

GAL MSN 41027 LIMITED
Annual report and financial statements
FOR THE YEAR ENDED 31 DECEMBER 2017

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GAL MSN 41027 LIMITED

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GAL MSN 41027 LIMITED

Directors and Other Information

Directors	Charles M Leahy (appointed 5 January 2017) MaplesFS UK Corporate Director No. 1 Limited (appointed 3 November 2017) MaplesFS UK Corporate Director No. 2 Limited (appointed 2 November 2017) Michael Drew (appointed 5 January 2017, resigned 31 March 2017) Tina Westwood (appointed 5 January 2017, resigned 2 November 2017) Maurice Kalsbeek (appointed 1 June 2015, resigned 5 January 2017) Daniel Vjjselaar (appointed 15 April 2016, resigned 5 January 2017)
Company secretary	Maples Fiduciary Services (UK) Limited 11th Floor 200 Aldersgate Street, London, EC1A 4HD United Kingdom
Registered number	09320708
Registered office	11th Floor 200 Aldersgate Street, London, EC1A 4HD United Kingdom
Independent auditor	KPMG Chartered Accountants 1 Harbourmaster Place IFSC, Dublin 1 Ireland
Bankers	Citibank Europe Plc 1 North Wall Quay Dublin 1 Ireland
Solicitors	Clifford Chance 10 Upper Bank Street London E14 5JJ United Kingdom
Corporate administrator	Maples Fiduciary Services (UK) Limited (appointed from 5 January 2017) 11th Floor 200 Aldersgate Street London, EC1A 4HD United Kingdom
Lease manager*	Goshawk Management (Ireland) Limited 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

DIRECTORS' REPORT AND STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report and the audited financial statements of GAL MSN 41027 Limited (the "Company") for the year ended 31 December 2017.

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.

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 Goshawk Aviation Limited ("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.

Going Concern

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

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 GAL, ultimate controlling party as detailed in Note 19, to allow the Company to meet its obligations as they come due.

Key Performance Indicators

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

- Operating income of US\$9,040,256 (2016: US\$9,044,391); and
- Profit before tax of US\$769,531 (2016: US\$1,024,605).

Results for the year and Dividends

The results of the Company for the year ended 31 December 2017 are set out in the Statement of Profit or Loss Account and Other Comprehensive Income on page 8 and in the Balance Sheet on pages 9 - 10. The profit on ordinary activities for the year before taxation amounted to US\$769,531 (2016: US\$1,024,605) and after charging taxation of US\$314,304 (2016: US\$623,811), the profit of US\$455,227 (2016: US\$400,794) was transferred to reserves. Shareholders' deficit at 31 December 2017 amounted to US\$765,142 (2016: US\$1,220,369). The Directors did not declare any dividends during the year (2016: US\$ Nil).

Total cash and cash equivalents at 31 December 2017 was US\$Nil (2016: US\$39,784). Total assets at 31 December 2017 was US\$82,982,737 (2016: US\$85,824,557), and total liabilities was US\$83,747,879 (2016: US\$87,044,926).

Directors and Secretary and their Interests

The names of the persons who were Directors at any time during the year ended 31 December 2017 are set out below. In accordance with the Articles of Association the Directors are not required to retire by rotation.

GAL MSN 41027 LIMITED

DIRECTORS' REPORT AND STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

Charles M Leahy (appointed 5 January 2017)
MaplesFS UK Corporate Director No. 1 Limited (appointed 3 November 2017)
MaplesFS UK Corporate Director No. 2 Limited (appointed 2 November 2017)
Michael Drew (appointed 5 January 2017, resigned 31 March 2017)
Tina Westwood (appointed 5 January 2017, resigned 2 November 2017)
Maurice Kalsbeek (appointed 1 June 2015, resigned 5 January 2017)
Daniel Vijselaar (appointed 15 April 2016, resigned 5 January 2017)

Secretary

Maples Fiduciary Services (UK) Limited (appointed from 5 January 2017)

Interests

The Directors and the company secretary who held office at 31 December 2017 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.

Political Contributions

No political donations were made by the Company during the year (2016: None).

Events after the end of the Reporting Date

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

Disclosure of information to auditors

The Directors who held office at the date of approval of this Strategic Report and 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.

Independent Auditor

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

This report was approved by the board on 29 June 2018 and signed on its behalf.



Sam Ellis as authorized signatory for
MaplesFS UK Corporate Director No. 1 Limited
Director

GAL MSN 41027 LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2006.

Approved by the board and authorised for issue on 29 June 2018.



Sam Ellis as authorized signatory for
MaplesFS UK Corporate Director No. 1 Limited
Director



KPMG
Audit
1 Harbourmaster Place
FSC
Dublin 1
D01 F6H5
Ireland

Independent auditor's report to the members of GAL MSN 41027 Limited

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of GAL MSN 41027 Limited ('the Company') for the year ended 31 December 2017, which comprise the Statement of Profit or Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Independent auditor's report to the members of GAL MSN 41027 Limited
(continued)**

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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 on these matters/in regard to these matters.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Independent auditor's report to the members of GAL MSN 41027 Limited
(continued)**

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

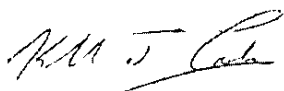
Auditor's responsibilities for the audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our 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
1 Harbourmaster Place
IFSC
Dublin 1
Ireland**

29 June 2018

GAL MSN 41027 LIMITED

**STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 US\$	2016 US\$
Operating income	3	9,040,256	9,044,391
Depreciation	8	(3,070,824)	(3,059,466)
General and administration expenses	4	(361,610)	(361,610)
Net operating profit on continuing activities		5,607,822	5,623,315
Finance expense	5	(5,354,787)	(5,516,302)
Net gains on derivatives	12	516,481	917,592
Foreign exchange gain		15	-
Profit on ordinary activities before taxation		769,531	1,024,605
Tax on profit	7	(314,304)	(623,811)
Profit on ordinary activities after taxation		455,227	400,794
Other comprehensive income		-	-
Total comprehensive income for the financial year		455,227	400,794

The accompanying notes on pages 12 to 24 form an integral part of these financial statements. All profits and total comprehensive income for the year are attributable to the owners of the Company. The above results were derived from continuing operations.

GAL MSN 41027 LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2017**

	Note	2017 US\$	2016 US\$
Non-current assets			
Aircraft	8	82,972,349	85,774,385
Total non-current assets		<u>82,972,349</u>	<u>85,774,385</u>
Current assets			
Other receivables	9	10,388	10,388
Cash and cash equivalents	10	-	39,784
Total current assets		<u>10,388</u>	<u>50,172</u>
Total assets		<u>82,982,737</u>	<u>85,824,557</u>
Liabilities - amounts falling due within one year			
Loans and borrowings	11	3,390,242	3,182,397
Lease rental received in advance		1,268,993	1,268,993
Other liabilities	13	619,436	522,159
Net deferred tax liabilities	7	611,678	297,374
		<u>5,890,349</u>	<u>5,270,923</u>
Liabilities - amounts falling due more than one year			
Loans and borrowings	11	77,116,384	80,516,376
Net derivative liabilities	12	741,146	1,257,627
		<u>77,857,530</u>	<u>81,774,003</u>
Total liabilities		<u>83,747,879</u>	<u>87,044,926</u>
Net liabilities		<u>(765,142)</u>	<u>(1,220,369)</u>

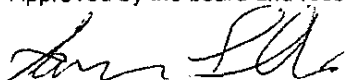
GAL MSN 41027 LIMITED

**BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017**

	Note	2017 US\$	2016 US\$
Capital and reserves			
Share capital	14	2	2
Profit or loss account		(765,144)	(1,220,371)
Shareholders' deficit		<u>(765,142)</u>	<u>(1,220,369)</u>

The accompanying notes on pages 12 to 24 for an integral part of these financial statements.

Approved by the board and recognised for issue on 29 June 2018.



