

GAL MSN 41027 Limited

Annual report and financial statements

For the year ended 31 December 2016

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GAL MSN 41027 Limited

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GAL MSN 41027 Limited

Directors and Other Information

Directors

C M Leahy (Appointed 5 January 2017)
T M Westwood (Appointed 5 January 2017)
M Drew (Appointed 5 January 2017, Resigned 31 March 2017)
M Kalsbeek (Appointed 1 June 2015, Resigned 5 January 2017)
D Vijselaar (Appointed on 15 April 2016, Resigned 5 January 2017)
Intertrust (UK) Limited (Resigned 5 January 2017)

Company registration number

09320708

Registered office

11th Floor
200 Aldersgate Street
London
United Kingdom

Company secretary

Maples Fiduciary Services (UK) Limited (appointed from 5 January 2017)
11th Floor
200 Aldersgate Street
London
United Kingdom

Intertrust (UK) Limited (resigned from 5 January 2017)
11th Floor
200 Aldersgate Street
London
United Kingdom

Corporate Administrator

Maples Fiduciary Services (UK) Limited (appointed from 5 January 2017)
11th Floor
200 Aldersgate Street
London
United Kingdom

Intertrust (UK) Limited (resigned from 5 January 2017)
11th Floor
200 Aldersgate Street
London
United Kingdom

Auditors

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

GAL MSN 41027 Limited

Directors and Other Information (continued)

Solicitors	Clifford Chance 10 Upper Bank Street E14 5JJ London United Kingdom
Bankers	Citibank Europe Plc 1 North Wall Quay Dublin 1 Ireland
Lease Manager*	Goshawk Management (Ireland) Ltd. 32 Molesworth Street Dublin 2 Ireland

*Address changed from 2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland on 8th May 2017.

GAL MSN 41027 Limited

Strategic Report and Directors' Report

The Directors present their Directors' report together with the audited financial statements of GAL MSN 41027 Limited (the "Company"), for the year ended 31 December 2016.

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.

The Company is in a net liability position, however the financial statements have been prepared on a going concern basis subject to continuing support of Goshawk Aviation Limited ("GAL"), ultimate controlling party as detailed in Note 17, to allow the Company to meet its obligations as they come due.

Principal Risks and Uncertainties

The Company, in the course of its business activities, is exposed to asset, market, credit and liquidity risk. The key risks facing the Company and the manner in which these risks have been dealt with are disclosed in the consolidated financial statements of GAL (whose accounts consolidate the accounts of the Company). The Board of Directors ensures that risks are identified and managed in accordance with the objectives of the organisation.

Key Performance Indicators

The Company's KPIs during the year were as follows:

- Operating income of US\$9,044,391 (2015: US\$3,247,000); and
- Profit on ordinary activities before taxation of US\$1,024,605 (2015: loss on ordinary activities before taxation of US\$1,947,602).

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 8 and in the Balance Sheet on page 9. The profit on ordinary activities for the period before taxation amounted to US\$1,024,605 (loss before tax of 2015: US\$1,947,602) and after debiting taxation of US\$623,811 (2015: crediting of tax of US\$326,437), the profit of US\$400,794 (2015: loss of US\$1,621,165) is transferred to reserves. Shareholders' deficits at 31 December 2016 amounted to US\$1,220,369 (2015: US\$1,621,163).

The Directors did not declare any dividends during the year (2015: US\$ Nil).

Directors and Secretary and their Interests

The names of the persons who were Directors at any time during the period ended 31 December 2016 are set out below. In accordance with the Articles of Association the Directors are not required to retire by rotation.

Directors

C Leahy (Appointed 5 January 2017)
T M Westwood (Appointed 5 January 2017)
M Drew (Appointed 5 January 2017, Resigned 31 March 2017)
M Kalsbeek (Appointed 1 June 2015, Resigned 5 January 2017)

GAL MSN 41027 Limited

Strategic Report and Directors' Report (continued)

Directors (continued)

D Vijselaar (Appointed on 15 April 2016, Resigned 5 January 2017)
Intertrust (UK) Limited (Resigned 5 January 2017)

Secretary

Maples Fiduciary Services (UK) Limited (appointed from 5 January 2017)
Intertrust (UK) Limited (Appointed 15 May 2014, Resigned 5 January 2017)

The Directors and the company secretary who held office at 31 December 2016 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.

Issue of Shares

Share capital consists of 1 ordinary shares of GBP £1 (US\$2) 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.

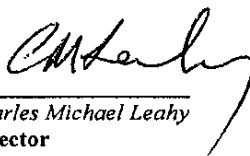
Auditor

Pursuant to Section 485 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG will therefore continue in office. The Directors have appointed KPMG as the Company's Auditor.

This report was approved by the board and authorised for issue on 30 June 2017.



Tina May Westwood
Director



Charles Michael Leahy
Director

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:

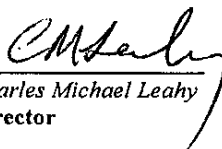
- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate 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 30 June 2017.



Tina May Westwood
Director



Charles Michael Leahy
Director



KPMG
Audit
1 Harbourmaster Place
1FSC
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 year ended 31 December 2016 set out on pages 8 to 21. 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*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

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 2016 and of its loss for the year 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 year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and.
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

30 June 2017

GAL MSN 41027 Limited

Statement of Profit and Loss Account and Other Comprehensive Income For the year ended 31 December 2016

		Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
	Note		
Operating income	2	9,044,391	3,247,000
Depreciation	3	(3,059,466)	(789,939)
General and administration expenses	3	(361,610)	(171,471)
Net operating profit on continuing activities		5,623,315	2,285,590
Interest income on deposit		-	4
Interest expense on loans payable	4	(5,516,302)	(2,057,973)
Gain/(loss) on derivative financial instrument	9	917,592	(2,175,223)
Profit/(loss) on ordinary activities before taxation		1,024,605	(1,947,602)
Taxations	5	(623,811)	326,437
Profit/(loss) on ordinary activities after taxation		400,794	(1,621,165)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period		400,794	(1,621,165)

The accompanying notes on pages 11 to 21 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 30 June 2017.


Tina May Westwood
Director


Charles Michael Leahy
Director

GAL MSN 41027 Limited

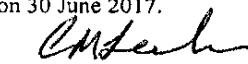
Balance Sheet as at 31 December 2016

		Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
	Note		
Non-current assets			
Aircraft	7	85,774,385	88,833,851
Total non-current assets		85,774,385	88,833,851
Current assets			
Cash and cash equivalents	6	39,784	4
Other receivables	8	10,388	10,388
Deferred tax asset	5	-	326,437
Total current assets		50,172	336,829
Total assets		85,824,557	89,170,680
Creditors – amounts falling due within one year			
Loans and borrowings	10	3,182,397	3,009,470
Lease rental received in advance	11	1,268,993	1,273,128
Deferred tax liabilities	5	297,374	-
Other payables	12	522,159	635,252
Total current liabilities		5,270,923	4,917,850
Creditors – amounts falling due after more than one year			
Loans and borrowings	10	80,516,376	83,698,774
Derivative financial instruments	9	1,257,627	2,175,219
Total non-current liabilities		81,774,003	85,873,993
Total liabilities		87,044,926	90,791,843
Net Liabilities		(1,220,369)	(1,621,163)
Capital and Reserves			
Share capital	13	2	2
Profit and loss account		(1,220,371)	(1,621,165)
Shareholder's funds – equity		(1,220,369)	(1,621,163)

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

Approved by the board and authorised for issue on 30 June 2017.


Tina May Westwood
Director


Charles Michael Leahy
Director

GAL MSN 41027 Limited

Statement of Changes in Equity For the period ended 31 December 2016

	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	<u>2</u>	<u>(1,621,165)</u>	<u>(1,621,163)</u>

	Ordinary Share Capital US\$	Profit and Loss US\$	Total Equity US\$
Balance as at 1 January 2016	2	(1,621,165)	(1,621,163)
Transactions with shareholders recorded directly in equity	-	-	-
Total comprehensive loss for the period			
Profit for the period	-	400,794	400,794
Balance at 31 December 2016	<u>2</u>	<u>(1,220,371)</u>	<u>(1,220,369)</u>

All equity is attributable to the holders of the Company.

The accompanying notes on pages 11 to 21 form an integral part of these financial statements.

GAL MSN 41027 Limited

Notes to the financial statements For the year ended 31 December 2016

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.

