stated.

The consolidated financial statements are presented in United States Dollars (US\$), which is also the Group's functional currency.

2(c) Changes in accounting policies and disclosures

Except for the changes summarised below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

New and amended standards issued by the International Accounting Standards Board ("IASB") applicable to the current financial year are:

- Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The IASB's annual improvements project provides a process for making amendments to IFRSs that are considered non-urgent but necessary. The amendments clarify guidance and wording, or correct for inconsistencies, conflicts or oversights in existing IFRSs. None of the amendments effective 1 January 2015 impact the financial statements of the Group.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(c) Changes in accounting policies and disclosures (continued)

New standards and interpretations not yet adopted

The following new standards, amendments to existing standards and interpretations approved by the IASB will be relevant to the Group, but were not effective at 31 December 2015, and have not been applied in preparing these financial statements.

- **IFRS 9 Financial Instruments**
In July 2014, the IASB published IFRS 9 Financial Instruments, replacing IAS 39 Financial Instruments: recognition and measurement. The effective date of the new standard is 1 January 2018.
- **IFRS 15 Revenue from Contracts with Customers**
IFRS 15 specifies how and when an entity recognises revenue from a contract with a customer through the application of a single, principles based five step model. The standard specifies new qualitative and quantitative disclosure requirements to enable users of financial statements understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for financial periods beginning on or after 1 January 2017.

These are effective for annual periods beginning on or after 1 January 2015, unless otherwise noted. The Group has taken the decision not to adopt these standards early. The extent of the impact for future accounting periods is still under review by the Group.

2(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group (refer to Note 1). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the Group are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

2(e) Foreign currency

The consolidated financial statements are presented in US\$ and accordingly foreign currency transactions are translated at the spot rate of exchange on the day the transaction occurs.

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at exchange rates prevailing at the end of the reporting period. Non-monetary assets are stated at cost based on the exchange rate prevailing at the date of acquisition of the asset. All exchange differences are included in the consolidated statement of profit or loss and other comprehensive income.

2(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Lease rental revenue

Lease rental revenue is recognised on a straight line basis over the lease term. Lease rental revenue received in advance is recognised as a liability until such time that the Group is entitled to the lease rental revenue.

Finance income

Finance income accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the not carrying amount of the financial asset or liability.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(g) Finance expense

Finance expense comprises of interest expense on borrowings, financing fee amortization and interest rate swap settlements. All borrowing costs are recognised in profit or loss using the effective interest rate method.

2(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2(i) Cash and restricted cash

Cash and restricted cash in the consolidated statement of financial position comprise cash at bank and short term deposits with original maturities of three months or less. Restricted cash includes maintenance reserves and security deposits and comprises cash held by the Group which is ring-fenced or used as security for specific financing arrangements and to which the Group does not have unfettered access.

2(j) Financial instruments

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition on issue.

Derivative financial instruments and hedging

- **Non-hedging derivative instruments**
Certain derivative transactions, while providing effective economic hedges to the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IFRS and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.
- **Hedging derivative instruments**
The Group also uses derivative instruments as part of its asset and liability management activities to manage specific exposures to interest rate risks and foreign currency risks.

On the date a derivative contract is entered into, the Group may designate it as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.

The criteria for a derivative instrument to be accounted for as a hedge include:

- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship before hedge accounting is applied;
- The hedge documentation shows that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
- The hedge is effective at inception and on an ongoing basis.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(i) Financial instruments (continued)

- Cash flow hedges

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and in the cash flow hedge reserve within equity. The ineffective portion of the changes in the fair value of the derivatives is recognised immediately in profit or loss.

If a cash flow hedge no longer meets the criteria for hedge accounting or the hedging derivative expires or is sold, terminated or exercised, then the hedge accounting is discontinued and the amount recognised in other comprehensive income remains in the hedging reserve until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is reclassified to profit or loss.

- Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded through profit or loss along with the corresponding changes in fair value of the hedged financial assets or liabilities that are attributable to that specific hedged risk (fair value hedge model).

If the hedge no longer meets the criteria for hedge accounting or the hedging derivative expires or is sold, terminated or exercised, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised through profit or loss over its remaining life.

Borrowings

Borrowings are financial liabilities that are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition borrowing financial instruments are stated at amortised cost. Interest and related fees are taken to the consolidated statement of profit or loss and other comprehensive income based on the effective interest rate method.

Derecognition

Financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(j) Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. When a financial liability is extinguished for an amount that differs from the carrying value of the liability, the difference is recognised in the consolidated statement of profit or loss and other comprehensive income.

2(k) Leases

The Group leases aircraft to airline operators.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating and executing an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental revenue. Leases in which the risks and benefits of ownership transfer to the lessee are classified as finance leases.

2(l) Aircraft assets

Cost

Aircraft assets are initially recorded at cost including directly attributable transaction costs on acquisition. Aircraft are subsequently measured at cost less accumulated depreciation and any impairment losses.

Depreciation

Leased aircraft assets are depreciated on a straight line basis over the lease term to the expected residual value of the asset at the end of the lease less cost to sell. The current leases have remaining minimum terms ranging from 1.3 years to 14.2 years. All aircraft were leased throughout the period since acquisition to 31 December 2015.