Sam Ellis as authorized signatory for
MaplesFS UK Corporate Director No. 1 Limited
Director

GAL MSN 41027 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital US\$	Profit or loss account US\$	Total deficit US\$
At 1 January 2016	2	(1,621,165)	(1,621,163)
Comprehensive income for the year			
Profit for the year	-	400,794	400,794
Total comprehensive income for the year	-	400,794	400,794
At 1 January 2017	2	(1,220,371)	(1,220,369)
Comprehensive income for the year			
Profit for the year	-	455,227	455,227
Total comprehensive income for the year	-	455,227	455,227
At 31 December 2017	2	(765,144)	(765,142)

All equity is attributable to the holders of the Company.

The accompanying notes on pages 12 to 24 form an integral part of these financial statements.

GAL MSN 41027 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and UK GAAP.

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 standards and interpretations issued but not yet effective;
- Disclosures in respect of the compensation of Key Management Personnel and related party transactions entered into between two or more wholly owned members of a group.

As the consolidated financial statements of Goshawk Aviation Limited ("GAL") (whose accounts consolidate the accounts of the Company) and which have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), include equivalent disclosures, the Company has 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 in US Dollars (US\$). The financial statements have been prepared on a going concern and a historical cost basis, except for derivative financial instruments, which have been measured on a fair value basis.

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 price is 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (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.

2.2 Going concern

The Company's financial statements are prepared as a going concern. The projected cash flows are sufficient to meet the liabilities as they fall due during the contracted lease term.

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 Company 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.

2.4 Finance expense

Finance expense comprises of interest expense on borrowings, financing fee amortisation and interest rate swap settlements. All borrowing costs are recognised in Statement of Profit or Loss Account and Other Comprehensive Income using the effective interest rate method.

2.5 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.

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets

The Company classifies financial assets as either 'loans and receivables' or 'financial assets at fair value through profit or loss'. Loans and receivables comprise 'cash and cash equivalents' and 'other receivables'. Financial assets at fair value through profit or loss comprise 'derivative assets'.

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. All borrowing costs are taken to the Statement of Profit or Loss Account and Other Comprehensive Income based on the effective interest rate method.

Financial liabilities

The Company classifies all financial liabilities as 'other financial liabilities'. Other financial liabilities include 'maintenance reserves', 'security deposits', 'loans and borrowings' and 'other 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 Statement of Profit or Loss Account and Other Comprehensive Income. When a financial liability is extinguished for an amount that differs from the carrying value of the liability, the difference is recognised in the Statement of Profit or Loss Account and Other Comprehensive Income.

Derivative financial instruments

Derivative financial instruments include all derivative assets and liabilities that are used to economically hedge each loan from any interest rate fluctuations. Derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss in the Statement of Comprehensive Income, any directly attributable transaction costs. These derivatives are not however formally designated into qualifying hedge relationships and therefore all changes in their fair value are recognised immediately in the Statement of Profit or Loss Account and Other Comprehensive Income.

2.7 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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.7 Aircraft (continued)

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

Impairment

At each reporting date, the carrying values of aircraft assets are assessed 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 asset's 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.

2.8 Leases

The Company 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 Company 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.

2.9 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.

2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.11 Lease rental received in advance

Lease rentals received in respect of future rental periods are recognised as a liability in the Balance Sheet. The liability is released to the Statement of Profit or Loss Account and Other Comprehensive Income in the period that the revenue recognition criteria is satisfied.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is US\$.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at exchange rates prevailing at the end of the reporting year. 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 or Loss Account and Other Comprehensive Income.

2.13 Taxation

Tax expense comprises current and deferred tax. Current and deferred tax expense is recognised through profit or loss in the Statement of Profit or 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting year 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 year.

Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

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

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. Operating income

	2017 US\$	2016 US\$
Lease rental revenue	9,040,256	9,044,391
	<u>9,040,256</u>	<u>9,044,391</u>

Income arises from the leasing of aircraft under operating leases. All income is derived from activities carried out in Australia.

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

	2017 US\$	2016 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	22,600,640	31,640,896
Total	<u>67,801,920</u>	<u>76,842,176</u>

4. General and administration expenses

	2017 US\$	2016 US\$
Asset management fees	361,610	361,610
	<u>361,610</u>	<u>361,610</u>

5. Finance expense

	2017 US\$	2016 US\$
Interest expense on loans	4,345,098	4,061,048
Amortisation of upfront fees	202,407	223,279
Swap expense	807,282	1,231,975
	<u>5,354,787</u>	<u>5,516,302</u>

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6. Profit on ordinary activities before tax

	2017 US\$	2016 US\$
The profit is arrived at after charging:		
Directors remuneration (fees)	-	-
Directors remuneration (other)	-	-
Depreciation	3,070,824	3,059,466
Auditors' remuneration - Audit	-	-
Auditors' remuneration - Tax Advisory	-	-
Auditors' remuneration - Tax Compliance	-	-
Other non-audit services	-	-
	<u>3,070,824</u>	<u>3,059,466</u>

The Directors did not receive any remuneration during the year (2016: US\$Nil).

Auditors' remuneration 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.

7. Taxation

	2017 US\$	2016 US\$
Current tax:		
Income tax expense for the year on ordinary activities	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	378,085	676,289
Changes in tax rates	(44,132)	(52,478)
Adjustments to tax charge in respect of previous periods	(19,649)	-
Total deferred tax	<u>314,304</u>	<u>623,811</u>
Tax expense for the year	<u>314,304</u>	<u>623,811</u>

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Taxation (continued)

Factors affecting tax charge for the year

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

	2017 US\$	2016 US\$
Profit on ordinary activities before tax	769,531	1,024,605
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	148,108	204,921
Effects of:		
Adjustments to tax charge in respect of previous periods	(19,649)	-
Group relief	-	293,705
Expenses not deductible for tax purposes	229,977	177,663
Impact of change in tax rates	(44,132)	(52,478)
Total tax charge for the year	314,304	623,811

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the company's future tax charges accordingly.

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 year is as follows:

	2017 US\$	2016 US\$
Deferred tax assets		
At beginning of the year	703,386	996,046
Movement during the year	250,127	(292,660)
At end of the year	953,513	703,386
Deferred tax liabilities		
At beginning of the year	(1,000,760)	(669,609)
Movement during the year	(564,431)	(331,151)
At end of the year	(1,565,191)	(1,000,760)
Net deferred tax liabilities	(611,678)	(297,374)

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Aircraft

	2017 US\$	2016 US\$
Cost:		
At beginning of the year	89,623,790	89,623,790
Additions during the year	268,788	-
Balance at end of the year	<u>89,892,578</u>	<u>89,623,790</u>
Accumulated depreciation:		
At beginning of the year	(3,849,405)	(789,939)
Current year depreciation	(3,070,824)	(3,059,466)
Balance at end of the year	<u>(6,920,229)</u>	<u>(3,849,405)</u>
Net book value at end of the year	<u><u>82,972,349</u></u>	<u><u>85,774,385</u></u>

At 31 December 2017, the Company owned two aircraft (2016: Two). The Company's obligations under the loans payable are secured by charge over, among other things, the Company's aircraft and other assets. During the year ended 31 December 2017, no impairment charge was recognised (2016: None).

9. Other receivables

	2017 US\$	2016 US\$
Other receivables	10,388	10,388
	<u>10,388</u>	<u>10,388</u>

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

10. Cash and cash equivalents

	2017 US\$	2016 US\$
Cash at bank and in hand	-	39,784
	<u>-</u>	<u>39,784</u>

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Loans payable

The balance of the loans as of 31 December 2017 is US\$80,506,626 (2016: US\$83,698,773), net of unamortised transaction fees of US\$824,432 (2016: US\$1,026,839) as outlined below. Aircraft lease rentals are fixed and structured to ensure that lease payments are sufficient to meet the debt funding over the term of the lease. The maturity date of the loans is 17 January 2023.

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

	2017 US\$	2016 US\$
Loan type:		
Senior loan	61,531,058	64,925,612
Junior loan	19,800,000	19,800,000
Total Loans Payable	<u>81,331,058</u>	<u>84,725,612</u>
Unamortised loan establishment fee	(824,432)	(1,026,839)
	<u>(824,432)</u>	<u>(1,026,839)</u>
Net Loans Payable	<u><u>80,506,626</u></u>	<u><u>83,698,773</u></u>
	2017 US\$	2016 US\$
Maturity analysis:		
Within 1 year	3,390,242	3,182,397
Greater than 1 year	77,116,384	80,516,376
Total Loans Payable	<u><u>80,506,626</u></u>	<u><u>83,698,773</u></u>

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Loans payable (continued)

Key terms of debt facilities

The terms of outstanding debt facilities were as follows (excluding capitalised loans fees).