Change to accounting estimates

During the year ended 31 December 2016, the Company revised its accounting estimates on aircraft residual values and useful economic lives. The Company revised the estimates from 1 January 2016. At year end 31 December 2015, aircraft were depreciated over the life of the lease to the expected residual value of the asset at the end of the lease less costs to sell. From 1 January 2016, aircraft is depreciated over the useful economic life of the aircraft to a residual value of 15% of cost. The calculation of depreciation has been revised prospectively. The depreciation charge for the year 2016, under the new approach is US\$867,480 higher than the equivalent 2016 depreciation charge under the old approach.

(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.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

1 Significant Accounting Policies (continued)

(g) Aircraft

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

For year ended 31 December 2015, leased aircraft assets were 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 costs to sell. As set out in note 1(a), the Company has revised estimates of residual value and useful economic life from 1 January 2016. As a result, for year ended 2016, leased aircraft are depreciated on a straight-line basis over the useful economic life of the aircraft, to a residual value of 15% of cost, at the end of the useful economic life.

Disposal of aircraft

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit or Loss Account and Other Comprehensive Income.

Derecognition

Aircraft asset is 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 asset is 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 Statement of Profit or Loss Account and Other Comprehensive Income.

(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.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

1 Significant Accounting Policies (continued)

(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.

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) Other receivables

Other receivables are initially recorded at cost, which is the equivalent of the fair value, 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 Statement of profit or loss account and other comprehensive income.

(l) Other payables

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

(m) 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%.

GAL MSN 41027 Limited

Notes to the financial statements (continued)

1 Significant Accounting Policies (continued)

(m) Taxation

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.

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. All income is derived from activities carried out in Australia.

Operating lease commitments – as Lessor

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

	Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
Within 1 year	9,040,256	9,040,256
More than 1 year but less than 5 years	36,161,024	36,161,024
Later than five years	31,640,896	40,681,152
Total	76,842,176	85,882,432

3 Operating expenses

	Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
Depreciation (note 7)	3,059,466	789,839
Asset management fees	361,610	90,404
Advisory fee	-	81,167
	3,421,076	961,410

GAL MSN 41027 Limited

Notes to the financial statements (continued)

4 Interest expense on loans payable

	Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
Interest expenses on loans	5,293,023	1,971,719
Amortisation of upfront fees	223,279	86,254
	<u>5,516,302</u>	<u>2,057,973</u>

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.

5 Taxation

	Year ended 31 December 2016 US\$	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	(676,289)	330,462
Impact of change in tax rates	52,478	(4,025)
Taxation for the period	<u>(623,811)</u>	<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:

	Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
Gain/(loss) on ordinary activities before taxation	1,024,605	(1,947,602)
Add back junior loan interest provision	-	-
Gain/(loss) on ordinary activities before taxation	<u>1,024,605</u>	<u>(1,947,602)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20%	(204,921)	394,323
<i>Effects of:</i>		
Group relief	(293,705)	-
Expenses not deductible for tax purposes	(177,663)	(63,861)
Impact of change in tax rates	52,478	(4,025)
Total tax expense	<u>(623,811)</u>	<u>326,437</u>

GAL MSN 41027 Limited

Notes to the financial statements (continued)

5 Taxation (continued)

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.

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:

	Year ended 31 December 2016 US\$	14 month period from 20 November 2014 to 31 December 2015 US\$
Deferred tax assets		
At beginning of the period	996,046	-
Movement during the period	(292,660)	996,046
At end of the period	703,386	996,046
Deferred tax liabilities		
At beginning of the period	(669,609)	-
Movement during the period	(331,151)	(669,609)
At end of the period	(1,000,760)	(669,609)
Net deferred tax (liabilities)/ asset	(297,374)	326,437

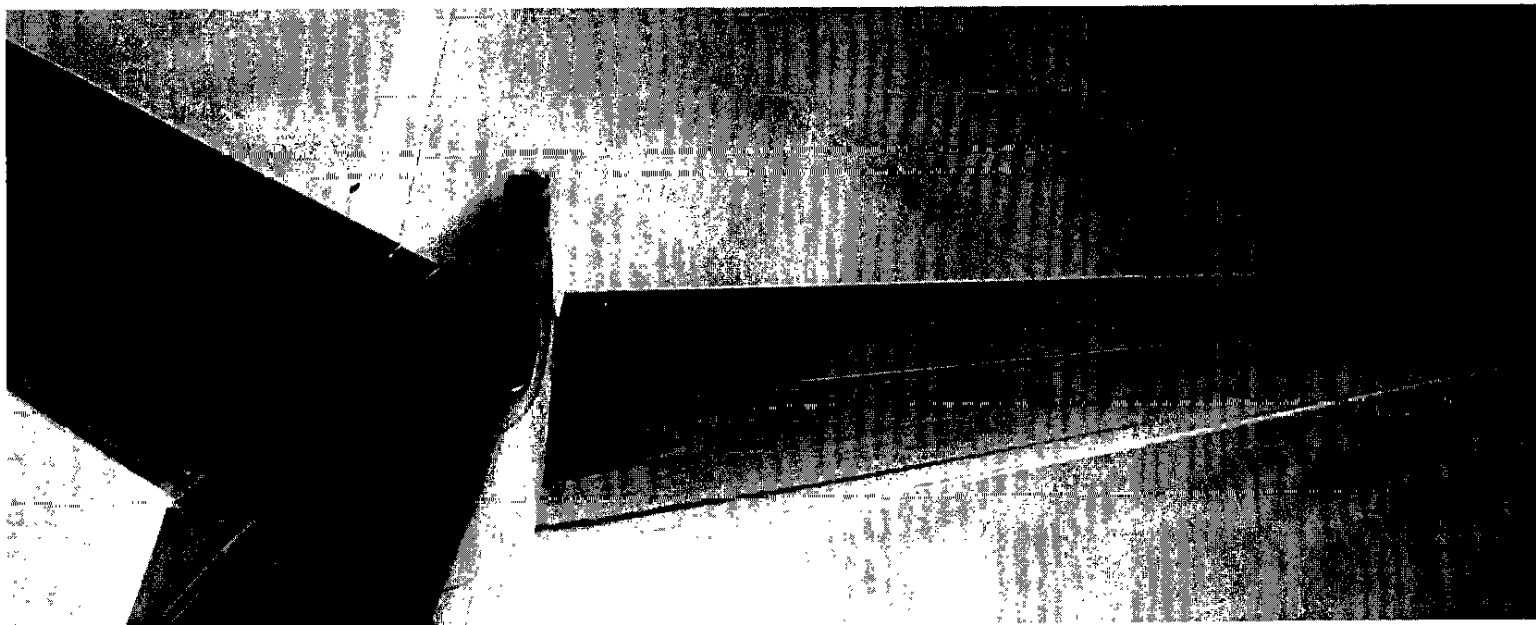
6 Cash and cash equivalents

	31 December 2016 US\$	31 December 2015 US\$
Cash and cash equivalents	39,784	4
	39,784	4

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

Goshawk Aviation Limited

Consolidated financial statements
for the year ending 31 December 2016



Goshawk Aviation Limited

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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
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	Citibank Europe PLC 1 North Wall Quay Dublin 1 Ireland

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 2016. The Company comprises of Goshawk Aviation Limited and a number of entities within the investment structure (the "Group").

The annual report includes the Directors Report and the consolidated financial statements, which 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 2016 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. The Group purchased 31 aircraft and disposed of 8 aircraft during the year. (2015: 30 and nil respectively)

The total number of aircraft at 31 December 2016 was 76 (2015: 51). There were no aircraft held for sale at 31 December 2016, (2015: 4).

The Group invested the share capital and equity contributions raised by the Company totalling US\$918.8m in a portfolio of 76 aircraft on lease to 32 airline groups around the world.

Directors

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

	Date Appointed	Date Resigned
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	24 October 2016

Group Advisor

The Group Advisor is Goshawk Management (Ireland) Limited and group companies ("**GMIL**").

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.

Goshawk Aviation Limited

Directors' report (continued)

Principal risks and uncertainties

The Group are exposed to various risks, which could adversely affect the financial performance, position and/or growth potential of the Group. These include general economic conditions, exposure to the commercial airline industry, debt market volatility, leverage risk and financial risks. Please see further details in note 20.

Going Concern

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis.

Results and Dividends

The results for the year ended 31 December 2016 are set out in the statement of profit or loss and other comprehensive income on page 6 and in the consolidated statement of changes in equity on page 9.

The profit before income tax for the year amounted to US\$84.8m (2015: US\$69.5m). Total equity at 31 December 2016 amounted to US\$974.0m (2015: US\$633m).

During the year ended 31 December 2016, there was a strong revenue growth driven by aircraft deliveries and gain on disposal of aircraft.