The assets' residual values, useful lives, and depreciation methods are reviewed and adjusted if appropriate as at each financial year end.

Disposal of aircraft

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

Derecognition

Aircraft assets are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal.

Impairment

At each reporting date, the carrying values of aircraft assets are assessed by the Group Advisor for indications of impairment. If any indicator of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an assets fair value less cost to sell and value in use. A previously recognised impairment loss is only reversed if there has been an increase in the asset's recoverable amount since the last impairment loss was recognised. The impairment loss would be reversed to the revised estimate of its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in the prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(m) Assets held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continued use are classified as held for sale. Immediately before classification as held for sale the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

2(n) Maintenance Reserves

In certain of the aircraft lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (hereafter referred to as maintenance reserves). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the maintenance reserves received with respect to such work.

These maintenance reserves are recorded in the consolidated statement of financial position as a cash asset and related liability. Amounts not refunded during the lease are recorded as lease revenue at lease termination or at a point in time where the revenue becomes highly probable and reliably measurable.

2(o) Other receivables

Other receivables are initially recorded at cost, and are generally received within 30 days of becoming due and receivable. At the end of each reporting period, the carrying amounts of other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

2(p) Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments, within 12 months from balance sheet date, in respect of the purchase of these goods and services.

2(q) Taxation

The Group consists of a number of tax paying and non-tax paying entities due to tax laws applicable in each entity's respective domicile. Unless stated below, each entity within the Group is liable to tax assessment in the relevant jurisdiction of that entity.

Goshawk Aviation Limited

Under current Cayman Island law, the Company will not be subject to any income, withholding or capital gains taxes in the Cayman Islands.

Investment Entities (Special Purpose Vehicles) – Irish tax resident

The income tax expense or gain for the year is the tax payable or receivable on the current years' taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(q) *Taxation (continued)*

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2(r) *Share capital*

Ordinary shares and preference shares are classified as equity. Preference shareholders are paid dividends at the discretion of the directors of the Company. In the event of liquidation, preference share equity ranks lower than other contractual debt agreements.

Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of tax effects.

2(s) *Significant accounting judgments, estimates and assumptions*

The preparation of the consolidated financial statements requires judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. These judgments and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses are continually evaluated. These judgments and estimates are based on historical experience and on other various factors believed to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

The following are critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in the consolidated financial statements.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the consolidated financial statements.

Significant accounting judgments:

Lease revenue

The Group leases aircraft principally under operating leases, and reports rental income on a straight-line basis over the life of the lease as it is earned.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the future years together with future tax planning strategies.

Consolidation

The Company does not currently have a direct or indirect ownership or equity interest in the consolidated entities but has determined it has control of these companies and exposure to variable returns through the junior loan and option instruments and its power to influence the results of these entities.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

2(s) Significant accounting judgments, estimates and assumptions (continued)

Significant accounting estimates and assumptions:

Estimation of useful lives and residual values of assets

In estimating useful lives and residual values of aircraft the Group relies upon actual industry experience, supported by estimates received from independent appraisers, with the same or similar aircraft types and considering our anticipated utilisation of the aircraft.

In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Residual values are determined with reference to independent valuations which factor in current market conditions when determining values. Adjustments to useful lives and residual values are made when the adjustment would have a material impact on the Group.

Estimation of impairment of assets

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an assets fair value less cost to sell and value in use. The value in use is based on a discounted cash flow analysis using management's best estimate of cash flows related to the particular aircraft. Management considers comparable market data, independent leasing information as well as state and condition of the aircraft in determining these cash flows. A suitable discount rate is then determined based upon the capital structure.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Aircraft assets

The fair value of aircraft assets is based on the market rates. The market value of aircraft assets is the estimated amount for which an aircraft could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after property marketing wherein the parties each had acted knowledgeably, prudently and without compulsion. The Group uses independent professional valuers to estimate the fair value of aircraft.

Trade Receivables

Carrying amount approximates to fair value to the short-term nature of these instruments.

Cash and cash resources

Carrying amount approximates to fair value due to the short-term nature of these instruments.

Derivatives – interest rate swaps

The fair values of interest rate swaps are based on broker quotes.

Trade and other payables

Carrying amount approximates to fair value due to the short-term nature of these instruments.

Other non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

3 Finance income and expense

	Year ending 31 December 2015	15 Month period from 9 October 2013 to 31 December 2014
	US\$	US\$
Finance income from cash at bank	8,344	6,531
Total finance income	8,344	6,531
Finance expense on financial liabilities		
– External finance expense	(31,286,674)	(12,671,848)
– Internal interest on bridging debt from shareholders	(7,004,336)	(2,714,091)
Total finance expense	(38,291,010)	(15,385,939)
Net gain/ (loss) on derivative financial instruments		
Changes in fair value of derivatives through profit or loss	(1,909,572)	1,398,213
Changes in fair value of derivatives reclassified from other comprehensive income	(867,923)	–
	(2,777,495)	1,398,213
Net finance cost	(41,060,161)	(13,981,195)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

External finance expense for the year ending 31 December 2015 also includes a charge of US\$2.7m (2014: US\$1.4m) relating to financing fees amortisation.