At 31 December 2017

	2017
Nominal Interest Rate (%)	US\$
Floating rate loans	
Senior Loans LIBOR + 2.15	61,531,058
Fixed rate loans	
Junior Loans 11.00	19,800,000
	<u>81,331,058</u>

At 31 December 2016

	2016
Nominal Interest Rate (%)	US\$
Floating rate loans	
Senior Loans LIBOR + 2.15	64,925,612
Fixed rate loans	
Junior Loans 11.00	19,800,000
	<u>84,725,612</u>

The aircraft is 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.

GAL MSN 41027 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Derivative liabilities

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

	2017 US\$	2016 US\$
Fair value at beginning of the year	(1,257,627)	(2,175,219)
Change in fair value of derivative financial instrument through profit or loss	516,481	917,592
Fair value at end of the year	<u>(741,146)</u>	<u>(1,257,627)</u>

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.

13. Other liabilities

	2017 US\$	2016 US\$
Loan interest payable	350,649	522,159
Payable to other group entities	268,787	-
	<u>619,436</u>	<u>522,159</u>

Amounts payable to other group entities are due on demand and do not bear interest.

14. Ordinary share capital

	2017 US\$	2016 US\$
Authorised		
1 Ordinary share of £1	<u>2</u>	<u>2</u>
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>2</u>	<u>2</u>

Ordinary shares carry one vote per share. There are no additional rights, preferences or restrictions associated with these shares.

GAL MSN 41027 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Employees

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 ("GMIL") to provide leasing and asset management services as per the service agreement however, the Company did not directly employ any persons during the year. During the year, Maples Fiduciary Services (UK) Limited received fees of US\$10,171 (2016: US\$6,325 paid to Intertrust (UK) Limited) for the provision of administration services to the Company. The fees were paid by the GAL.

16. Capital commitments

At 31 December 2017 there are no outstanding capital commitments (2016: None).

17. Related party transactions

GMIL acts as leasing and asset manager of the Company. The fees charged by GMIL for year ended 31 December 2017 was US\$361,610 (2016: US\$361,610).

As at 31 December 2017, the Directors of the Company were employees or were affiliates of Maples Fiduciary Services (UK) Limited and therefore may be deemed to be interested in the Corporate Services Agreement. The Directors fees for the year are US\$ Nil (2016: US\$Nil).

Junior financing of US\$19,800,000 was provided by GAL Dutch Finance B.V. on inception. Total interest charged for the year in respect of the junior financing was US\$2,208,250 (2016: US\$2,188,000) of which US\$43,046 (2016: US\$199,412) was accrued and payable as of year end. The total balance payable in respect of the junior loan provided at 31 December 2017 is US\$19,800,000 (2016: US\$19,800,000).

The payable to other group entities as at 31 December 2017 was US\$268,787 (2016: US\$Nil).

18. Events after the end of the Reporting Date

There are no significant events affecting the Company after the end of the reporting year that requires disclosure in the financial statements.

19. Parent undertaking

The Company's immediate parent undertaking and controlling party is GAL Holdco No.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 No.2 Limited is held by Maples Fiduciary Services (UK) Limited, holding one ordinary share. The entire share capital was transferred from Intertrust Trustees (UK) Limited on 5 January 2017. This share is held in trust for charitable purposes under a declaration of trust.

GAL Holdco No.2 Limited is part of the GAL group. The consolidated financial statements of GAL are appended to these financial statements which are available from Companies House, UK.

20. Approval of financial statements

The board of Directors approved these financial statements for issue on 29 June 2018

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

Goshawk Aviation Limited

Consolidated financial statements
for the year ended 31 December 2017

Goshawk Aviation Limited

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Goshawk Aviation Limited

Directors and other information

Directors

Tsang On Yip Patrick
Cheng Chi Ming, Brian
Mak Bing Leung Rufin (appointed 29 September 2017)
Cheng Chi Him (appointed 21 March 2018)
Hui Hon Chung, Stanley (resigned 29 September 2017)
Zhang Kun (resigned 21 March 2018)

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 ended 31 December 2017. The Group comprises of Goshawk Aviation Limited and a number of subsidiaries.

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 2017 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 27 aircraft and disposed of 4 aircraft during the year (2016: 31 and 8 respectively).

The total number of aircraft at 31 December 2017 was 99 (2016: 76). There was one aircraft held for sale at 31 December 2017 (2016: Nil).

The Group invested the share capital and equity contributions raised by the Company totalling US\$1,164.3m in a portfolio of 99 aircraft on lease to 37 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:

	<u>Date Appointed</u>	<u>Date Resigned</u>
Tsang On Yip Patrick	6 January 2014	-
Zhang Kun	6 January 2014	21 March 2018
Cheng Chi Ming, Brian	2 February 2015	-
Hui Hon Chung, Stanley	29 September 2015	29 September 2017
Mak Bing Leung Rufin	29 September 2017	-
Cheng Chi Him	21 March 2018	-

Group Advisor

The Group Advisor is Goshawk Management (Ireland) Limited and its subsidiary companies (together "GMIL"). The Group Advisor has overall responsibility for the asset management of the aircraft portfolio.

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 23.

Goshawk Aviation Limited

Directors' report (continued)

Going Concern

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

Results and Dividends

The results for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 7 and in the consolidated statement of changes in equity on page 10.

The profit before income tax for the year amounted to US\$113.2m (2016: US\$84.8m). Total equity at 31 December 2017 amounted to US\$1,236.4m (2016: US\$974.0m).

During the year ended 31 December 2017, there was a strong revenue growth driven by aircraft deliveries and gain on disposal of aircraft.

Total cash at 31 December 2017 was US\$173.2m (2016: US\$103.1m). Total assets at 31 December 2017 was US\$4,634.7m (2016: US\$3,179.6m), and total liabilities was US\$3,398.3m (2016: US\$2,205.6m)

Included in equity movements for the year, are dividend distributions to preference shareholders of US\$93,130,000 (2016: US\$60,850,000) paid during the year.

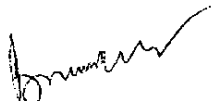
Events after the end of the reporting date

Details of important events affecting the Group and Company which have taken place since the end of the reporting period are disclosed in note 26 in the consolidated 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 20 April 2018



Director



Director



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

Independent Auditor's Report to the Shareholders on the Consolidated Financial Statements of Goshawk Aviation Limited

1 Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Goshawk Aviation Limited ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 7 to 51.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with local requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

The Directors are responsible for the preparation of other information accompanying the consolidated financial statements. The other information comprises the information included in the Director's report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Independent Auditor's Report to the Shareholders of the Consolidated Financial Statements of Goshawk Aviation Limited (continued)

2 Respective responsibilities and restrictions on use

Responsibilities of Directors' and Those Charged with Governance for the Consolidated Financial Statements

The Directors' are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix to this report, which is to be read as an integral part of our report.