Total cash at 31 December 2016 was US\$103.1m (2015: US\$102.6m). Total assets at 31 December 2016 was US\$3,179.6m (2015: US\$2,136.8m), and total liabilities was US\$2,205.6m (2015: US\$1,503.8m)

Included in equity movements for the year, are dividend distributions to preferred shareholders of US\$60,850,000 (2015: US\$46,350,000) paid during the year.

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 23 in the financial statements.

Auditors

KPMG, Chartered Accountants have been appointed as auditor and expressed their willingness to continue in office.

Approved by the board and authorised for issue on 10 April 2017.



Hui Hon Chung, Director



Kun Zhang, Director



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GOSHAWK AVIATION LIMITED

We have audited the consolidated financial statements of Goshawk Aviation Limited ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1. *Our opinion on the financial statements is unmodified*

In our opinion the consolidated financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as issued by the IASB; and
- have been properly prepared in accordance with the accounting policies and basis of preparation set out on pages 11 to 20.

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

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the Directors' Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Basis of our report, responsibilities and restrictions on use

The directors are responsible for the preparation of the financial statements in accordance with the basis of preparation as set out in note 2 to the financial statements. Our responsibility is to audit, and express an opinion on, the consolidated financial statements in accordance with the terms of our engagement letter and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

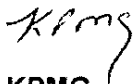
An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group'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 consolidated financial statements.

In addition, we read all the financial and non-financial information in the Directors Report of the Group to identify material inconsistencies with the audited consolidated 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.

Our report has been prepared for the directors solely. It has been released to the Group on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Group's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the directors determined by the Group's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Group for any purpose or in any context. Any party other than the Group who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our report to any other party.



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

10 April 2017

Goshawk Aviation Limited

Consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2016

	Notes	Year ending 31 December 2016 US\$	Year ending 31 December 2015 US\$ restated*
Revenues			
Lease revenue	4	282,184,460	154,523,918
Lease incentive amortisation	11	(484,938)	(791,797)
Net Revenue		281,699,522	153,732,121
Other income			
Insurance proceeds	10	-	42,800,000
Gain on disposal of aircraft (and related) assets		2,092,843	1,521,012
Total other income		2,092,843	44,321,012
Total income		283,792,365	198,053,133
Expenses			
Aircraft depreciation and amortisation	10	(102,063,634)	(41,898,022)
Loss on transfer to held for sale	12	-	(3,977,356)
Aircraft asset total loss/write off	10	-	(27,041,580)
Asset management fee	5	(11,146,236)	(5,907,691)
Advisory fee	5	(11,921,205)	(7,237,265)
Other fees and expenses	6	(4,330,034)	(1,385,307)
Foreign exchange gain/(loss)		(240,938)	2,014
Total expenses		(129,702,047)	(87,445,207)
Results from operating activities		154,090,318	110,607,926
Finance income	3	73,332	8,344
Finance expense	3	(82,718,607)	(38,291,010)
Net gain/(loss) on derivative financial instruments	3	13,340,667	(2,777,495)
Net finance cost		(69,304,608)	(41,060,161)
Profit before income tax		84,785,710	69,547,765
Income tax gain/(expense)	7	(3,360,505)	(3,960,224)
Profit for the year		81,425,205	65,587,541
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value		15,633,799	(9,599,613)
Cash flow hedges - reclassified to profit or loss		(1,708,335)	867,923
Total other comprehensive loss, net of tax	17	13,925,464	(8,731,690)
Total comprehensive income for the year		95,350,669	56,855,851

Income relates to 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 11 to 44 form an integral part of these consolidated financial statements.

*See note 2(l) for details.

Goshawk Aviation Limited

Consolidated statement of financial position as at 31 December 2016

	Notes	2016 US\$	2015 US\$ restated*
Assets			
Non-current assets			
Aircraft (and related) assets			
Aircraft	10	2,827,923,058	1,798,215,100
Lease Intangible	10	44,488,022	26,693,467
Maintenance Intangible	10	180,021,665	98,650,303
Other non-current assets			
Lease incentive asset	11	3,088,783	3,573,721
Total non-current assets		3,055,521,528	1,927,132,591
Current assets			
Cash and cash equivalents	8	60,538,052	83,133,733
Restricted cash	8	42,516,864	19,515,520
Assets classified as held for sale	12	-	90,013,184
Derivative financial instruments	17	15,792,567	4,244,568
Other receivables	9	5,254,914	12,759,795
Total current assets		124,102,397	209,666,800
Total assets		3,179,623,925	2,136,799,391
Equity			
Share capital and equity contributions	18	918,780,824	612,326,264
Retained earnings	18	51,998,621	31,423,416
Hedging reserve	18	3,212,180	(10,713,284)
Total equity		973,991,625	633,036,396
Liabilities			
Non-current liabilities			
Loans and Borrowings	14	1,884,599,307	1,080,645,933
Derivative financial instruments	17	8,629,482	18,962,690
Deferred tax liabilities	7	4,278,072	1,571,189
Total non-current liabilities		1,897,506,861	1,101,179,812
Current liabilities			
Lease rentals received in advance		13,360,200	12,444,274
Loans and Borrowings	14	79,793,034	228,388,787
Maintenance reserves	15	152,819,508	93,524,107
Security deposits	16	36,289,036	25,138,702
Other payables	13	25,863,661	43,087,313
Total current liabilities		308,125,439	402,583,183
Total liabilities		2,205,632,300	1,503,762,995
Total equity and liabilities		3,179,623,925	2,136,799,391

The accompanying notes on pages 11 to 44 form an integral part of these consolidated financial statements.

*See note 2(l) for details.

Goshawk Aviation Limited

Consolidated statement of cash flows for the year ending 31 December 2016

	Notes	Year ending 31 December 2016 US\$	Year ending 31 December 2015 US\$
Revenues			
Cash flows from / (used in) operating activities			
Lease revenue received		281,128,033	158,261,277
Finance income received	3	73,332	8,344
Finance expense paid		(55,126,659)	(34,188,742)
Other expenses paid		(26,818,525)	(14,297,950)
Net cash flows from operating activities		199,256,181	109,782,929
Cash flows from / (used in) investing activities			
(Increase)/decrease in restricted cash	8	(23,001,344)	2,915,806
Purchases of aircraft		(1,334,632,767)	(1,278,282,454)
Proceeds from disposal of aircraft (and related) assets		195,962,200	1,521,012
Insurance proceeds		-	42,800,000
Deposit paid for future acquisitions		(500,000)	(905,000)
Net cash flows used in investing activities		(1,162,171,911)	(1,231,950,636)
Cash flows from / (used in) financing activities			
Proceeds from preference shares issued and called		-	78,240,000
Proceeds from equity contributions	18	306,454,560	250,300,000
Cash (repaid to)/received from shareholders for future acquisitions		(19,760,000)	19,760,000
Lessee contributions to security and maintenance deposits		70,445,735	96,231,483
Proceeds from borrowings		1,808,735,705	876,793,902
Upfront borrowing fees paid		(22,141,022)	(17,470,231)
Repayments of borrowings		(1,142,323,991)	(69,745,210)
Dividend distributions paid to the preference shareholders	18	(60,850,000)	(46,350,000)
Net cash flows from financing activities		940,560,987	1,187,759,944
Net movement in cash and cash equivalents		(22,354,743)	65,592,237
Cash and cash equivalents at the beginning of the year		83,133,733	17,539,482
Foreign currency translation adjustment		(240,938)	2,014
Cash and cash equivalents at the end of the year/period	8	60,538,052	83,133,733

The accompanying notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Consolidated statement of changes in equity for the year 31 December 2016

	Share capital US\$	Equity contributions US\$	Retained earnings US\$	Hedging reserve US\$	Total equity US\$
Balance at 31 December 2014	283,786,264	-	12,185,875	(1,981,594)	293,990,545
Total comprehensive income for the year ended 31 December 2015					
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
Equity contributions	-	250,300,000	-	-	250,300,000
Dividend distribution to preferred shareholders	-	-	(46,350,000)	-	(46,350,000)
Balance at 31 December 2015	362,026,264	250,300,000	31,423,416	(10,713,284)	633,036,396
Total comprehensive income for the year ended 31 December 2016					
Profit for the year	-	-	81,425,205	-	81,425,205
Other comprehensive income for the year	-	-	-	13,925,464	13,925,464
Transactions with shareholders, recorded directly in equity					
Issue of preference share capital	-	-	-	-	-
Equity contributions	-	306,454,560	-	-	306,454,560
Dividend distribution to preferred shareholders	-	-	(60,850,000)	-	(60,850,000)
Balance at 31 December 2016	362,026,264	556,754,560	51,998,621	3,212,180	973,991,625

The accompanying notes on pages 11 to 44 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

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 and as at 31 December 2016.

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 2016.