4 Lease revenue

Lease revenue from operating leases

Lease revenue is derived from leasing commercial aircraft to various operators around the world. As at 31 December 2015, 53 aircraft have lease contracts with operators, of which the earliest scheduled expiring dates are during the year ending 31 December 2016.

As at 31 December 2015, the Group received the following lease rentals from operators in the following regions:

	Year ending 31 December 2015	15 Month period from 9 October 2013 to 31 December 2014
	US\$	US\$
Americas	13,841,805	6,212,598
Asia (ex China)	37,698,396	20,915,788
Australia	21,816,198	10,729,080
China	8,514,610	9,122,614
Europe	60,232,399	18,922,771
Middle East	12,420,510	–
	154,523,918	65,902,851

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

4 Lease revenue (continued)

As at 31 December 2015, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases in the following regions.

31 December 2015

	Due within one year US\$	Due between two and five years US\$	Due after five years US\$	Total US\$
Americas	30,295,663	123,222,770	61,600,118	215,118,551
Asia (ex China)	50,060,365	161,595,764	146,850,870	358,506,999
Australia	34,674,707	138,698,828	107,055,016	280,428,551
China	8,514,610	4,267,935	–	12,782,545
Europe	67,482,880	237,851,911	178,568,160	483,902,951
Middle East	19,550,506	74,895,913	60,880,237	155,326,656
Total	210,578,731	740,533,121	554,954,401	1,506,066,253

31 December 2014

	Due within one year US\$	Due between two and five years US\$	Due after five years US\$	Total US\$
Americas	7,338,274	29,353,094	25,783,439	62,474,807
Asia (ex China)	24,174,890	77,463,113	65,465,632	167,103,635
Australia	16,564,899	66,259,596	42,966,103	125,790,598
China	8,514,610	13,492,096	–	22,006,706
Europe	30,348,165	81,117,439	81,856,996	193,322,600
Total	86,940,838	267,685,338	216,072,170	570,698,346

5 Advisory and management fees

The following fees were paid to the Group Advisor for the provision of the following services during the year/period.

	Year ending 31 December 2015 US\$	15 Month period from 9 October 2013 to 31 December 2014 US\$
Asset management services including asset valuations and portfolio risk management, closing and delivery of new assets and asset protection services.	5,907,691	2,401,278
Advisory and operational services including capital and investment advice, hedging and risk management advice, cash administration services, accounting and group secretarial services.	7,237,265	3,403,765

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

6 Other expenses from ordinary activities

	Year ending 31 December 2015	15 Month period from 9 October 2013 to 31 December 2014
	US\$	US\$
Administration fees	661,694	373,616
Audit and tax compliance fees	376,200	194,560
Legal fees	347,413	582,758
	1,385,307	1,150,934

7 Taxation

	Year ending 31 December 2015	15 Month period from 9 October 2013 to 31 December 2014
	US\$	US\$
a) Analysis of tax charge for the period		
Current tax:		
Foreign corporation tax on net profit for the year/period	(475,662)	–
Income tax expense for the year/period on ordinary activities	(475,662)	–
Deferred tax:		
Origination and reversal of timing differences	(3,484,562)	(712,184)
Changes in fair value of hedging instruments recognised in other comprehensive income (Note 13)	1,965,025	660,531
Deferred tax expense for the year/period on ordinary activities	(1,519,537)	(51,653)
Taxation for the year/period	(1,995,199)	(51,653)

b) Factors affecting current tax charge for the period

The reconciliation of current tax on profits on ordinary activities to prima facie tax payable. The prima facie tax on profit differs from the income tax provided in the financial statements as follows:

Profit on ordinary activities before taxation	69,547,765	24,923,059
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Under current Cayman Island law, the Company will not be subject to any income, withholding or capital gains taxes in the Cayman Islands.

Tax on profit on ordinary activities: nil.

Effects of:

Income taxable at higher rate applicable in each group entity's respective tax domicile

	(1,995,199)	(51,653)
Total tax expense	(1,995,199)	(51,653)

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

7 Taxation (continued)

c) Deferred tax

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year/period which are available for carry forward and an excess of capital allowances over accounting depreciation.

The reconciliation of deferred tax assets and liabilities for the year/period is as follows:

	2015 US\$	2014 US\$
Deferred tax assets		
At beginning of the year/period	10,074,231	–
Movement during the period	19,309,462	10,074,231
At end of the year	29,383,693	10,074,231
Deferred tax liabilities		
At beginning of the year/period	10,125,884	–
Movement during the period	20,828,998	10,125,884
At end of the year	30,954,882	10,125,884
Net deferred tax liability	(1,571,189)	(51,653)

The Group's net deferred tax liability is attributable to temporary differences arising on aircraft assets at year end partially offset by deferred tax assets in respect of the carry forward of unused tax losses and amounts recognized directly in equity in relation to cash flow hedges.

8 Cash and restricted cash

	2015 US\$	2014 US\$
Cash at bank	83,133,733	17,539,482
Restricted cash		
Maintenance deposits	17,397,069	16,476,577
Security deposits	2,118,451	5,954,749
Total restricted cash	19,515,520	22,431,326
Total cash and restricted cash	102,649,253	39,970,808

Maintenance deposits and security deposits are restricted cash deposits in accordance with the individual financing documents. This cash is charged as security in favor of the financiers.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

9 Other receivables

	2015	2014
	US\$	US\$
Other receivables – current		
Value added tax refund	411,809	246,049
Loan to shareholders (i)	11,442,986	–
Other receivables (iii)	905,000	182,380
	12,759,795	428,429
Other receivable - non current		
Loan to shareholders	–	11,442,986
	–	11,442,986

The other receivables (current) in the table above are neither past due nor impaired.