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

KPMG
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

2016 April 2018



Appendix to the Independent Auditor's Report

Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Goshawk Aviation Limited

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Revenues			
Lease revenue	4	357,975,386	282,184,460
Lease premium amortisation	13	(484,938)	(484,938)
Net revenue		357,490,448	281,699,522
Other income			
Other revenue	5	7,530,095	-
Gain on disposal of aircraft (and related) assets	6	22,622,474	2,092,843
Total other income		30,152,569	2,092,843
Total income		387,643,017	283,792,365
Expenses			
Aircraft depreciation, amortisation and impairment	12	(140,550,011)	(102,063,634)
Loss on transfer to held for sale	15	(2,083,480)	-
Asset management fee	7	(6,356,823)	(11,146,236)
Advisory fee	7	(15,967,812)	(11,921,205)
Impairment charge on doubtful receivables	11	(331,758)	-
Other fees and expenses	8	(8,642,474)	(4,330,034)
Foreign exchange gain/(loss)		98,225	(240,938)
Total expenses		(173,834,133)	(129,702,047)
Results from operating activities		213,808,884	154,090,318
Finance income	3	339,945	73,332
Finance expense	3	(101,713,147)	(82,718,607)
Net gain on derivative financial instruments	3	766,534	13,340,667
Net finance cost		(100,606,668)	(69,304,608)
Profit before income tax		113,202,216	84,785,710
Income tax expense	9	(5,128,964)	(3,360,505)
Profit for the year		108,073,252	81,425,205
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value		86,080	15,633,799
Cash flow hedges - reclassified to profit or loss		1,921,631	(1,708,335)
Total other comprehensive income, net of tax	21	2,007,711	13,925,464
Total comprehensive income for the year		110,080,963	95,350,669

Income relates to continuing operations. All profits and total comprehensive income for the year and the preceding financial year are attributable to the owners of the Company. The accompanying notes on pages 11 to 51 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Consolidated statement of financial position as at 31 December 2017

		2017	2016
	Notes	US\$	US\$
Assets			
Non-current assets			
Aircraft (and related) assets			
Aircraft	12	4,125,114,373	2,827,923,058
Lease intangible	12	23,955,854	44,488,022
Maintenance intangible	12	194,744,827	180,021,665
Other non-current assets			
Other receivables	11	3,500,000	-
Lease premium	13	2,603,845	3,088,783
Lease incentive asset	14	664,967	-
Derivative financial instruments	21	17,859,533	15,792,567*
Total non-current assets		4,368,443,399	3,071,314,095
Current assets			
Cash and cash equivalents	10	133,767,706	60,538,052
Restricted cash	10	39,395,567	42,516,864
Assets classified as held for sale	15	15,859,998	-
PDP receivables	16	58,717,960	-
Other receivables	11	18,547,826	5,254,914
Total current assets		266,289,057	108,309,830
Total assets		4,634,732,456	3,179,623,925
Equity			
Share capital and equity contributions	22	1,164,252,998	918,780,824
Retained earnings	22	66,941,873	51,998,621
Hedging reserve	22	5,219,891	3,212,180
Total equity		1,236,414,762	973,991,625
Liabilities			
Non-current liabilities			
Loans and borrowings	18	2,909,527,851	1,884,599,307
Maintenance reserves	19	158,149,516	151,444,000*
Security deposits	20	41,141,652	34,472,968*
Derivative financial instruments	21	3,756,088	8,629,482
Deferred tax liabilities	9	11,124,904	4,278,072
Total non-current liabilities		3,123,700,011	2,083,423,829
Current liabilities			
Lease rentals received in advance		27,288,065	13,360,200
Loans and borrowings	18	182,324,414	79,793,034
Maintenance reserves	19	16,702,650	1,375,508*
Security deposits	20	1,550,000	1,816,068*
Other payables	17	46,752,554	25,863,661
Total current liabilities		274,617,683	122,208,471
Total liabilities		3,398,317,694	2,205,632,300
Total equity and liabilities		4,634,732,456	3,179,623,925

The accompanying notes on pages 11 to 51 form an integral part of these consolidated financial statements.

* The Group has reclassified security deposits of US\$34,472,968, maintenance reserves of US\$151,444,000 and derivative financial instruments assets of US\$15,792,567 from current to non-current assets and liabilities to correctly reflect the maturity of these balances based on the underlying contractual arrangements in place as at 31 December 2016.

Goshawk Aviation Limited

Consolidated statement of cash flows for the year ended 31 December 2017

		Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Notes			
Cash flows from / (used in) operating activities			
		368,137,960	281,128,033
		303,015	73,332
		840,144	-
		(79,083,249)	(55,126,659)
		(1,086,056)	-
		(42,802,181)	(26,818,525)
		246,309,633	199,256,181
Cash flows from / (used in) investing activities			
	10	3,121,297	(23,001,344)
		(1,706,775,607)	(1,334,632,767)
		(3,500,000)	-
		269,834,489	195,962,200
		-	(500,000)
		(1,437,319,821)	(1,162,171,911)
Cash flows from / (used in) financing activities			
	22	258,937,174	306,454,560
		(13,465,000)	-
		-	(19,760,000)
		60,300,665	70,445,735
		1,737,963,048	1,808,735,705
		(58,717,960)	-
		(17,693,590)	(22,141,022)
		(4,996,719)	-
		(605,086,480)	(1,142,323,991)
	22	(93,130,000)	(60,850,000)
		1,264,111,138	940,560,987
Net cash flows from financing activities			
		73,100,950	(22,354,743)
		60,538,052	83,133,733
		128,704	(240,938)
		133,767,706	60,538,052
	10		
		133,767,706	60,538,052

The accompanying notes on pages 11 to 51 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital	Equity contributions	Retained earnings	Hedging reserve	Total equity
	US\$	US\$	US\$	US\$	US\$
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					
Equity contributions	-	306,454,560	-	-	306,454,560
Dividend distribution to preference 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
Total comprehensive income for the year ended 31 December 2016					
Profit for the year	-	-	108,073,252	-	108,073,252
Other comprehensive income for the year	-	-	-	2,007,711	2,007,711
Transactions with shareholders, recorded directly in equity					
Equity contributions	-	258,937,174	-	-	258,937,174
Repayment of capital	-	(13,465,000)	-	-	(13,465,000)
Dividend distribution to preference shareholders	-	-	(93,130,000)	-	(93,130,000)
Balance at 31 December 2017	362,026,264	802,226,734	66,941,873	5,219,891	1,236,414,762

The accompanying notes on pages 11 to 51 form an integral part of these consolidated financial statements.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

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 "Group". The consolidated financial statements have been prepared for the year ended and as at 31 December 2017.

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 the International Accounting Standards Board ("IASB").

IFRS applied by the Group in the preparation of these consolidated financial statements are those that were effective at 31 December 2017.

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 IASB applicable to the current financial year are:

- Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle
The IASB's annual improvements project provides a process for making amendments to IFRSs that are considered non-urgent but necessary. The amendments clarify guidance and wording, or correct for inconsistencies, conflicts or oversights in existing IFRSs. None of the amendments effective 1 January 2017 impact the financial statements of the Group.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (b) Basis of preparation (continued)

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 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments ("IFRS 9") was issued in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). Goshawk will adopt IFRS 9 for the financial reporting period commencing 1 January 2018. Goshawk has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on Goshawk's financial statements will depend on the financial instruments that the Group has during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9, 1 January 2018.

Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Based on the Group's preliminary assessment, there will be no impact on the classification and measurement of the following financial assets held by the Group: Value added tax refund, other receivables including lease receivables, trade receivables and asset management fees receivable. We performed a review of the contractual cash flows of these financial assets and the business model within which they are held and concluded that the contractual cash flows are comprised solely of payments and interest and are held in a business model to collect the contractual cash flows. As at 1 January 2018, the Group held two loans provided to third parties in relation to the sale of aircraft. The loans are currently classified as amortised cost under IAS 39 but will be classified as FVTPL under IFRS 9 as they are comprised of contractual cash flows other than payments and interest. The difference between the amortised cost and the fair value is not expected to be material. There will be no change in the accounting for any other financial liabilities.

The impairment model under IFRS 9 reflects *expected* credit losses, as opposed to only *incurred* credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI as well as the Group's finance lease receivables, contract assets and issued financial guarantee contracts.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and contracts assets as required or permitted by IFRS 9. As at 31 December 2017, we have disclosed in particular a credit loss provision of US\$332k, the impact of which will not change under IFRS 9. Based on the Group's preliminary calculation of the loss allowance as at 1 January 2018, we do not expect a significant impact on adoption of the IFRS 9 impairment requirements.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (b) Basis of preparation (continued)

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. An assessment of the Group's hedging relationships under IAS 39 has been performed and it has been determined that the relationships will qualify as continuing hedging relationships under IFRS 9. At present we do not anticipate an impact on the consolidated financial statements at transition as a result of adopting the IFRS 9 hedge accounting requirements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces existing guidance and introduces a new model for revenue recognition based on the transfer of control. This may affect the timing and amount of revenue that entities will recognize under IFRS 15 compared to current practice. The Group will adopt IFRS 15 for the financial reporting period commencing 1 January 2018.