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.

New Standards and interpretations adopted during the year.

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:

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

2(b) Basis of preparation (continued)

- 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 2016 impact the financial statements of the Group.

New standards and interpretations not yet adopted

The following new standards, approved by the IASB will be relevant to the Group, but were not effective at 31 December 2016, 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 2018.

- IFRS 16 Leases

In January 2016, the IASB published IFRS 16 Leases, replacing IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The effective date of the new standard is 1 January 2019.

2(c) 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

2(d) 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(e) 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 net carrying amount of the financial asset or liability.

2(f) 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(g) 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(h) 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

2(i) 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.
- 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

2(i) Financial instruments (continued)

- 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.

- Equity contributions

Equity contributions received from shareholders may be settled through the issue of a fixed number of preference shares or can also be settled through cash.

- Financial Assets

The Group's financial asset categories are either 'loans and receivables' or 'financial assets at fair value through the profit or loss' or 'available for sale assets'. Loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position. Available for sale assets comprise listed shares (equity and preference) and claims to be converted into shares held at fair value with the movement in fair value included within other comprehensive income.

Derecognition

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 for the year ended 31 December 2016

2(i) 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(j) 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(k) Aircraft (and related) assets

Cost

Aircraft (and related) 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.

During the year, the Group recognised maintenance and lease intangibles in relation to the acquisition of aircraft that were purchased on lease, via portfolio acquisition transactions. The Group reclassified lease and maintenance intangibles on aircraft acquired on lease in prior years to reflect this treatment. The value of these intangibles was previously recognised as a component of aircraft cost. Maintenance and lease intangibles have been disclosed separately in the notes to the financial statements. Further details disclosed in note 10.

Maintenance Intangible

Maintenance intangible asset represents the value in the difference between the contractual right under the acquired in-place leases to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition. A maintenance right asset represents the fair value of our contractual right under a lease to receive an aircraft in an improved maintenance condition as compared to the maintenance condition on the acquisition date. A maintenance right liability represents our obligation to pay the lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition of the aircraft on the acquisition date. We have not recognised any maintenance right liabilities in the current year.

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Notes to the consolidated financial statements for the year ended 31 December 2016

2(k) Aircraft (and related) assets (continued)

Lease Intangible

Lease intangible assets and liabilities represents the value of an acquired lease via a portfolio acquisition transaction, where the contractual rent payments are above or below the market lease rate at the date of acquisition. It is necessary to recognise off-market leases separate to the aircraft, as the economic benefits or outflows that will flow to the acquiring lessor will be realised, through future rentals (or through a sale of the asset).

Depreciation/Amortisation

Aircraft

For year ended 31 December 2015, leased aircraft (and related) assets were 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 costs to sell. As set out in note 2(s), the Group have revised estimates of residual value and useful economic life from 1 January 2016. As a result, for year ended 2016, leased aircraft (and related) assets are depreciated on a straight-line basis over the useful economic life of the aircraft, to a residual value of 15% of cost, at the end of the useful economic life.

Maintenance Intangible

The commencement of amortisation of maintenance intangibles is triggered by maintenance events. Following a maintenance event, the portion of the cost of the event that relates to the maintenance intangible is capitalised to aircraft asset and is then depreciated on a straight-line basis over the remaining useful economic life of the aircraft.

Lease Intangible

Lease intangible assets are amortised on a straight-line basis over the remaining term of the related lease.

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 (and related) 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 (and related) 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

2(k) Aircraft (and related) assets (continued)

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.

2(l) Lease Incentive

If a sale and leaseback transaction results in an operating lease, and the sale price is above or below fair value, a lease incentive asset or liability is recognised. The difference over fair value shall be recognised as a lease incentive asset or liability. Lease incentives are amortised on a straight-line basis over the remaining term of the related lease and recorded as a reduction in lease rental income. Further to the change in accounting estimates and the recognition of the maintenance and lease rights separate from related aircraft assets, as described in note 2s, management have identified a lease incentive asset on an aircraft acquired in 2014. The group have therefore restated the 2015 financial statements for the recognition and presentation of the lease incentive asset. As a result, the depreciation charge in 2015 has been reduced, and the lease incentive amortization has increased by US\$792k. The carrying value of the asset of US\$3.57m has been separately presented from aircraft (and related) assets on the balance sheet as at 31 December 2015. The reclassification and presentation of the lease intangibles from aircraft assets did not have any impact on the Group's results at these were and continue to be amortized on a straight-line basis over the remaining life of the lease.

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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

2(o) Other receivables

Other receivables are initially recorded at cost, which is the equivalent of the fair value, 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, and 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.

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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

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:

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

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, 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. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries and entities controlled by the Group are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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.

Involvement with unconsolidated structured entities

During the year ended 31 December 2016, the Group were involved in a securitisation transaction. The Group concluded that it does not control the securitisation vehicle, Wurayah Aviation Limited and therefore, should not consolidate it. Please see note 19.

Transactions eliminated on consolidation

Intra-Group, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

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.

Changes to accounting estimates

During the year ended 31 December 2016, the Group revised its accounting estimates on aircraft residual values and useful economic lives. The Group revised the estimates from 1 January 2016. At year end 31 December 2015, aircraft were depreciated over the life of the lease to the expected residual value of the asset at the end of the lease less costs to sell. From 1 January 2016, aircraft is depreciated over the useful economic life of the aircraft to a residual value of 15% of cost. Lease incentive assets are amortised over the life of the lease to a residual value of nil. The calculation of depreciation has been revised prospectively. The depreciation charge for the year 2016, under the new approach is US\$13.5m higher than the equivalent 2016 depreciation charge under the old approach.

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.

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Notes to the consolidated financial statements for the year ended 31 December 2016

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

Aircraft (and related) assets

The fair value of aircraft (and related) assets is based on the market rates. The market value of aircraft (and related) 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 market fair value of the interest rate swaps is 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.

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.

2(t) Operating Segments

The Group operate one operating segment for the purchase and leasing of aircraft.

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3. Finance income and expense

	Year ending 31 December 2016	Year ending 31 December 2015
	US\$	US\$
Finance income	73,332	8,344
Total finance income	73,332	8,344
Finance expense on financial liabilities		
- External finance expense	82,327,966	31,286,674
- Internal interest on bridging debt from shareholders	390,641	7,004,336
Total finance expense	82,718,607	38,291,010
Net gain/ (loss) on derivative financial instruments		
Changes in fair value of derivatives through profit or loss	13,340,667	(1,909,572)
Changes in fair value of derivatives reclassified from other comprehensive income	-	(867,923)
	13,340,667	(2,777,495)
Net finance costs	69,304,608	41,060,161

Finance income reflects interest earned on cash on deposit and cash at bank. Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash on deposit earns interest at fixed rates as agreed with the bank. External finance expense for the year ending 31 December 2016 also includes a charge of US\$11.1m (2015: US\$2.7m) relating to financing fees amortisation. The charge for the year includes \$4.9m of accelerated amortisation following the repayment of debt facilities.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

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 2016, 76 aircraft have lease contracts with operators, of which the earliest scheduled expiring dates are during the year ending 31 December 2017.

1 lease is due to expire during 2017. 10% of lease revenue is earned from 1 lessee in Europe. Revenue from all other lessees is less than 10% of total revenue.

As at 31 December 2016, the Group recorded the following lease rentals from operators in the following regions:

	Year ending 31 December 2016 US\$	Year ending 31 December 2015 US\$
Americas	48,644,595	13,841,805
Asia (ex-China)	81,091,950	37,698,396
Australia	28,585,032	21,816,198
China	22,645,174	8,514,610
Europe	79,761,336	60,232,399
Middle East	21,102,916	12,420,510
Africa	353,457	-
Total	282,184,460	154,523,918

As at 31 December 2016, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases in the following regions.