- (i) The Group entered into sale agreements to sell two Airbus 319-100 aircraft at the end of their current lease terms in 2016. Pursuant to each sale agreement, the Buyer paid the Group a deposit of US\$5,721,493 for each aircraft (total US\$11,442,986) to secure its obligations under the sale agreements. The Group used the proceeds of the deposit to make a proportionate interest free loan to each of the shareholders.

The Group may be required to repay the deposit to the Buyer in certain circumstances. In such an event the shareholders will be required to repay the loan to the Group to fund this obligation. Upon completion of the sale the Group will declare a distribution by way of redemption and the loan repayment shall be off-set against any such distribution.

- (ii) The Group paid a commitment fee of US\$905,000 to a vendor to acquire 5 aircraft. Four of the acquisitions were complete at the time these financial statements were approved and signed by the directors.

10 Aircraft assets

As at 31 December 2015 the carrying value of the aircraft is US\$1,927.1m (2014: US\$810.7m). Aircraft are assessed for recoverability in accordance with IAS 36 - Impairment of Assets ("IAS 36"), at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. No impairment charge has been required to be recorded in 2015 (2014: US\$Nil).

The Directors develop the assumptions used in the recoverability assessment based on their knowledge of active lease contracts, current and future expectations of the global demand for particular aircraft types and historical experience in the aircraft leasing market and aviation industry, as well as information received from third party sources.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated downtime, estimated residual values, economic conditions, technology and airline demand for particular aircraft types. These estimated cash flows are discounted at an average rate of 6.4% per annum (2014: 6.5%). The total net amount of borrowing costs capitalised during the year ended 31 December 2015 was US\$Nil (2014: US\$Nil).

The Group has not disposed of any aircraft in 2015 (2014: Nil) and held 4 aircraft at 31 December 2015 (2014: Nil) which were classified as held for sale. The Group suffered a total loss on 1 aircraft during 2015 (2014: Nil). The Group received insurance proceeds of US\$42.8m. During 2015 a net financial gain of \$15.8m was recorded by the Group following the total loss of this aircraft which had a net book value of \$27.0m.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

10 Aircraft assets (continued)

	2015 US\$	2014 US\$
Cost		
At beginning of the year/period	830,725,578	–
Additions during the year	1,280,082,052	830,725,578
Transferred to held for sale	(99,492,076)	–
Asset suffering total loss	(27,660,000)	–
At end of the period	1,983,655,554	830,725,578
Accumulated depreciation		
Balance at the beginning	(19,976,900)	–
Transferred to hold for sale	5,501,536	–
Asset suffering total loss	642,220	–
Current period depreciation	(42,689,819)	(19,976,900)
At end of the year/period	(56,522,963)	(19,976,900)
Net book value at end of the period	1,927,132,591	810,748,678

The aircraft are pledged as security to the security trustee, as outlined in the security assignment. The aircraft have also been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deed. The recourse of the lenders and the other parties to the transaction documents is limited to the assets secured by the aircraft owning entities and to any monies received by the aircraft owning entities pursuant to the transaction documents.

Geographic concentration

The distribution of net book value of aircraft by operator's geographic region:

	2015 US\$	%	2014 US\$	%
Americas	252,776,083	13.1	69,541,874	8.6
Asia (ex China)	478,309,274	24.8	229,163,741	28.3
Australia	271,210,407	14.1	151,077,337	18.6
China	64,685,590	3.4	67,592,727	8.3
Europe	675,195,856	35.0	293,372,999	36.2
Middle East	184,955,381	9.6	–	–
	1,927,132,591	100.0	810,748,678	100.0

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

11 Assets held for sale

At 31 December 2015, the Group had an agreement for the sale of 4 aircraft (2014: Nil). Under the provisions of IFRS 5, any aircraft which meets certain criteria and is expected to be sold in its present condition is required to be classified as held for sale. Any other assets/liabilities transferring within the sale should also be classified as held for sale.

	2015	2014
	US\$	US\$
Assets classified as held for sale		
Aircraft assets - cost	99,492,076	—
Aircraft assets - accumulated depreciation	(5,501,536)	—
Loss on transfer to held for sale	(3,977,356)	—
	90,013,184	—

A loss on transfer to held for sale of US\$4.0m during the year ended 31 December 2015 relates primarily to depreciation which would have been charged to the profit and loss had the aircraft not been transferred to held for sale. The Group continues to recognise lease rental income on the aircraft.