We have considered the impacts of IFRS 15 for the recognition of revenue from a contract with a customer on our 2017 consolidated financial statements. However, as all our assets are held under the operating lease structure, the consolidated statement of financial position already reflects the right of use of the underlying asset immediately upon acquisition and therefore recognizes revenue accordingly, and in line with the leasing standard IAS 17 / IFRS 16. Therefore, we do not expect to see any significant impact on applying the requirements of IFRS 15 due to the operating lease structured business model adopted by the Group.

IFRS 16 Leases

IFRS 16 applies for annual reporting periods beginning on or after 1 January 2019. The essence of IFRS 16 (replacing the IAS 17 standard) is a requirement to disclose operating lease liability on the balance sheet, together with a right-of-use asset in respect of finance leases held. The new standard does not directly impact lessor accounting: implications for Lessors are indirect.

The probable future impacts of the changes issued in IFRS16 have been considered and may lead to an impact on our consolidated financial statements if a finance lease is entered in the future.

2 (c) Basis of consolidation

The consolidated financial statements incorporate the consolidated 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 consolidated financial statements of the Group are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

2 (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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

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 comprises cash held by the Group which is ring-fenced or used as security for specific financing arrangements and to which the Group does not have unfettered access.

2 (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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (i) Financial instruments (continued)

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.

- **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. All borrowing costs are taken to the consolidated statement of profit or loss and other comprehensive income based on the effective interest rate method.
- **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 'other receivables', 'PDP receivables', 'restricted cash' and 'cash and cash equivalents' in the consolidated statement of financial position.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (i) Financial instruments (continued)

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.

Financial liabilities

The Group's financial liability categories are either 'other financial liabilities' or 'financial liabilities at fair value through the profit or loss'. Other financial liabilities include 'maintenance reserves', 'security deposits', 'loans and borrowings' and 'other payables' in the consolidated statement of financial position. 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

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 ended 31 December 2017, the Group recognised maintenance and lease intangibles in relation to the acquisition of aircraft that were purchased on lease, via portfolio acquisition transactions. During the year ended 31 December 2016, 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 consolidated financial statements. Further details disclosed in note 12.

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.

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

The group depreciates leased aircraft (and related) assets 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. On termination of a lease, any remaining maintenance intangibles assets are offset against any remaining Maintenance reserves cash balances. Excess maintenance reserves are then released to the profit or loss, recognised as other income.

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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

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

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.

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 or loss.

2 (l) Lease premium

If a sale and leaseback transaction results in an operating lease, and the sale price is above or below fair value, a lease premium asset or liability is recognised. The difference over fair value shall be recognised as a lease premium asset or liability. Lease premiums are amortised on a straight-line basis over the remaining term of the related lease and recorded as a reduction in lease rental income.

2 (m) Lease incentive asset

Lessor contributions represent contractual obligations on the part of the Group to contribute to a lessee's cost of a next planned maintenance event which is expected to occur during the lease.

In addition, a lease incentive asset is recognised for this amount, and it is amortised over the life of the associated lease as a charge against lease revenue. When aircraft are sold, the portion of the accrued liability not specifically assigned to the buyer is derecognised as part of the gain or loss on disposal of aircraft.

2 (n) Assets and liabilities 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (o) Maintenance reserves

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

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

2 (p) PDP receivables

PDP receivables relate to amounts provided to airlines prior to the delivery of the aircraft. PDP receivables are initially recorded at cost, which is equivalent of the fair value, and are generally received within one year of becoming due and receivable. At the end of each reporting period, the carrying amounts of PDP 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 (q) 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 (r) 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 the date of the consolidated statement of financial position, in respect of the purchase of these goods and services.

2 (s) 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (s) Taxation (continued)

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

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

2 (t) Share capital

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

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

2 (u) Equity contributions

Equity contributions represent loans advanced by the shareholders where the company has a contractual right to settle the loans in the form of cash or the delivery of a pre-determined fixed number of the company's preference shares.

2 (v) 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

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

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 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.

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.

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.

Lease classification

On entering into lease agreements, the group performs an assessment of the classification of the lease. The assessment involves estimating the remaining useful life of the aircraft on inception of the lease and estimating the present value of future lease payments.

Residual values are determined with reference to independent valuations which factor in current market conditions when determining values. Adjustments to useful lives and residual values are made when the adjustment would have a material impact on the Group.

Estimation of impairment of assets

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

A suitable discount rate is then determined based upon the capital structure.

Determination of fair values

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

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

2 (v) 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 (w) Operating segments

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

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Notes to the consolidated financial statements for the year ended 31 December 2017

3. Finance income and expense

	Year ended 31 December 2017	Year ended 31 December 2016
	US\$	US\$
Finance income	339,945	73,332
Total finance income	339,945	73,332
Finance expense on financial liabilities		
- External finance expense	101,713,147	82,327,966
- Internal interest on bridging debt from shareholders	-	390,641
Total finance expense	101,713,147	82,718,607
Net gain on derivative financial instruments		
Changes in fair value of derivatives through profit or loss	766,534	13,340,667
	766,534	13,340,667
Net finance costs	100,606,668	69,304,608

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 ended 31 December 2017 also includes a charge of US\$12.3m (2016: US\$11.1m) relating to financing fees amortisation. The charge for the year includes US\$4.3m (2016: US\$4.9m) of accelerated amortisation following the early repayment of debt facilities.

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 2017, 99 aircraft have lease contracts with 37 operators, of which the earliest scheduled expiring dates are during the year ended 31 December 2018.

10% of lease revenue is earned from 1 lessee in Asia. Revenue from all other lessees is less than 10% of total revenue.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

4. Lease revenue (continued)

As at 31 December 2017, the Group recorded the following lease rentals from operators in the following regions:

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Americas	45,061,457	48,644,595
Asia (ex-China)	125,683,924	81,091,950
Australia	22,243,859	28,585,032
China	24,468,293	22,645,174
Europe	84,428,105	79,761,336
Middle East	47,826,543	21,102,916
Africa	8,263,205	353,457
Total	357,975,386	282,184,460

As at 31 December 2017, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases in the following regions.

31 December 2017	Due within one year - US\$	Due between two and five years - US\$	Due after five years - US\$	Total US\$
Americas	71,195,260	259,060,991	226,120,625	556,376,876
Asia (ex-China)	165,197,110	601,331,846	431,267,953	1,197,796,909
Australia	22,243,859	86,908,410	47,541,908	156,694,177
China	22,967,915	63,586,111	5,445,330	91,999,356
Europe	92,134,002	327,726,760	260,717,397	680,578,159
Middle East	61,700,938	228,650,430	235,378,853	525,730,221
Africa	12,133,893	48,535,573	46,475,805	107,145,271
Total	447,572,977	1,615,800,121	1,252,947,871	3,316,320,969

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

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Notes to the consolidated financial statements for the year ended 31 December 2017

5. Other revenue

During the year ended 31 December 2017, the group recognised other revenue in relation to the following items:

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Release of maintenance reserves	6,872,532	-
Other income from lessees	657,563	-
	7,530,095	-

The group has released maintenance reserves of US\$6.9m (2016: US\$Nil) on redelivery of 2 aircraft.

6. Gain on disposal of aircraft (and related) assets

During the year ended 31 December 2017, the group recognised a gain of US\$22.6m (2016: US\$2.1m) in relation to the disposal of 4 aircraft (2016: 8 aircraft).

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Gain on disposal of aircraft (and related) assets	22,622,474	2,092,843
	22,622,474	2,092,843

7. Advisory and management fees

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

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Asset management services including asset valuations and portfolio risk management, closing and delivery of new assets and asset protection services.	6,356,823	11,146,236
Advisory and operational services including capital and Investment advice, hedging and risk management advice, cash administration services, accounting and group secretarial services.	15,967,812	11,921,205

During the year ended 31 December 2017, the Group revised the terms agreed with GMIL in relation to asset management fees. The asset management fee is calculated on a cost-plus basis with effect from January 2017 rather than a fixed percentage of lease revenue. This change has resulted in a decrease in the management fee of US\$4.8m. The Company has recognised a receivable in relation to this amount of US\$7.6m (See note 11 for details).

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Notes to the consolidated financial statements for the year ended 31 December 2017

8. Other fees and expenses

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
Administration and other advisory fees	4,745,217	828,062
Audit and tax compliance fees	936,816	500,000
Legal and financing fees	2,960,441	3,001,972
	8,642,474	4,330,034

The increase in administration and other advisory fees is driven by an increase in the number of aircraft held by the entity.