31 December 2016	Due within one year - US\$	Due between two and five years - US\$	Due after five years - US\$	Total US\$
Americas	49,475,047	196,404,887	88,448,498	334,328,432
Asia (ex-China)	104,701,116	391,385,662	217,915,243	714,002,021
Australia	22,243,859	88,975,436	67,718,741	178,938,036
China	24,239,735	75,559,035	16,048,882	115,847,652
Europe	73,041,666	248,390,804	162,414,191	483,846,661
Middle East	35,969,975	132,322,287	92,028,757	260,321,019
Africa	8,025,773	32,103,094	40,465,503	80,594,370
Total	317,697,171	1,165,141,205	685,039,815	2,167,878,191

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

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

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 2016 US\$	Year ending 31 December 2015 US\$
Asset management services including asset valuations and portfolio risk management, closing and delivery of new assets and asset protection services.	11,146,236	5,907,691
Advisory and operational services including capital and Investment advice, hedging and risk management advice, cash administration services, accounting and group secretarial services.	11,921,205	7,237,265

6. Other expenses from ordinary activities

	Year ending 31 December 2016 US\$	Year ending 31 December 2015 US\$
Administration fees	828,062	661,694
Audit and tax compliance fees	500,000	376,200
Legal and financing fees	3,001,972	347,413
	4,330,034	1,385,307

7. Taxation

a) Analysis of tax charge for the year

	Year ending 31 December 2016 US\$	Year ending 31 December 2015 US\$
Current tax:		
Foreign corporation tax on net profit for the year/period	(1,611,824)	(475,662)
Income tax expense for the year/period on ordinary activities	(1,611,824)	(475,662)
Deferred tax:		
Origination and reversal of timing differences	(1,748,681)	(3,484,562)
Deferred tax expense for the period on ordinary activities	(1,748,681)	(3,484,562)
Taxation for the year/period	(3,360,505)	(3,960,224)

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

7. Taxation (continued)

b) Factors affecting current tax charge for the year

	Year ending 31 December 2016 US\$	Year ending 31 December 2015 US\$
While the Company is incorporated under the laws of the Cayman Islands, its aircraft are acquired by subsidiaries which are tax resident in Ireland.		
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	84,785,710	69,547,765
Irish tax at statutory corporation tax rate of 12.5%	10,598,214	8,693,471
Effects of:		
Prior year (over)/under provision	82,808	
Group relief	27,834	
Non-taxable income / non-deductible expenses	129,514	
Income taxable at higher rate applicable in each group entity's respective tax domicile	(7,477,865)	(6,698,272)
Total tax expense	(3,360,505)	(1,995,199)

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 is as follows:

	2016 US\$	2015 US\$
Deferred tax assets		
At beginning of the year	29,383,693	10,074,231
Movement during the year	22,042,588	19,309,462
At end of the year	51,426,281	29,383,693
Deferred tax liabilities		
At beginning of the year	30,954,882	10,125,884
Movement during the year	24,749,471	20,828,998
At end of the year	55,704,353	30,954,882
Net deferred tax liability	(4,278,072)	(1,571,189)

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

7. Taxation (continued)

The Group's net deferred tax liability is attributable to temporary differences arising on aircraft (and related) 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

Cash at bank and deposits earn interest at floating rates based on daily bank deposit rates.

	2016 US\$	2015 US\$
<i>Unrestricted bank balances</i>		
Cash and cash equivalents	60,538,052	83,133,733
<i>Restricted cash</i>		
Bank balances subject to withdrawal restrictions	42,516,864	19,515,520
Total cash and restricted cash	103,054,916	102,649,253

Restricted cash balances are held in accordance with the individual financing documents. This cash is charged as security in favour of the financiers. This cash is charged as security in favour of the financiers.

9. Other receivables

	2016 US\$	2015 US\$
Other receivable - current		
Value added tax refund	2,782,561	411,809
Loan to shareholders (i)	-	11,442,986
Lease receivables (ii)	1,972,353	-
Other receivables (iii)	500,000	905,000
	5,254,914	12,759,795

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

- At the end of 31 December 2015, the Group entered into sale agreements to sell two Airbus 319-100 aircraft at the end of their 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.
- Lease receivables relate to a refund due and payable from one lessee.
- During 2016, the Group paid a deposit of \$500,000 for the acquisition of an aircraft. Aircraft has not yet been acquired at 31 December 2016. During 2015, the Group paid a commitment fee of \$905,000 to a vendor to acquire 5 aircraft. Four of the acquisitions were complete at the time the 2015 financial statements were approved and signed by the Directors.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

10. Aircraft (and related) assets

As at 31 December 2016, the carrying value of aircraft (and related) assets is US\$3,052.4m (2015: US\$1,923.6m). 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 2016 (2015: 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.

The Group has disposed of 8 aircraft in 2016 (2015: Nil). There were no aircraft at 31 December 2016 (2015: 4) which were classified as held for sale. The Group did not suffer any loss on aircraft during 2016 (2015: 1). During 2015, a net financial gain of \$15.8m was recorded by the Group following total loss of one aircraft which had an NBV of \$27m. The Group received insurance proceeds of US\$42.8m in relation to the loss.

Depending on the financing arrangements, the aircraft may be pledged as security, as required in the financing documents. (See note 14).

The Group reviews the application of its significant accounting policies on a regular basis to ensure its continued compliance with IFRS and market best practice. Previously the Group did not identify, measure and account for maintenance and lease rights separately from related aircraft (and related) assets. During the year, the Group revised its estimates for the depreciation of aircraft (principally those related to residual value and useful economic life) (See note 2(s)). As part of this review the Group determined that it would present maintenance and lease intangibles separately from the related aircraft (and related) assets as better reflecting the contractual and other legal rights acquired by the Group in such circumstances.

Accordingly, the Group determined the carrying amount of aircraft assets that related to maintenance and lease intangibles and has reclassified and presented these as separate line items in the statement of financial position. The Group have also bifurcated the carrying value of the asset on the balance sheet as at 31 December 2015, to reflect the reclassification of these assets.

Maintenance Intangible assets

As at 31 December 2016, the carrying value of the Maintenance Intangible asset is US\$180m (2015: US\$98.7m). Generally, under our leases, the lessee is obligated to comply with certain return conditions, which require them to undertake maintenance on the aircraft prior to its redelivery or to make a cash compensation sufficient to allow such work to be undertaken.

Maintenance intangibles represent the value difference of the return of the aircraft on lease, when compared to the maintenance condition of the aircraft at date of acquisition. The Group did not previously identify, measure and account for maintenance rights separately from related aircraft (and related) assets.

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Notes to the consolidated financial statements for the year ended 31 December 2016

10. Aircraft (and related) assets (continued)

As part of a regular review of depreciation estimates in the current year, the Group determined to reclassify and present maintenance intangibles from aircraft (and related) assets as a better representation of the rights and benefits arising on the acquisition of an aircraft with a lease attached.

Lease Intangible assets

Lease intangibles represent the value of an acquired lease rentals above or below the market rate for leases of a similar type of aircraft, which is adjusted by the relevant credit risk associated with that lessee. Lease intangibles are amortised on a straight-line basis over the remaining life of the lease. The reclassification and presentation of lease intangibles from aircraft (and related) assets did not have any impact on the Group's results as these were and continue to be amortised on a straight-line basis over the remaining life of the lease.

As at 31 December 2016, the carrying value of Lease intangible is US\$44.5m (2015: US\$27.7m) Market rates at the time of acquisition of the aircraft, have been compared to the rate agreed under the contracted lease acquired, in order to calculate the lease intangible asset.

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Notes to the consolidated financial statements for the year ended 31 December 2016

10. Aircraft (and related) assets (continued)

Cost	Aircraft and Engines	Maintenance Intangible Assets	Lease Intangible Assets	Total
Balance at 31 December 2014	826,360,060	-	-	826,360,060
Additions during the year	1,280,082,052	-	-	1,280,082,052
Transferred to held for sale	(99,492,076)	-	-	(99,492,076)
Aircraft suffering total loss	(27,660,000)	-	-	(27,660,000)
Reclassification to Maintenance Intangible Asset	(98,650,303)	98,650,303	-	-
Reclassification to Lease Intangible Asset	(27,717,230)	-	27,717,230	-
Balance at 31 December 2015	1,852,922,503	98,650,303	27,717,230	1,979,290,036
Additions during the year	1,213,662,237	97,548,793	23,582,652	1,334,793,682
Maintenance Intangible capitalised to Aircraft Asset (i)	3,181,565	(3,181,565)	-	-
Aircraft Sales	(98,819,916)	(12,995,866)	-	(111,815,782)
Balance at 31 December 2016	2,970,946,389	180,021,665	51,299,882	3,202,267,936

Accumulated depreciation and amortisation	Aircraft and Engines	Maintenance Intangible Assets	Lease Intangible Assets	Total
Balance at 31 December 2014	(19,976,900)	-	-	(19,976,900)
Transferred to held for sale	5,501,536	-	-	5,501,536
Asset suffering total loss	642,220	-	-	642,220
Depreciation for the year	(41,898,022)	-	-	(41,898,022)
Reclassified to Lease Intangible	1,023,763	-	(1,023,763)	-
Balance at 31 December 2015	(54,707,403)	-	(1,023,763)	(55,731,166)
Aircraft Sales	7,959,609	-	-	7,959,609
Balance at 31 December 2016	2,970,946,389	180,021,665	51,299,882	3,202,267,936