Geographic concentration

The distribution of net book value of aircraft by operator's geographic region:

	2015		2014	
	US\$	%	US\$	%
Australia	55,013,184	61.1	—	—
Europe	35,000,000	38.9	—	—
	90,013,184	100.0	—	—

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

12 Other payables

	2015	2014
	US\$	US\$
Other payables current		
Interest payable	2,708,724	1,288,680
Advisory fee	2,294,520	1,055,856
Asset management fee	334,441	782,007
Legal and loan fees	5,009,425	4,847,844
Consumption tax	87,633	711,060
Trade payables	980,019	925,899
Current tax	469,565	–
Deposits from shareholders held for new aircraft acquisitions	19,760,000	–
Deposit held relating to sale agreements (i)	11,442,986	–
	43,087,313	9,611,346
Other payables non-current		
Deposit held relating to sale agreements	–	11,442,986
	–	11,442,986

(i) The Group entered into sale agreements to sell two Airbus 319-100 aircraft at the end of their current lease terms in 2016. Pursuant to each sale agreement, the Buyer paid the Group a deposit of US\$5,721,493 for each aircraft (total US\$11,442,986) to secure its obligations under the sale agreements.

The Group pays interest on the deposit at a rate of 1% per annum to the Buyer.

The Group may be required to repay the deposit to the Buyer in certain circumstances as set out in the sale agreements.

13 Loans and borrowings

The balance of borrowings as of 31 December 2015 is US\$1,309.0m (2014: US\$516.8m). Aircraft lease rentals are structured to ensure that lease payments are sufficient to meet the Group's obligations under debt funding over the term of the lease. The debt facilities for 9 aircraft are fixed and the rates on floating rate debt facilities for 37 aircraft are economically hedged using interest rate swaps.

	2015	2014
	US\$	US\$
Loans and borrowings - current		
Secured bank loans	122,684,131	34,243,788
Bridging debt from shareholders	109,421,817	153,349,337
Financing fees	(3,717,161)	(1,588,640)
	228,388,787	186,004,485
Loans and borrowings - non current		
Secured bank loans	1,094,408,629	335,594,428
Financing fees	(13,762,696)	(4,824,878)
	1,080,645,933	330,769,550

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

13 Loans and borrowings (continued)

Amortisation of debt issuance costs included in financing costs was US\$2.7m during the year ended 31 December 2015 (2014: US\$1.4m). The unamortised debt issuance costs at 31 December 2015 amortise over the term of the related borrowings.

The repayments of total debt during the year were US\$54.0m (2014: US\$ 23.9m).

Assets pledged as security

	2015 US\$	2014 US\$
Current		
Assets held for sale	90,013,184	—
Non - current		
Aircraft assets	1,927,132,591	810,748,678
	<u>2,017,145,775</u>	<u>810,748,678</u>

The terms of outstanding loans before the impact of derivatives were as follows:

At 31 December 2015

	Range of average nominal interest rates (%)	Year of Maturity	2015 US\$
Floating rate loans			
Secured bank loans	LIBOR + 1.50 to 2.85	2016 - 2028	1,031,246,303
Bridging debt from shareholders	LIBOR + 2.20 to 2.75	2016	109,421,817
Fixed rate loans			
Secured bank loans	3.05 - 5.12	2016 - 2023	168,366,600
			<u>1,309,034,720</u>

At 31 December 2014

	Range of average nominal interest rates (%)	Year of Maturity	2015 US\$
Floating rate loans			
Secured bank loans	LIBOR + 2.35 to 3.00	2019 - 2028	32,655,148
Bridging debt from shareholders	LIBOR + 2.50	2015	153,349,337
Fixed rate loans			
Secured bank loans	3.05 - 5.12	2016 - 2023	330,769,550
			<u>516,774,035</u>

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

14 Maintenance reserves

	2015 US\$	2014 US\$
At beginning of the year/period	16,476,577	–
Lessee contributions during the year/period	77,510,701	16,476,577
Lessee claims against reserves	(463,171)	–
At end of the year	93,524,107	16,476,577

Per note 8 maintenance deposits of US\$17.4m (2014: US\$16.5m) are restricted cash deposits in accordance with the individual financing documents. This cash is charged as security in favour of the financiers.

15 Security deposits

	2015 US\$	2014 US\$
At beginning of the year/period	5,954,749	–
Deposits received during the year/period	19,850,242	5,954,749
Security deposits returned to lessees	(666,289)	–
At end of the year	25,138,702	5,954,749

Per note 8 security deposits of US\$2.1m (2014: US\$6.0m) are restricted cash deposits in accordance with the individual financing documents. This cash is charged as security in favour of the financiers.

16 Financial instruments and financial risk management

The Group makes use of financial instruments to reduce exposures to market risks throughout its business. Equity, borrowings and cash and cash resources are used to finance the Group's operations. Derivative financial instruments are contractual agreements with a value which reflects price movements in an underlying variable. The Group uses derivative financial instruments, principally interest rate swaps, to manage interest rate risks and achieve the desired profile of borrowings.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

16 Financial instruments and financial risk management (continued)

Fair value of financial assets and liabilities

The carrying value and fair value of the Group's financial assets and liabilities by class and category were as follows:

At 31 December 2015

	Carrying amount 2015 US\$'000	Fair value 2015 US\$'000
Cash and cash equivalents	83,134	83,134
Restricted cash	19,516	19,516
Other receivables	12,760	12,760
Financial assets	115,410	115,410

At 31 December 2015

	Carrying amount 2015 US\$'000	Fair value 2015 US\$'000
Maintenance reserves	93,524	93,524
Security deposits	25,139	25,139
Loans and borrowings	1,309,035	1,373,171
Other payables	43,087	43,087
Derivative financial instruments	18,963	18,963
Financial liabilities	1,489,748	1,553,884