9. Taxation

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
a) Analysis of tax charge for the year		
Current tax:		
Foreign corporation tax on net profit for the year	1,302,221	(1,611,824)
Income tax expense for the year on ordinary activities	1,302,221	(1,611,824)
Deferred tax:		
Origination and reversal of timing differences	(6,431,185)	(1,748,681)
Deferred tax expense for the period on ordinary activities	(6,431,185)	(1,748,681)
Taxation for the year	(5,128,964)	(3,360,505)

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

9. Taxation (continued)

	Year ended 31 December 2017 US\$	Year ended 31 December 2016 US\$
b) Factors affecting current tax charge for the year		
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	113,202,216	84,785,710
Irish tax at statutory corporation tax rate of 12.5%	14,150,277	10,598,214
Effects of:		
Prior year (over)/under provision	58,826	82,808
Group relief	-	27,834
Losses carried back to earlier period	431,162	
Non-taxable income / non-deductible expenses	912,815	129,514
Impact of change in tax rates	(118,070)	-
Income taxable at higher rate	323,556	-
Income taxable at higher rate applicable in each group entity's respective tax domicile	(10,629,602)	(7,477,865)
Total tax expense	(5,128,964)	(3,360,505)

c) 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 year is as follows:

	2017 US\$	2016 US\$
Deferred tax assets		
At beginning of the year	51,426,281	29,383,693
Movement during the year	30,269,943	22,042,588
At end of the year	81,696,224	51,426,281
Deferred tax liabilities		
At beginning of the year	55,704,353	30,954,882
Movement during the year	37,116,775	24,749,471
At end of the year	92,821,128	55,704,353
Net deferred tax liability	(11,124,904)	(4,278,072)

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

9. 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.

10. Cash and restricted cash

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

	2017 US\$	2016 US\$
<i>Unrestricted bank balances</i>		
Cash and cash equivalents	133,767,706	60,538,052
<i>Restricted cash</i>		
Bank balances subject to withdrawal restrictions	39,395,567	42,516,864
Total cash and restricted cash	173,163,273	103,054,916

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.

11. Other receivables

	2017 US\$	2016 US\$
Other receivables		
Value added tax refund (i)	4,155,381	2,782,561
Loan receivables (ii)	3,500,000	-
Other receivables	2,088,287	2,472,353
Trade receivables (iii)	3,947,687	-
Asset management fees receivable (iv)	7,638,691	-
Prepaid expenses	304,305	-
Tax receivable	413,475	-
	22,047,826	5,254,914
Current	18,547,826	5,254,914
Non-current	3,500,000	-

(i) The Group has recognised a receivable of US\$4.2m (2016: US\$2.8m) in relation to Value added tax ("VAT") on asset management fees. This is expected to be recovered in the first half of 2018.

(ii) The Group has recognised a receivable of US\$3.5m in relation to loans provided to third parties on the sale of aircraft. This is classified as non-current as the amount is not repayable until after 2018.

(iii) Included within trade receivables is US\$1.7m of lease receivables due and payable from one lessee in relation to redelivery of 1 aircraft. The trade receivables balance also includes an impairment allowance on doubtful receivables of US\$0.3m (2016: US\$Nil).

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Notes to the consolidated financial statements for the year ended 31 December 2017

11. Other receivables (continued)

(iv) The Group has recognised a receivable in relation to payments made to GMIL for the asset management fee. See note 7 for details of asset management fee.

Management performs an assessment at year end on the recoverability of receivables. Management uses experience and considers receivables which are past due when determining the impairment of receivable balances.

	2017 US\$	2016 US\$
Impairment allowance on doubtful receivables		
At beginning of the year	-	-
Impairment charge on doubtful receivables	331,758	-
At end of the year	331,758	-

During the year, management recognised a provision of US\$332k in relation to a past due trade receivable of US\$977k with one lessee. The Group drew down on the related security deposit of US\$646k. Negotiations with the lessee are still ongoing and we expect to recover the full amount of this trade receivable. All other receivables are neither past due or impaired.

12. Aircraft (and related) assets

As at 31 December 2017, the carrying value of aircraft (and related) assets is US\$4,343.8m (2016: US\$3,052.4m). 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. The Group recorded an impairment charge of US\$3.6m during the year ended 31 December 2017 (2016: 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 4 aircraft during the year ended 31 December 2017 (2016: 8 aircraft). There was 1 aircraft at 31 December 2017 (2016: Nil) which was classified as held for sale. During the year ended 31 December 2017, the Group recorded a loss on aircraft transferred to held for sale of US\$2.1m (2016: US\$Nil).

Depending on the financing arrangements, the aircraft may be pledged as security, as required in the financing documents. (See note 18).

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Notes to the consolidated financial statements for the year ended 31 December 2017

12. Aircraft (and related) assets (continued)

Maintenance intangible assets

As at 31 December 2017, the carrying value of the maintenance intangible asset is US\$194.7m (2016: US\$180.0m). 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.

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.

As at 31 December 2017, the carrying value of lease intangible asset is US\$24.0m (2016: US\$44.5m) 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 2017

12. Aircraft (and related) assets (continued)

	Aircraft and Engines	Maintenance intangible assets	Lease intangible assets	Total
Cost				
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
Intangibles capitalised to Aircraft asset	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
Aircraft acquired during the year	1,750,237,993	39,194,765	3,869,952	1,793,302,710
Intangibles capitalised to Aircraft asset	26,388,725	(6,926,833)	(19,461,892)	-
Release of maintenance intangibles on lease termination	-	(8,504,666)	-	(8,504,666)
Aircraft sales	(330,325,902)	(9,040,104)	(4,696,976)	(344,062,982)
Aircraft transferred to Held for Sale	(20,314,482)	-	-	(20,314,482)
Balance at 31 December 2017	4,396,932,723	194,744,827	31,010,966	4,622,688,516
Accumulated depreciation and amortisation				
Balance at 31 December 2015	(54,707,403)	-	(1,023,763)	(55,731,166)
Aircraft Sales	7,959,609	-	-	7,959,609
Depreciation / Amortisation for the year	(96,275,537)	-	(5,788,097)	(102,063,634)
Balance at 31 December 2016	(143,023,331)	-	(6,811,860)	(149,835,191)
Aircraft Sales	7,968,627	-	1,172,109	9,140,736
Aircraft transferred to Held for Sale	2,371,004	-	-	2,371,004
Reclassification of intangibles to aircraft asset	(2,288,935)	-	2,288,935	-
Current year depreciation / amortisation	(133,282,921)	-	(3,704,296)	(136,987,217)
Impairment charge (i)	(3,562,794)	-	-	(3,562,794)
Balance at 31 December 2017	(271,818,350)	-	(7,055,112)	(278,873,462)
Net book value				
At 31 December 2016	2,827,923,058	180,021,665	44,488,022	3,052,432,745
At 31 December 2017	4,125,114,373	194,744,827	23,955,854	4,343,815,054

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Notes to the consolidated financial statements for the year ended 31 December 2017

12. Aircraft (and related) assets (continued)

- (i) During the year ended 31 December 2017, the early termination of one lease agreement led to an impairment charge of US\$3.6m (2016: US\$Nil) in relation to 1 aircraft. The group determined that the discounted cash flows on the assets value in use was less than the carrying value of the asset.

Geographic concentration

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

	2017		2016	
	US\$	%	US\$	%
Africa	117,560,698	3	81,370,063	3
Americas	686,014,840	16	391,564,505	13
Asia (ex-China)	1,564,509,368	36	1,049,002,023	34
Australia	201,945,993	5	209,403,903	7
China	223,601,456	5	232,959,361	8
Europe	925,282,771	21	738,291,554	24
Middle East	624,899,928	14	349,841,336	11
Total	4,343,815,054	100	3,052,432,745	100

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

13. Lease premium

Lease premium represents the difference between the purchase price and fair value of the aircraft in sale and leaseback transactions. Lease premiums 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 premium of US\$485k for the year ended 31 December 2017 (2016: US\$485k).