Accumulated depreciation and amortisation	Aircraft and Engines	Maintenance Intangible Assets	Lease Intangible Assets	Total
Balance at 31 December 2014	(19,976,900)	-	-	(19,976,900)
Transferred to held for sale	5,501,536	-	-	5,501,536
Asset suffering total loss	642,220	-	-	642,220
Depreciation for the year	(41,898,022)	-	-	(41,898,022)
Reclassified to Lease Intangible	1,023,763	-	(1,023,763)	-
Balance at 31 December 2015	(54,707,403)	-	(1,023,763)	(55,731,166)
Aircraft Sales	7,959,609	-	-	7,959,609
Current period depreciation	(96,275,537)	-	(5,788,097)	(102,063,634)
Balance at 31 December 2016	(143,023,331)	-	(6,811,860)	(149,835,191)

Net book value				
At 31 December 2015	1,798,215,100	98,650,303	26,693,467	1,923,558,870
At 31 December 2016	2,827,923,058	180,021,665	44,488,022	3,052,432,745

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

10. Aircraft (and related) assets (continued)

- (i) Maintenance Intangible capitalised to aircraft asset reflects Maintenance Intangible capitalised to aircraft upon maintenance event. Following a maintenance event, the portion of the cost of the event that relates to the maintenance intangible is capitalised to aircraft asset and is then depreciated on a straight-line basis over the remaining useful economic life of the aircraft.

Geographic concentration

The distribution of net book value of aircraft (and related) assets by operator's geographic region:

	2016 US\$	%	2015 US\$	%
Africa	81,370,063	3	-	0
Americas	391,564,505	13	252,776,083	13
Asia (ex-China)	1,049,002,023	34	474,735,553	25
Australia	209,403,903	7	271,210,407	14
China	232,959,361	8	64,685,590	3
Europe	738,291,554	24	675,195,856	35
Middle East	349,841,336	11	184,955,381	10
Total	3,052,432,745	100	1,923,558,870	100

11. Lease incentive assets

A lease incentive asset represents the difference between the purchase price and fair value of the aircraft in sale and leaseback transactions. Lease incentives are amortised on a straight-line basis over the remaining term of the related lease and recorded as a reduction in lease rental income. Net revenue includes a charge associated with the amortisation of lease incentive assets of US\$485k for the year ended 31 December 2016 (2015: US\$792k). The prior year has been restated to include lease incentive asset value at year end 31 December 2015, as set out in note 2(l).

	2016 US\$	2015 US\$ restated
Cost		
At beginning of year	4,365,518	4,365,518
Additions during the year	-	-
At end of year	4,365,518	4,365,518
Accumulated amortisation		
At beginning of year	(791,797)	-
Charge during the year	(484,938)	(791,797)
At end of year	(1,276,735)	(791,797)
Carrying value at end of the year	3,088,783	3,573,721

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

12. Assets held for sale

At 31 December 2016, the Group did not hold any aircraft for sale (2015: 4). 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.

	2016 US\$	2015 US\$
Assets classified as held for sale		
Aircraft (and related) assets - cost	-	99,492,076
Aircraft (and related) assets - accumulated depreciation	-	(5,501,536)
Loss on transfer to held for sale	-	(3,977,356)
	-	90,013,184

Geographic concentration

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

	2016 US\$	%	2015 US\$	%
Australia	-	-	55,013,184	61.1
Europe	-	-	35,000,000	38.9
	-	-	90,013,184	100.0

13. Other payables

	2016 US\$	2015 US\$
Other payables current		
Interest payable	10,314,041	2,708,724
Advisory fee	4,262,968	2,294,520
Asset management fee	1,816,099	334,441
Legal and loan fees	3,327,022	5,009,425
Aircraft acquisition price (i)	2,272,578	-
Consumption tax	36,813	87,633
Trade payables	1,000,000	980,019
Current tax	2,834,140	469,565
Deposits from shareholders held for new aircraft acquisitions	-	19,760,000
Deposit held relating to sale agreements (ii)	-	11,442,986
	25,863,661	43,087,313

- (i) The Group acquired a portfolio of 6 aircraft in December 2016. Part of the purchase price is due to be paid upon novation of the leases.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

13. Other payables (continued)

- (ii) As at 31 December 2015, the Group entered into sale agreements to sell two Airbus 319-100 aircraft at the end of their 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. These sales closed during 2016.

14. Loans and borrowings

The balance of borrowings as at 31 December 2016 is US\$1,964.4m (2015: US\$1,309.0m). 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.

	2016 US\$	2015 US\$
Loans and borrowings - current		
Secured bank loans	85,460,769	122,684,131
Bridging debt from shareholders	-	109,421,817
Financing fees	(5,667,735)	(3,717,161)
	79,793,034	228,388,787
Loans and borrowings - non-current		
Secured bank loans	1,195,001,113	1,094,408,629
Unsecured bank loans	712,464,409	-
Financing fees	(22,866,215)	(13,762,696)
	1,884,599,307	1,080,645,933

The unamortised debt issuance costs at 31 December 2016 amortise over the term of the related borrowings. During 2016, the Group repaid outstanding debt earlier than the contracted termination date of US\$642.4m. The total net amount of borrowing costs capitalised during the year ended 31 December 2016 was US\$Nil (2015: US\$Nil).

Amortisation of debt issuance costs included in financing costs was US\$11.1m during the year ended 31 December 2016 (2015: US\$2.7m). The charge for the year includes US\$4.9m of accelerated amortisation following the repayment of debt facilities.

Unsecured debt facilities:

As at 31 December 2016, 31 aircraft (2015: nil aircraft) were being financed by unsecured financing. During 2016, the group raised unsecured debt facilities consisting of a US Private Placement, Revolving Credit Facility and Schuldschein. The outstanding balance of unsecured debt as at 31 December 2016 was \$712.5m (2015: nil), and the key terms of these facilities are set out below.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

14. Loans and borrowings (continued)

Secured debt facilities:

As at 31 December 2016, 45 aircraft (2015: 51 aircraft) were financed by secured debt facilities. The group had outstanding secured debt of \$1,280m as at 31 December 2016 (2015: \$1,217m) which consisted of 14 facilities financed by 38 institutions. Under the terms of these facilities, the aircraft are pledged as security, as required in the financing documents. The aircraft have may 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. The carrying value of secured aircraft (and related) assets which are pledged as security, are set out below:

	2016 US\$	2015 US\$
Assets pledged as security		
Current		
Assets held for sale	-	90,013,184
Non - current		
Aircraft (and related) assets	1,866,153,758	1,927,132,591
	1,866,153,758	2,017,145,775

Key terms of debt facilities

The terms of outstanding unsecured and secured loans before the impact of derivatives were as follows (excluding capitalised loan fees).

At 31 December 2016	Range of average nominal interest rates (%)	Year of Maturity	2016 US\$
Floating rate loans			
Secured bank loans	LIBOR + 1.7 to 2.15	2021 - 2026	1,267,966,437
Unsecured bank loans	LIBOR + 1.5 to 2.4	2019 - 2021	481,464,409
Fixed rate loans			
Secured bank loans	2.89 - 5	2021 - 2023	12,495,445
Unsecured bank loans	4.19 - 4.71	2021 - 2023	231,000,000
			1,992,926,291
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	1,047,382,493
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	169,710,267
			1,326,514,577

See note 20 for details of contractual maturities of debt.

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Notes to the consolidated financial statements for the year ended 31 December 2016

15. Maintenance reserves

	2016 US\$	2015 US\$
At beginning of the year	93,524,107	16,476,577
Lessee contributions during the year	84,494,211	77,510,701
Sale of aircraft	(20,016,711)	-
Lessee claims against reserves	(5,182,099)	(463,171)
At end of the year	152,819,508	93,524,107

Maintenance deposits of US\$6m (2015: US\$17.4m) are restricted cash deposits in accordance with the individual financing documents. This cash is charged as security in favour of the financiers.

16. Security deposits

	2016 US\$	2015 US\$
At beginning of the year	25,138,702	5,954,749
Deposits received during the year	12,574,552	19,850,242
Sale of aircraft	(1,424,218)	-
Security deposits returned to lessees	-	(666,289)
At end of the year	36,289,036	25,138,702

Security deposits of US\$0m (2015: US\$2.1m) are restricted cash deposits in accordance with the individual financing documents. This cash is charged as security in favour of the financiers.

17. 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.