At 31 December 2014

	Carrying amount 2014 US\$'000	Fair value 2014 US\$'000
Cash and cash equivalents	17,539	17,539
Restricted cash	22,431	22,431
Other receivables	11,871	11,871
Financial assets	51,841	51,841

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

16 Financial instruments and financial risk management (continued)

Fair value of financial assets and liabilities (continued)

	Carrying amount	Fair value
	2014	2014
	US\$'000	US\$'000
Maintenance reserves	16,477	16,477
Security deposits	5,955	5,955
Loans and borrowings	516,774	516,774
Other payables	21,054	21,054
Derivative financial instruments	1,241	1,241
Financial liabilities	561,504	561,504

The fair value measurements for loans and borrowings have been classified as level 3 fair values based on the inputs to the valuation techniques used (i.e. the inputs are not based on observable market data). The Directors have determined that the fair value of all other finance assets and liabilities not measured at fair value are considered to be within level 2 of the fair value hierarchy.

The fair value of level two investments is deemed to approximate their carrying value due to their short term nature.

The fair value of loans and borrowings is deemed to approximate carrying value due to the fact that the Company's credit rating has not changed and due to the fact that the instrument accrues a variable rate of interest.

All of the Group's derivatives are carried at fair value and are classified as Level 2. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments

The Group make use of cash flow hedges (interest rate swaps) to reduce the level of interest rate risk. Financial liabilities through other comprehensive income reflect the net negative change in fair value of those interest rate swaps that are designated in hedge relationships intended to reduce the level of interest rate risk for expected interest payments. The market fair value of the interest rate swaps was based on a discounted cash flow calculation taking into account scheduled repayments using an estimated forward interest rate curve and discounted to its present value.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

16 Financial instruments and financial risk management (continued)

Derivate financial instruments (continued)

The reconciliation of derivative financial assets and liabilities for the period is as follows:

	2015 US\$	2014 US\$
Derivative financial instruments		
Non current assets		
At beginning of the period	2,445,328	–
Change in fair value of derivative financial instruments through profit or loss	1,169,333	2,445,328
Change in fair value of derivative financial instruments through other comprehensive income net of tax	510,883	–
Change in fair value of derivative financial instruments through other comprehensive income net of tax	119,024	–
Fair value of derivative financial instruments at end of the period	4,244,568	2,445,328
Non current liabilities		
At beginning of the period	3,689,240	–
Change in fair value of derivative financial instruments through profit or loss	3,078,905	1,047,115
Change in fair value of derivative financial instruments through other comprehensive income net of tax	9,242,573	1,981,594
Derivative financial instruments measured at fair value transferred from other comprehensive income reclassified to profit or loss	867,923	–
Taxation of derivative financial instruments measured at fair value through other comprehensive income	2,084,049	660,531
Fair value of derivative financial instruments at end of the period	18,962,690	3,689,240
Net gain/(loss) from derivative financial instruments measured at fair value through profit or loss, including transfers to profit and loss	(2,777,495)	1,398,213
Net loss from derivative financial instruments measured at fair value through other comprehensive income net of tax	(8,731,690)	(1,981,594)

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

17 Share capital

	Number of shares	US\$
Authorised		
Ordinary shares of US\$0.01 each	5,000,000	50,000
Issued and fully paid		
Ordinary share of US\$0.01 each		
Issued ordinary shares as at 31 December 2014	1	–
Ordinary share issued during the year at US\$0.01 each	–	–
Issued ordinary shares as at 31 December 2015	1	–
Preference shares of US\$1 each		
Issued preference shares as at 31 December 2014	283,786,264	283,786,264
Preference shares issued during the year at US\$1 each	78,240,000	78,240,000
Issued preference shares as at 31 December 2015	362,026,264	362,026,264
Equity contributions		
Capital contributions as at 31 December 2014		–
Capital contributions		250,300,000
Equity contributions as at 31 December 2015		250,300,000
Total share capital and equity contributions as at 31 December 2015		612,326,264

Ordinary shares

Fully paid ordinary shares carry one vote per share.

Preference shares

Preference shares are issued at a premium of US\$0.99 each which will allow for distributions to be made if there are no distributable reserves but the distribution is otherwise in accordance with the distribution policy. Distributions will be at the discretion of the board, although it is currently the intention to pay quarterly distributions to shareholders from its available free cash flows. These cash flows would arise from junior debt interest coupon payments and will be supplemented at or around the time of sale of any aircraft by the repayment of the junior debt principal amounts and any surplus sale proceeds on a disposal of any aircraft. The Group would be required to service all debt obligations (which will be at the aircraft owning entity level and limited recourse to the aircraft and the operating leases), fund their working capital and any capital expenditure requirements, satisfy all of their expenses and provision for future liabilities before making any distributions to shareholders.

Transfers of preference shares (other than intra-group) will be subject to a pre-emption regime between the existing shareholders as detailed in the Information Memorandum.

Preference shares will carry one vote per share except where excluded from voting.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

17 Share capital (continued)

Capital contributions

Capital contributions have been received from shareholders in the form of shareholder loans. Goshawk has the ability at its option to settle these through the issue of a fixed number of preference shares or through cash.