	2017 US\$	2016 US\$
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	(1,276,735)	(791,797)
Charge during the year	(484,938)	(484,938)
At end of year	(1,761,673)	(1,276,735)
Carrying value at end of the year	2,603,845	3,088,783

14. Lease incentive asset

The lease incentive asset represents contributions made by the group towards the lessee's cost of a maintenance event. The lease incentive asset is amortised on a straight-line basis over the life of the lease and recorded as a reduction in lease rental income.

	2017 US\$	2016 US\$
Cost		
At beginning of year	-	-
Additions during the year	664,967	-
At end of year	664,967	-
Accumulated amortisation		
At beginning of year	-	-
Charge during the year	-	-
At end of year	-	-
Carrying value at end of the year	664,967	-

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Notes to the consolidated financial statements for the year ended 31 December 2017

15. Assets held for sale

At 31 December 2017, the Group held 1 aircraft classified as held for sale (2016: Nil). Under the provisions of IFRS 5, any aircraft which meets certain criteria and is expected to be sold in its present condition is required to be classified as held for sale. Any other assets/liabilities transferring within the sale should also be classified as held for sale.

	2017 US\$	2016 US\$
Assets classified as held for sale		
Aircraft (and related) assets - cost	20,314,482	-
Aircraft (and related) assets - accumulated depreciation	(2,371,004)	-
Loss on transfer to held for sale	(2,083,480)	-
	15,859,998	-

Geographic concentration

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

	2017 US\$	%	2016 US\$	%
Asia (ex-China)	15,859,998	100	-	-
	15,859,998	100	-	-

16. PDP receivables

As at 31 December 2017, the Group recognised a receivable in relation to predelivery payments made to one third party in relation to three aircraft.

	2017 US\$	2016 US\$
PDP receivables		
At beginning of the year	-	-
PDP payments made during the year	58,717,960	-
At end of the year	58,717,960	-

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Notes to the consolidated financial statements for the year ended 31 December 2017

17. Other payables

	2017 US\$	2016 US\$
Interest payable	20,666,994	10,314,041
Advisory fees payable	4,660,385	4,262,968
Asset management fees payable	-	1,816,099
Legal and loan fees payable	8,234,612	3,327,022
Lessor contribution liability	364,489	-
Aircraft acquisition price (i)	12,554,307	2,272,578
Consumption tax	271,767	36,813
Trade payables	-	1,000,000
Current tax	-	2,834,140
	46,752,554	25,863,661

(i) The Group acquired a portfolio of 6 aircraft in December 2017. Part of the purchase price is payable on novation of the leases which occurred after year end.

18. Loans and borrowings

The balance of borrowings as at 31 December 2017 is US\$3,091.9m (2016: US\$1,964.4m). 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.

	2017 US\$	2016 US\$
Loans and borrowings - current		
Secured bank loans	189,114,541	85,460,769
Financing fees	(6,790,127)	(5,667,735)
	182,324,414	79,793,034
Loans and borrowings - non-current		
Secured bank loans	1,434,454,201	1,195,001,113
Unsecured bank loans	1,502,234,158	712,464,409
Financing fees	(27,160,508)	(22,866,215)
	2,909,527,851	1,884,599,307

The unamortised debt issuance costs at 31 December 2017 amortise over the term of the related borrowings. During the year ended 31 December 2017, the Group repaid outstanding debt earlier than the contracted termination date of US\$381.4m (2016: US\$642.4m). The total net amount of borrowing costs capitalised during the year ended 31 December 2017 was US\$17.7m (2016: US\$11.8m).

Amortisation of debt issuance costs included in financing costs was US\$12.3m during the year ended 31 December 2017 (2016: US\$11.1m). The charge for the year includes US\$4.3m (2016: US\$4.9m) of accelerated amortisation following the early repayment of debt facilities.

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Notes to the consolidated financial statements for the year ended 31 December 2017

18. Loans and borrowings (continued)

Unsecured debt facilities:

As at 31 December 2017, 56 aircraft (2016: 31 aircraft) were being financed by unsecured financing. During the year ended 31 December 2017, the Group raised unsecured debt facilities consisting of a US Private Placement. The outstanding balance of unsecured debt as at 31 December 2017 was US\$1,502.2m (2016: US\$712.5m), and the key terms of these facilities are set out below.

Secured debt facilities:

As at 31 December 2017, 43 aircraft (2016: 45 aircraft) were financed by secured debt facilities. The group had outstanding secured debt of US\$1,623.6m as at 31 December 2017 (2016: US\$1,280.5m) which consisted of 10 facilities financed by 27 institutions. Under the terms of these facilities, the aircraft are pledged as security, as required in the financing documents. The aircraft may have also been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deed. The recourse of the lenders and the other parties to the transaction documents is limited to the assets secured by the aircraft owning entities and to any monies received by the aircraft owning entities pursuant to the transaction documents. The carrying value of secured aircraft (and related) assets which are pledged as security, are set out below:

Assets pledged as security

	2017 US\$	2016 US\$
Non-current		
Aircraft (and related) assets	2,130,066,026	1,866,153,758
	2,130,066,026	1,866,153,758

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 2017

	Range of average nominal interest rates (%)	Year of Maturity	2017 US\$
Floating rate loans			
Secured bank loans	LIBOR + 0.8 to 2.15	2018 - 2029	1,351,289,847
Unsecured bank loans	LIBOR + 1.5 to 2.4	2019 - 2021	704,734,158
Fixed rate loans			
Secured bank loans	2.89 - 5	2021 - 2029	272,278,895
Unsecured bank loans	3.90 - 4.71	2021 - 2027	797,500,000
			3,125,802,900

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Notes to the consolidated financial statements for the year ended 31 December 2017

18. Loans and borrowings (continued)

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

See note 23 for details of contractual maturities of debt.

19. Maintenance reserves

	2017 US\$	2016 US\$
At beginning of the year	152,819,508	93,524,107
Lessee contributions during the year	55,618,985	84,494,211
Sale of aircraft	(25,338,287)	(20,016,711)
Maintenance reserves released	(6,872,532)	-
Lessee claims against reserves	(1,375,508)	(5,182,099)
At end of the year	174,852,166	152,819,508
Current	16,702,650	1,375,508
Non-current	158,149,516	151,444,000

Maintenance deposits of US\$5.1m (2016: US\$6.0m) are restricted cash deposits in accordance with the individual financing documents. This cash is charged as security in favour of the financiers.

20. Security deposits

	2017 US\$	2016 US\$
At beginning of the year	36,289,036	25,138,702
Deposits received during the year	10,698,684	12,574,552
Sale of aircraft	(2,480,000)	(1,424,218)
Security deposits returned to lessees	(1,816,068)	-
At end of the year	42,691,652	36,289,036
Current	1,550,000	1,816,068
Non-current	41,141,652	34,472,968

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Notes to the consolidated financial statements for the year ended 31 December 2017

21. 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:

At 31 December 2017	Fair Value Hierarchy Level	Carrying amount 2017 US\$'000	Fair value 2017 US\$'000
Loans and receivables			
Cash and cash equivalents	2	133,768	133,768
Restricted cash	2	39,396	39,396
Other receivables	2	22,048	22,048
PDP receivables	2	58,718	58,718
		253,930	253,930
Financial assets at fair value through profit and loss			
Derivative financial instruments	2	17,860	17,860
Financial assets		272,185	272,185
		2017 US\$'000	2017 US\$'000
Other financial liabilities			
Maintenance reserves	2	174,852	174,852
Security deposits	2	42,692	42,692
Loans and borrowings	3	3,091,852	3,149,193
Other payables	2	46,753	46,753
		3,356,149	3,413,490
Financial liabilities at fair value through profit and loss			
Derivative financial instruments	2	3,756	3,756
Financial liabilities		3,359,905	3,417,246

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

21. Financial instruments and financial risk management (continued)

At 31 December 2016

	Fair Value Hierarchy Level	Carrying amount 2016 US\$'000	Fair value 2016 US\$'000
Loans and receivables			
Cash and cash equivalents	2	60,538	60,538
Restricted cash	2	42,517	42,517
Other receivables	2	5,255	5,255
		108,310	108,310
Financial assets at fair value through profit and loss			
Derivative financial instruments	2	15,793	15,793
Financial assets		124,103	124,103
Other financial liabilities			
Maintenance reserves	2	152,820	152,820
Security deposits	2	36,289	36,289
Loans and borrowings	3	1,964,392	1,969,967
Other payables	2	25,864	25,864
		2,179,365	2,184,940
Financial assets at fair value through profit and loss			
Derivative financial instruments	2	8,629	8,629
Financial liabilities		2,187,994	2,193,569

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.