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:

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Notes to the consolidated financial statements for the year ended 31 December 2016

17. Financial instruments and financial risk management (continued)

	Carrying amount 2016 US\$'000	Fair value 2016 US\$'000
At 31 December 2016		
Cash and cash equivalents	60,538	60,538
Restricted cash	42,517	42,517
Other receivables	5,255	5,255
Derivative financial instruments	15,793	15,793
Financial assets	124,103	124,103
	2016 US\$'000	2016 US\$'000
Maintenance reserves	152,820	152,820
Security deposits	36,289	36,289
Loans and borrowings	1,964,392	1,969,967
Other payables	25,864	25,864
Derivative financial instruments	8,629	8,629
Financial liabilities	2,187,994	2,193,569
	Carrying amount 2015 US\$'000	Fair value 2015 US\$'000
At 31 December 2015		
Cash and cash equivalents	83,134	83,134
Restricted cash	19,516	19,516
Other receivables	12,760	12,760
Derivative financial instruments	4,245	4,245
Financial assets	119,655	119,655
	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

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 fair value of floating rate loans and borrowings at amortized cost has been estimated by discounting estimated future cash flows using the market interest rates prevailing at each year-end. All Fixed rate loans were sourced in the period July to December 2016, therefore the fair value is assumed to approximate the carrying value.

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.

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Notes to the consolidated financial statements for the year ended 31 December 2016

17. Financial instruments and financial risk management (continued)

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 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.

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

	2016 US\$	2015 US\$
Derivative financial instruments		
At beginning of the period	(14,718,122)	(1,243,912)
Change in fair value of derivative financial instruments through profit or loss	4,012,514	(1,909,572)
Change in fair value of derivative financial instruments through other comprehensive income net of tax	13,925,464	(8,731,690)
Taxation of derivative financial instruments measured at fair value through other comprehensive income	2,234,894	(1,965,025)
Derivative financial instruments measured at fair value transferred from other comprehensive income reclassified to profit or loss	1,708,335	(867,923)
Fair value of derivative financial instruments at end of the period	7,163,085	(14,718,122)
Derivative financial assets	15,792,567	4,244,568
Derivative financial liabilities	8,629,482	18,962,690
Net gain/(loss) from derivative financial instruments measured at fair value through profit or loss	13,340,667	(2,777,495)
Net loss from derivative financial instruments measured at fair value through other comprehensive income net of tax	13,925,464	(8,731,690)

The net gain/(loss) from derivative financial instruments measured at fair value through profit or loss for the year ended 31 December 2016 includes cash settlement upon termination of swaps US\$7.6m.

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Notes to the consolidated financial statements for the year ended 31 December 2016

18. Share capital and equity contributions

Share capital	Number of shares	US\$
Authorised		
Ordinary shares of US\$1 each	250	250
Preference shares of US\$0.001 each	1,499,750,000	1,499,750
Issued and fully paid		
Ordinary share of US\$1 each	-	-
Issued ordinary shares as at 31 December 2015	-	-
Ordinary share issued during the year at US\$1 each	-	-
Total issued ordinary shares as at 31 December 2016	-	-
Preference shares of US\$0.001 each		
Preference shares of US\$0.001 each as at 31 December 2015	362,026,264	362,026
Preference share premium of US\$0.999 each as at 31 December 2015		361,664,238
Preference shares issued during the year at US\$0.001 each	-	-
Total issued preference shares as at 31 December 2016	362,026,264	362,026,264
Equity contributions		
Equity contributions as at 31 December 2015		250,300,000
Equity contributions received during the year		306,454,560
Equity contributions as at 31 December 2016		556,754,560

Ordinary shares

Fully paid ordinary shares carry one vote per share.

Preference shares

Preference shares are issued at a premium of US\$0.999 each and comprise part of the Company's distributable reserves. Preferential dividends are paid in accordance with the Dividend policy and can only be paid out of profits available for distribution and therefore after the share premium. 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 is required to service all debt obligations (which will be at the aircraft owning entity level and may be limited recourse to the aircraft and the operating leases in certain circumstances), fund their working capital and any capital expenditure requirements, satisfy all of their expenses before making any distributions to shareholders.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

18. Share capital and equity contributions (continued)

All transfers of preference shares (other than those done pursuant to affiliates or pursuant to an event of default as set out in the shareholders' agreement) shall be subject to the restrictions set out in the Information Memorandum.

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

Equity contributions

Equity contributions represent advances made by the Company's preferred shareholders in the legal form of shareholder loans. Under the terms of the agreements governing these arrangements the Company does not have an existing contractual arrangement to deliver cash in settlement of the loans, any settlement will be solely by way of delivery of a pre-determined fixed number of the Company's preference shares. Consequently, the shareholder loans have been classified and presented as equity instruments, which best reflects the substance and overall form of the arrangements entered into between the Company and the shareholders in these respects.

Reconciliation of movement in capital and reserves:

	Share capital US\$	Equity contributions US\$	Retained earnings US\$	Hedging reserve US\$	Total equity US\$
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
Preference shares issued during 2015	78,240,000	-	-	-	78,240,000
Equity contributions received during 2015	-	250,300,000	-	-	250,300,000
Dividend distributions paid during 2015	-	-	(46,350,000)	-	(46,350,000)
Balance at 31 December 2015	362,026,264	250,300,000	31,423,416	(10,713,284)	633,036,396
Total comprehensive income for the year	-	-	81,425,205	13,925,464	95,350,669
Preference shares issued during current year	-	-	-	-	-
Equity contributions received during current year	-	306,454,560	-	-	306,454,560
Dividend distributions paid during current year	-	-	(60,850,000)	-	(60,850,000)
Balance at 31 December 2016	362,026,264	556,754,560	51,998,621	3,212,180	973,991,625

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Notes to the consolidated financial statements for the year ended 31 December 2016

18. Share capital and equity contributions (continued)

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 equity contributions of US\$306.4m (2015: US\$328.5m).

Dividend distribution

Included in other comprehensive income for the period are preference dividends of US\$60,850,000 (2015: US\$46,350,000) paid during the year

	US\$ cent per Preference Share	Number of shares issued	Dividend declared and paid
Dividend distribution paid (5 February 2016)	3.26	362,026,264	11,805,000
Dividend distribution paid (25 April 2016)	0.97	362,026,264	3,500,000
Dividend distribution paid (29 April 2016)	3.82	362,026,264	13,840,000
Dividend distribution paid (21 July 2016)	4.27	362,026,264	15,455,000
Dividend distribution paid (18 October 2016)	4.49	362,026,264	16,250,000
			60,850,000

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

19. Unconsolidated Structure Entities

The Group has entered into certain arrangements which, in substance, represent a commitment to purchase upon their delivery from the manufacturer, up to four Boeing 787 aircraft from a third party airline for an amount of approximately US\$745m (see note 21). The Group has the ability to sell-down or participate in the financing and/or purchase of any of these aircraft.

An affiliate related-party, GMIL, has also been retained as Servicer/Manager of certain special purpose entities ("SPEs") established to affect the purchase and financing of these aircraft. GMIL advised once of these SPEs on the sourcing and negotiation of financing for pre-delivery payments ("PDPs") due on the aircraft prior to their delivery. The SPE has been established to facilitate the financing of PDPs by the third party airline prior to delivery of aircraft, there activity of the SPE are controlled by the airline (GMIL provides only advice and does not have any decision making authority), and the third party airline has provided security for the lenders to the SPE in the form of a letter of credit, consequently the SPE has not been consolidated by the Group.

The Group has not recognised any assets or liabilities associated with these arrangements at 31 December 2016, nor have any amounts been reflected in the results for the year then ended.

The total current assets, current liability and equity in the SPE at 31 December 2016 amounted to US\$300m, US\$300m and US\$0.1m respectively

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

20. Risk management

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.

Exposure to the commercial airline industry

As a supplier to and partner of the airline industry, the Group is exposed to the financial condition of the airline industry as it leases all its aircraft to commercial airline customers. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases and natural disasters, fuel costs and the demand for air travel.

To the extent that any of these factors adversely affect the airline industry they may result in (i) downward pressure on lease rates and aircraft values, (ii) higher incidences of lessee defaults, restructuring, and repossessions and (iii) inability to lease aircraft on commercially acceptable terms.

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 Group's aircraft owning entities involves significant leverage and the Company generally 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 below. These include:

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

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

20. Risk management (continued)

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. Periodically minimal FX gain/loss derives from non-US operational transactions.

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 interest expense 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\$
2016	1,566,499	3,132,997
	50 BPS US\$	100 BPS US\$
2015	3,310,147	6,620,293

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 effect on Group equity, of a 50 and 100 basis points change in interest rates relating to derivatives held, assuming all other variables are held constant would be US\$38.5m and US\$77m respectively.

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Notes to the consolidated financial statements for the year ended 31 December 2016

20. Risk management (continued)

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.