The shareholders loans have therefore met the definition of equity under IAS 32 and as such have been classified in equity.

Reconciliation of movement in capital and reserves:

	Share capital US\$	Retained earnings US\$	Hedging reserve US\$	Total equity US\$
On incorporation 9 October 2013	–	–	–	–
Total comprehensive income for the period		24,210,875	(1,981,594)	22,229,281
Transactions with shareholders, recorded directly in equity	283,786,264	(12,025,000)	–	271,761,264
Balance at 31 December 2014	283,786,264	12,185,875	(1,981,594)	293,990,545
Total comprehensive income for the year		65,587,541	(8,731,690)	56,855,851
Transactions with shareholders, recorded directly in equity	328,540,000	(46,350,000)	–	282,190,000
Balance at 31 December 2015	612,326,264	31,423,416	(10,713,284)	633,036,396

Transactions with shareholders

All equity is attributable to the holders of the ordinary and preference shares in the Company. During the year the shareholders made capital contributions of US\$328.5m (2014: US\$283.8m).

Dividend distribution

Included in other comprehensive income for the period are preference dividends of US\$46,350,000 (2014: US\$12,025,000) paid during the year

	US\$ cent per Preference Share	Number of shares issued	Dividend declared and paid
Dividend distribution paid (14 January 2015)	2.19	283,786,264	6,224,213
Dividend distribution paid (27 April 2015)	1.93	362,026,264	7,000,000
Dividend distribution paid (4 August 2015)	2.36	362,026,264	8,525,787
Dividend distribution paid (10 September 2015)	3.83	362,026,264	13,857,150
Dividend distribution paid (6 November 2015)	2.97	362,026,264	10,742,850
			46,350,000

Subsequent to year end, the directors declared and paid dividend distributions on preference shares of US\$29.1m during February 2016 and April 2016.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

18 Risk management

Asset risk

The Group bears the risk of re-leasing or selling the aircraft in its fleet at the end of their lease terms. If demand for aircraft decreases market lease rates may fall, and should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The Directors have employed personnel with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft as required in order to reduce this risk.

The Group is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Group through a reduced demand for aircraft in the fleet and / or reduced market rates, higher incidences of lessee default and an increase in aircraft on the ground. The Group periodically performs reviews of its carrying values of aircraft, receivables and the recoverable amount of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

Foreign exchange risk

The Group and Company have a minimum exposure to foreign exchange risk due to the fact the majority of transactions are denominated in US dollars. The quantum of exposure to currency movements are small in nature and as such no sensitivity analysis has been performed.

Interest rate risk

Interest rate risk is the risk (variability in value) borne by an interest-bearing financial instrument, such as a loan or a note, due to variability of interest rates. The Group has entered into derivative contracts for some of its loan facilities which swap variable interest rates for fixed; therefore any increase or decrease in interest rates on the loan will lead to a decrease or increase in the differential on the swap. The Group's floating rate loans partially offset the floating rate nature of some of our lease rental contracts where by an increase in interest rates will be expected to be offset by higher rentals earned.

The effect on Group profit before tax of a 50 and 100 basis point change in interest rate, assuming all other variables are held constant, would be as follows:

	50 BPS US\$	100 BPS US\$
2015	3,310,147	6,620,293
	50 BPS US\$	100 BPS US\$
2014	951,311	1,902,622

Whereas, a decrease of 50 and 100 basis points change in interest rates, would have had the equal but opposite effect, on the basis that all other variables remain constant.

The Group also has loans and borrowings that bear fixed interest rates determined at the inception of the agreement. A significant change in interest rates could have a material adverse impact on the fair value of these loans and borrowings. However, the Group records these loans at the amortised cost and, therefore, the Group's future performance would not be impacted by any future rate changes.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

18 Risk management (continued)

Credit risk

The Group is subject to the credit risk of its lessees as to collection of rental payments under its operating leases. Credit risk is defined as the unexpected loss in cash and earnings if the counterparty is unable to pay its obligations in due time. The effective monitoring and controlling of airline customer credit risk is a competency of the Group Advisor.

Creditworthiness of each new customer is assessed and the Group seeks security deposits in the form of cash or letter of credit to mitigate overall financial exposure to its lessees.

The assessment process takes into account qualitative and quantitative information about the customer such as business activities, senior management team, financial fitness, resources and performance, and business risks, to the extent that this information is publicly available or otherwise disclosed to the Group.

The Group holds significant cash balances which are invested on a short term basis with Investec Bank plc and are classified as cash and cash equivalents. The Group is exposed to credit risk on these deposits and other financial instruments due from Investec Bank plc. Investec Bank plc. is a listed entity on the London stock exchange and regulated by the Prudential Regulation Authority in the UK. As at the date of this report Investec Bank plc has a prime investment grade short term deposit credit rating of Prime-1 (Moody's).