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.

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).

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

21. Financial instruments and financial risk management (continued)

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.

Derivative Assets	2017 US\$	2016 US\$
<i>Interest rate swap assets</i>		
Derivative Instruments in designated hedging relationships	11,697,889	10,866,669
Fair Value through profit or loss (FVTPL)	6,099,255	4,925,898
<i>FX Forwards</i>		
Fair value through profit or loss (FVTPL)	62,389	-
	17,859,533	15,792,567

Derivative Liabilities

Interest rate swap liabilities

Derivative Instruments in designated hedging relationships	453,836	3,401,331
Fair value through profit or loss (FVTPL)	3,288,122	5,228,151

FX Forwards

Fair value through profit or loss (FVTPL)	14,130	-
	3,756,088	8,629,482

Cash flow hedging reserve	2017 US\$	2016 US\$
Balance at the beginning of the year	3,212,180	(10,713,284)
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges	501,727	13,398,905
Income tax related to gains/losses recognised in other comprehensive income	(415,647)	2,234,894
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	1,921,631	(1,708,335)
	5,219,891	3,212,180

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, consistent with the Group's accounting policy.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

22. 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 2016	-	-
Ordinary share issued during the year at US\$1 each	-	-
Total issued ordinary shares as at 31 December 2017	-	-
Preference shares of US\$0.001 each		
Preference shares of US\$0.001 each as at 31 December 2016	362,026,264	362,026
Preference share premium of US\$0.999 each as at 31 December 2016		361,664,238
Preference shares issued during the year at US\$0.001 each	-	-
Total issued preference shares as at 31 December 2017	362,026,264	362,026,264
Equity contributions		
Equity contributions as at 31 December 2016		556,754,560
Equity contributions received during the year		258,937,174
Capital repayments during the year		(13,465,000)
Equity contributions as at 31 December 2017		802,226,734

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 2017

22. 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 preference 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 at the discretion of the company in the form of cash or by way of a 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 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
Equity contributions received during 2016	-	306,454,560	-	-	306,454,560
Dividend distributions to preference 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
Total comprehensive income for the year	-	-	108,073,252	2,007,711	110,080,963
Equity contributions	-	258,937,174	-	-	258,937,174
Repayment of capital	-	(13,465,000)	-	-	(13,465,000)
Dividend distributions to preference shareholders	-	-	(93,130,000)	-	(93,130,000)
Balance at 31 December 2017	362,026,264	802,226,734	66,941,873	5,219,891	1,236,414,762

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

22. 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 ended 31 December 2017, the shareholders made equity contributions of US\$258.9m (2016: US\$306.4m).

Dividend distribution

Included in other comprehensive income for the year are preference dividends of US\$93,130,000 (2016: US\$60,850,000) paid during the year.

	US\$ cent per preference share	Number of shares issued	Dividend declared and paid
Dividend distribution paid (27 January 2017)	4.81	362,026,264	17,430,000
Dividend distribution paid (16 March 2017)	3.09	362,026,264	11,200,000
Dividend distribution paid (5 May 2017)	4.97	362,026,264	18,000,000
Dividend distribution paid (21 July 2017)	5.14	362,026,264	18,600,000
Dividend distribution paid (24 October 2017)	5.44	362,026,264	19,700,000
Dividend distribution paid (28 December 2017)	2.27	362,026,264	8,200,000
			<u>93,130,000</u>

Subsequent to year end, the directors declared and paid dividend distributions on preference shares of US\$21.5m during January 2018.

23. 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.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

23. Risk management (continued)

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.

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 foreign exchange gain/loss derives from non-US operational transactions.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

23. Risk management (continued)

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	100 BPS
	US\$	US\$
2017	1,054,034	2,108,069
	50 BPS	100 BPS
	US\$	US\$
2016	1,566,499	3,132,997

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\$6.4m (2016: US\$38.5m) and US\$12.8m (2016: US\$77m) respectively.

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).

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

23. Risk management (continued)

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.

The table below shows the ageing of financial assets that are past due but not impaired and those that are impaired at the end of the reporting period.

	Less than one month \$'000	One to two months \$'000	More than two months \$'000
As at 31 December 2017			
<i>Amounts past due but not impaired</i>			
Trade receivables	2,251	-	1,697
<i>Amounts deemed to be impaired</i>			
Trade receivables	-	-	332
As at 31 December 2016			
<i>Amounts past due but not impaired</i>			
Trade receivables	-	-	-
<i>Amounts deemed to be impaired</i>			
Trade receivables	-	-	-

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:

	Notes	2017 US\$	2016 US\$
Cash at bank	10	133,767,706	60,538,052
Restricted cash	10	39,395,567	42,516,864
PDP receivables	16	58,717,960	-
Derivative financial assets	21	17,859,533	15,792,567
Other receivables	11	22,047,826	5,254,914
Total		271,788,592	124,102,397

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

23. 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 2017

	Carrying Amount	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	US\$'000
Non- derivative financial liabilities							
Secured bank loans							
(external)	1,623,569	(2,053,913)	(253,387)	(157,260)	(159,467)	(158,345)	(1,325,454)
Unsecured bank loans							
(external)	1,502,234	(1,828,977)	(43,285)	(77,190)	(586,601)	(214,320)	(907,581)
Other payables	46,753	(46,753)	(46,753)	-	-	-	-
Total	3,172,556	(3,929,643)	(343,425)	(234,450)	(746,068)	(372,665)	(2,233,035)
Derivative financial assets / (liabilities)							
Interest rate swaps / FX forwards	14,103	27,872	947	3,722	4,813	5,012	13,378
Total	14,103	27,872	947	3,722	4,813	5,012	13,378

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

23. Risk management (continued) – Liquidity Risk (continued)

As at 31 December 2016

	Carrying Amount	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	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	25,864	(25,864)	(25,864)	-	-	-	-
Total	2,018,790	(2,347,902)	(165,602)	(143,769)	(185,567)	(538,458)	(1,314,596)
Derivative financial assets / (liabilities)							
Interest rate swaps	7,163	11,858	(8,048)	(5,630)	1,598	4,261	19,677
Total	7,163	11,858	(8,048)	(5,630)	1,598	4,261	19,677

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

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 / FX forwards</i>						
Net settled - inflow	89,914	12,688	14,239	14,548	13,920	34,519
Net settled - outflow	(62,042)	(11,741)	(10,517)	(9,735)	(8,908)	(21,141)
Total	27,872	947	3,722	4,813	5,012	13,378

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

23. Risk management (continued) – Liquidity risk (continued)

As disclosed in note 18, 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.

24. Commitments and contingencies

At 31 December 2017, the Group had capital commitment for the purchase of 4 aircraft for \$193m, which is the total purchase price of aircraft, with purchase agreements in place, delivering in 2018.

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

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\$15,570,395 were paid in cash during the year and US\$4,660,385 is included in other payables. Asset management fees of US\$15,811,613 were paid in cash during the period and US\$7,638,691 is included in other receivables.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

25. Related parties (continued)

(b) Significant subsidiaries

31 December 2017	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 B.V. (Netherlands)*	100%	Netherlands
Dionysus Aviation Designated Activity Company (Ireland)*	100%	Ireland
Luan Aviation Designated Activity Company (Ireland) *	100%	Ireland
Yellowstone Aviation Designated Activity Company (Ireland) *	100%	Ireland

31 December 2016	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.

(c) Key management remuneration

Key management are the Directors of the entity, as listed in the Directors' Report. During the year ended 31 December 2017 and 31 December 2016, key management did not receive any remuneration.

Goshawk Aviation Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

26. 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 2018)	5.94	362,026,264	21,500,000
			<u>21,500,000</u>

In January 2018, the Group signed a sales agreement in relation to 1 aircraft.

In February 2018, the Group sold 3 aircraft, one of which was classified as held for sale as at 31 December 2017.

There have been no other significant events subsequent to 31 December 2017.

27. Approval of consolidated financial statements

The Board of Directors approved and authorised these consolidated financial statements on 20 April 2018