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 Citibank Europe plc. The Group is exposed to credit risk on these deposits. Citibank Europe plc is a wholly owned subsidiary of Citibank plc. Citibank plc common stock is listed on the NYSE and on the Mexico Stock Exchange. NYSE Regulation ("NYSER") is responsible for monitoring activities on Citibank plc's equities. As at the date of this report Citibank plc has a prime investment grade short term deposit credit rating of P-1 (Moody's).

The group has derivatives held with various counterparties and is exposed to credit risk on these financial instruments through the amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty. Investec Bank plc is the primary counterparty and 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 P-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	2016 US\$	2015 US\$
Cash at bank	8	60,538,052	83,133,733
Restricted cash	8	42,516,864	19,515,520
Derivative financial assets	17	15,792,567	4,244,568
Other receivables	9	5,254,914	12,759,795
Total		124,102,397	119,653,616

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

20. Risk management (continued)

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.

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

As at 31 December 2016

	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)	1,280,462	(1,529,874)	(126,038)	(129,729)	(136,120)	(138,802)	(999,185)
Unsecured bank loans (external)	712,464	(792,164)	(13,700)	(13,950)	(49,447)	(399,656)	(315,411)
Other payables	22,975	(22,975)	(22,975)				
Total	2,015,901	(2,345,013)	(162,713)	(143,679)	(185,567)	(538,458)	(1,314,596)
Derivative financial assets / (liabilities)							
Interest rate swaps	7,163	11,857	(8,048)	(5,630)	1,598	4,261	19,677
Total	7,163	11,857	(8,048)	(5,630)	1,598	4,261	19,677

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

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

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

20. Risk management (continued)

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. The following table sets out the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Derivative financial instruments (gross)	Contractual Cash Flows	12 months or less	1 – 2 years	2 – 3 years	3 - 4 years	After 4 years
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Interest Rate Swaps</i>						
Net settled - inflow	202,170	17,276	25,318	30,365	30,601	98,610
Net settled - outflow	(190,313)	(25,324)	(30,948)	(28,767)	(26,340)	(78,933)
Total	11,857	(8,048)	(5,630)	1,598	4,261	19,677

As disclosed in note 14, 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.

21. Commitments and contingencies

At 31 December 2016, the Group had capital commitment for the purchase of 5 aircraft for \$745m, which is the total purchase price of aircraft, with purchase agreements in place, delivering in 2017.

22. Related parties

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. The following transactions were carried out with related parties:

(a) Advisory and asset management fees

The Group Advisor is Goshawk Management (Ireland) Limited and group companies ("GMIL"). NWS Holdings Limited and Chow Tai Fook Enterprises Limited have both (i) joint control over Goshawk Management (Ireland) Limited and (ii) joint control over Goshawk Aviation Limited. As a result, Goshawk Management (Ireland) Limited is a related party to the Group.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

23. Related parties (continued)

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. Under these arrangements fees are earned on Revenue and the group's net asset value. Advisory fees of US\$11,921,205 were paid in cash during the year and US\$4,262,968 is included in other payables. Asset management fees of US\$11,183,382 were paid in cash during the period and US\$1,816,099 is included in other payables.

(b) Shareholder loans

In 2015, 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. The loan was repaid during 2016.

(c) Significant subsidiaries and registered offices

	Shareholding	Country of Incorporation
Calisto Leasing HoldCo Limited (Ireland) *	100%	Ireland
Olympus Leasing HoldCo Limited (Ireland)*	100%	Ireland
Hera Leasing Holdco Limited (Cayman Islands)*	100%	Cayman Islands
Marginata Dutch Finance Finance B.V. (Netherlands)*	100%	Netherlands
Dionysus Aviation Designated Activity Company (Ireland)*	100%	Ireland
*Shareholding held indirectly via Zeus Leasing Holdco Limited (Ireland)		

The principal activity of the above entities is the sale and leasing of aircraft and provision of administrative services to related parties. Information related to all other subsidiary entities will be filed with the Company's annual return.

NWS Holdings Limited (50%) and Chow Tai Fook Enterprises Limited (50%) are the ultimate controlling parties of the Group.

(d) Key management remuneration

Key management are the Directors of the entity, as listed in the Directors' Report. During the year ended 31 December 2016 and 31 December 2015, key management did not receive any remuneration.

23. 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 (January 2017)	4.81	362,026,264	17,430,000
			<u>17,430,000</u>

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2016

23. Events after the end of the reporting date (continued)

An interim dividend of \$11.2m was declared in March 2017.

The Group acquired 1 additional aircraft in January 17, for US\$48.7m, funded with cash reserves.

The Group sold aircraft for a profit of \$11.1m. There have been no other significant events subsequent to 31 December 2016.

24. Approval of consolidated financial statements

The Board of Directors approved and authorised these financial statements on 10 April 2017

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Notes to the financial statements (continued)

7 Aircraft

Cost	31 December 2016	31 December 2015
	US\$	US\$
At beginning of the year/period	89,623,790	-
Additions during the year/period	-	89,623,790
Balance at end of the year/period	89,623,790	89,623,790
Accumulated depreciation		
Balance at the beginning	(789,939)	-
Current year/period depreciation	(3,059,466)	(789,939)
Balance at the end of year/period	(3,849,405)	(789,939)
Net book value at end of year/period	85,774,385	88,833,851

At 31st December 2016 the company owned two (2015: two) 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 2016, no impairment charges were recognized. The geographical region of the aircraft operation is Australia (2015: None).

8 Other receivables

	31 December 2016	31 December 2015
	US\$	US\$
Other receivables	10,388	10,388
	10,388	10,388

9 Derivative Financial Instrument

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

	2016	2015
	US\$	US\$
Fair value at beginning of the year	(2,175,219)	-
Change in fair value of derivative financial instrument through profit or loss	917,592	(2,175,219)
Fair value at end of the year	(1,257,627)	(2,175,219)

The Company's borrowings are at floating interest rates. To mitigate its exposure to floating interest rates the Company has entered into interest rate swap agreements to swap floating interest rate payments for fixed. The counterparty to the interest rate swap agreements is Investec Bank Plc.

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Notes to the financial statements (continued)

10 Loans payable

The balance of the loans as of 31 December 2016 is US\$83,698,773 (2015: US\$86,708,244) net of unamortised transaction fees of US\$1,026,839 (2015: 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 2016 US\$	31 December 2015 US\$
Senior Loan	64,925,612	68,158,363
Junior Loan	19,800,000	19,800,000
Total Loans Payable	84,725,612	87,958,363
Unamortised loan establishment fee	(1,026,839)	(1,250,119)
Net Loans Payable	83,698,773	86,708,244
Maturity analysis:		
Within 1 year	3,182,397	3,009,470
Greater than 1 year	80,516,376	83,698,774
Total Loans Payable	83,698,773	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 2016 US\$	31 December 2015 US\$
Lease rentals received in advance	1,268,993	1,273,128
	1,268,993	1,273,128

12 Other liabilities

	31 December 2016 US\$	31 December 2015 US\$
Interest payables	522,159	635,252
	522,159	635,252

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Notes to the financial statements (continued)

13 Ordinary share capital

	December 2016 US\$	December 2015 US\$
<i>Allotted, called up and unpaid</i>		
Ordinary shares of GBP £1 each	2	2
	<u>2</u>	<u>2</u>

14 Statutory and other information

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

	Year ended December 2015 US\$	14 Month period from 10 June 2014 to 31 December 2015 US\$
Depreciation	(3,059,466)	(789,839)
	<u>(3,059,466)</u>	<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. Maples Fiduciary Services (UK) Limited was appointed as corporate administrator effective from 5 January 2017. 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. During the period Intertrust (UK) Limited received fees of US\$6,325 (2015: US\$7,497) for the provision of administration services to the Company. The fees were paid by the Goshawk Aviation Limited.

16 Commitments

At 31 December 2016, there are no outstanding capital commitments (2015: None).

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 11th Floor, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD. The entire share capital of GAL Holdco 2 Limited is held by Intertrust Trustees (UK) Limited, holding one ordinary share. The entire share capital was transferred to Maples Fiduciary Services (UK) Limited dated 5 January 2017. This share is held in trust for charitable purposes under a declaration of trust.

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Notes to the financial statements (continued)

17 Ultimate and immediate parent undertaking (continued)

The Company's ultimate controlling party is Goshawk Aviation Limited. The consolidated financial statements of Goshawk Aviation Limited may be obtained from Maples Corporate Services Limited, PO Box 39, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

18 Related party transactions

As at 31 December 2016, 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. 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\$2,188,000 (2015: US\$776,900). The total balance payable in respect of the loan provided by Investec Bank Plc at 31 December 2016 is US\$19,800,000 (2015: 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 30 June 2017.