The value of trade receivables and other receivables is highly dependent upon the financial strength of the commercial aviation industry as described in the asset risk section. Defaults by one or more of the Group's major customers could have a material adverse effect on our cash flow and earnings and our ability to meet our debt obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2015 US\$	2014 US\$
Cash at bank	8	83,133,733	17,539,482
Restricted cash	8	19,515,520	22,431,326
Derivative financial assets	16	4,244,568	2,445,328
Other receivables	9	12,759,795	11,871,415
Total		119,653,616	54,287,551

Liquidity risk

The Group has funded a significant part of its operations with debt financing. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations and adhere to covenant requirements under the respective loan agreements, which are dependent, among other things, upon the factors outlined above.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

18 Risk management (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at 31 December 2015

	Carrying Amount US\$'000	Contractual Cash Flows US\$'000	12 months or less US\$'000	1 – 2 years US\$'000	2 – 3 years US\$'000	3 – 4 years US\$'000	After 4 years US\$'000
Non-derivative financial liabilities							
Secured bank loans (external)	1,199,613	(1,411,528)	(111,751)	(182,994)	(117,770)	(109,283)	(889,730)
Bridging debt from shareholders	109,422	(121,068)	(48,576)	(4,996)	(5,067)	(5,140)	(57,289)
Other payables	43,087	(43,087)	(43,087)	–	–	–	–
Total	1,352,122	(1,575,683)	(203,414)	(187,990)	(122,837)	(114,423)	(947,019)
Derivative financial assets/ (liabilities)							
Interest rate swaps	(14,718)	(12,929)	(11,963)	(6,212)	(2,276)	(389)	7,911
Total	(14,718)	(12,929)	(11,963)	(6,212)	(2,276)	(389)	7,911

As at 31 December 2014

	Carrying Amount US\$'000	Contractual Cash Flows US\$'000	12 months or less US\$'000	1 – 2 years US\$'000	2 – 3 years US\$'000	3 – 4 years US\$'000	After 4 years US\$'000
Non-derivative financial liabilities							
Secured bank loans (external)	363,425	(387,725)	(38,752)	(53,462)	(93,671)	(38,675)	(163,166)
Bridging debt from shareholders	153,349	(155,387)	(155,387)	–	–	–	–
Other payables	21,054	(21,054)	(9,611)	(11,443)	–	–	–
Total	537,828	(564,166)	(203,750)	(64,905)	(93,671)	(38,675)	(163,166)
Derivative financial assets/(liabilities)							
Interest rate swaps	(1,244)	(902)	(3,459)	4	392	206	1,956
Total	(1,244)	(902)	(3,459)	4	392	206	1,956

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

18 Risk management (continued)

Liquidity risk (continued)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

As disclosed in note 13, the Group has principal repayments due under its existing loans from external parties which fall due during the next 12 month period. These will be financed via operational cash flows (rental and disposal of aircraft).

If the Group cannot meet its obligations or if it breaches certain covenants under the various debt arrangements, it may be subject to contract breach damages, it may be required to restrict or apply all cash flows from aircraft pledged as collateral for certain debt facilities to meet principal and interest payments, and/or to pay down such debt facilities on an accelerated basis.

19 Commitments and contingencies

The Group paid a commitment fee of US\$905,000 to a vendor to acquire 5 aircraft valued US\$189.1m. Four of the acquisitions valued US\$150.4m were complete at the time these financial statements were approved and signed by the directors.

20 Related parties

The following person(s) is a Director of the Company and also an employee of Investec Bank plc and its subsidiaries. Investec Bank plc was engaged as the Group Advisor during the financial period until 1 April 2015:

Richard Forlee (Appointed: 6 January 2014; Resigned 1 May 2015)

Christopher Meyer (Appointed: 1 May 2015; Resigned 6 November 2015)

Michael Francis (Appointed: 6 November 2015)

The following transactions were carried out with related parties:

(a) Advisory and asset management fees

The Group Advisor has overall responsibility for the lease and asset management of the aircraft portfolio and has outsourced this to a suitably qualified technical asset manager who is responsible for providing ongoing technical asset management services to the portfolio, including aircraft remarketing and disposals. Advisory fees of US\$5,998,603 were paid in cash during the year and US\$2,294,520 is included in other payables. Asset management fees of US\$5,820,308 were paid in cash during the period and US\$334,441 is included in other payables.

Goshawk Aviation Limited

Notes to the consolidated financial statements (continued)

20 Related parties (continued)

(b) Preference shareholder

Investec Bank plc. was Group Advisor until 1 April 2015. Investec Bank plc is a preference shareholder holding 42,286,559 out of 362,026,264 issued preference shares as at 31 December 2015.

(c) Shareholder loans

The Group made a proportionate interest free loan (total US\$11,442,986) to each of the shareholders from the proceeds of a deposit received relating to sale agreements to sell two Airbus 319-100 aircraft (refer note 9).

21 Events after the end of the reporting date

Subsequent to year end, the directors declared and paid the following dividend distributions on preference shares:

	US\$ cent per Preference Share	Number of shares issued	Dividend declared and paid – US\$
Dividend distribution paid (February 2016)	3.26	362,026,264	11,805,000
Dividend distribution paid (April 2016)	4.79	362,026,264	17,340,000
			29,145,000

The Group acquired 17 additional aircraft for US\$717.7m and as a result its borrowings increased by US\$520.1m.

The Group sold four aircraft for US\$90.4m with a net book value of US\$90.0m.

There have been no other significant events subsequent to 31 December 2015.

22 Approval of consolidated financial statements

The Board of Directors approved and authorised these financial statements on 30 May 2016.

GOSHAWK

