AVIAAM LEASING AB

INDEPENDENT AUDITOR'S REPORT,

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS Pages

Independent auditor’s report

To the shareholders of AviaAM Leasing AB

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of AviaAM Leasing AB and its subsidiaries (“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 as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

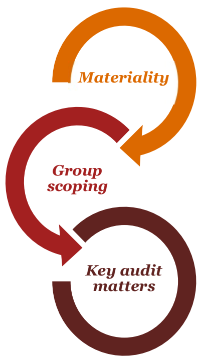
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements. The non-audit services that we have provided to the Group, in the period from 1 January 2017 to 31 December 2017, are disclosed in the note 8 to the consolidated financial statements.

Our audit approach

Overview



Materiality

Overall Group materiality is USD 1,720 thousand, which represents 5% of profit before tax

Audit scope

A full-scope audit was performed by PwC Lithuania for all Group entities.

Key audit matters

- Recoverability of loans granted.
- Recognition of revenue from sales of aircraft.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall materiality	USD 1,720 thousand (2016: USD 1,110 thousand)
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	We have applied this benchmark because profit before tax is the key measure used both internally by management and, in our view, externally by shareholders in evaluating the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD 85 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Recoverability of loans granted
Refer to Note 2 'Summary of significant accounting policies', Note 3 'Financial risk management' and Note 16 'Loans granted' for further details.
As at 31 December 2017, the Group's balance sheet includes loans granted in the amount of USD 54,388 thousand.
Loans granted are carried at amortised cost using the effective interest method, less provision for impairment. Certain aspects of the accounting for loan impairment losses require significant judgement of management, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, and the assessment of the recoverable amount.
Due to the significance of loans balances (representing 31% of total assets) and magnitude and uncertainty of the estimation of expected future cash flows and resulting impairment provision, if any, for loans granted this area is considered as a key audit matter.
</td><td>
We assessed whether the Group's accounting policy in relation to the measurement of impairment provision of the loans is in compliance with IFRS effective as at 31 December 2017.
We assessed management's ability to estimate accurately the amount of the loan impairment provision by comparing the estimates of loan impairment provision in prior years with the actual losses incurred in the current period.
Our audit procedures included evaluating the methodologies, inputs and assumptions used in determining and calculating the impairment losses for loans.
We performed the following detail testing on the valuation of the provision for impairment:

We tested the reliability of the interest and principal payments aging report;
We examined aging reports by debtor to check for long outstanding balances and obtained supporting explanations and documentation of collectability;
We reviewed post-balance sheet payments collected for overdue interest and principal balances and additional arrangements made with the debtors; and
We challenged management' assumptions regarding the estimates of expected cash payment for overdue loans and resulting calculation of the impairment provision.

Our testing was aimed at identifying impairment losses at the individual basis.
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</table>

	We assessed also whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk. We found no material exceptions arising from our work.
Recognition of revenue from sales of aircraft *Refer to Note 2 'Summary of significant accounting policies', Note 4 'Critical accounting estimates' and Note 5 'Revenue' for further details.* In 2017, the Group recognised revenue of USD 50,597 thousand, of which USD 16,059 thousand is related to the sale of aircraft and USD 11,568 thousand is related to the commission income. The Group is engaged in aircraft transactions where the Group is: • A principal acting on its own account when contracting with the customers for the supply of aircraft in return for consideration (revenue of USD 16,059 thousand for the reporting period); or • An agent acting as an intermediary earning a commission in return for arranging the provision of aircraft on behalf of a principal (revenue in the form of the commission income of USD 11,568 thousand for the reporting period). When the Group acts as an agent, the gross inflow of economic benefit is not revenue, as the Group is not exposed to the significant risks and rewards associated with the sale of the aircraft. Instead, a commission income is recognised as revenue. The determination whether the Group acts as an agent or principal in a particular transaction is complex and requires judgment and therefore, it is considered as a key audit matter.	We evaluated the facts and circumstances surrounding the relationships as to whether the Group was acting as a principal or an agent in the transactions, i.e. whether it was exposed to the significant risks and rewards associated with the sale of the aircraft, as required in accordance with IFRS effective as at 31 December 2017.. Our procedures included reading the aircraft acquisition and sale agreements, review acquisition transfer and sale transfer-acceptance certificates, evaluating other explanations provided by management and assessing the Group's overall judgement based on the factors whether the Group was acting as a principal or an agent. We concluded that management appropriately evaluated all facts and circumstances related to aircraft sold and commission income. We found no material exceptions arising from our work.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries and joint venture that are further disclosed in Note 1. A full scope audit was performed by PwC Lithuania.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year ended 31 December 2017, for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group on 1 June 2011. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 7 years.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

Radzevičienė

Rasa Radzevičienė
Partner
Auditor's Certificate No. 000377

Vilnius, Republic of Lithuania
4 April 2018

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

			2017		2016
	Note	USD	EUR	USD	EUR
Revenue	5	50,597	44,804	89,531	80,863
Interest income on loans		1,985	1,757	1,796	1,622
Costs of aircraft sold		(12,917)	(11,438)	(40,813)	(36,836)
Costs of services rendered	6	(436)	(386)	(9,637)	(8,704)
Aircraft maintenance and servicing expenses		(5,370)	(4,756)	(3,345)	(3,021)
Depreciation of aircraft		(6,725)	(5,955)	(8,943)	(8,077)
Impairment loss of aircraft – net	12	(1,305)	(1,156)	(5,609)	(5,066)
Revaluation of investment property	13	-	-	(596)	(538)
Impairment of receivables and prepayments		(1,154)	(1,022)	-	-
Employee-related expenses	7	(1,258)	(1,114)	(883)	(797)
Other operating expenses	8	(3,042)	(2,694)	(2,340)	(2,113)
Gain on sale of property, plant and equipment		9,568	8,472	6,633	5,991
Other gain (losses) – net		50	44	(177)	(185)
Operating profit		**29,993**	**26,556**	**25,617**	**23,139**
Finance income	9	5,028	4,452	729	658
Finance costs	9	(2,347)	(2,074)	(5,103)	(4,609)
Finance costs – net		**2,681**	**2,378**	**(4,374)**	**(3,951)**
Share of profit of joint ventures	14	**1,588**	**1,406**	-	-
Profit (loss) before income tax		**34,262**	**30,340**	**21,243**	**19,188**
Income tax	10	(4,109)	(3,639)	(3,423)	(3,122)
Profit (loss) for the period		**30,153**	**26,701**	**17,820**	**16,066**
Profit (loss) for the period from assets held for sale	31	153	136	-	-
Profit (loss) for the period		**30,306**	**26,837**	**17,820**	**16,066**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Currency translation differences on translation to presentation currency		-	(15,211)	-	4,533
Items that may be reclassified to profit or loss:					
Revaluation of available for sale investments		(379)	(316)	713	682
Deferred income tax on revaluation of available for sale investments		87	73	(147)	(141)
Total other comprehensive income		**(292)**	**(15,454)**	**566**	**5,074**
Total comprehensive income		**30,014**	**11,383**	**18,386**	**21,140**
Basic and diluted earnings per share (USD/EUR)	11	**0.70**	**0.62**	**0.41**	**0.37**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements. The financial statements on pages 10 to 63 have been approved by the Management Board as at 5 April 2018 and signed by the Executive Director and Chief Financier.

Justinas Gilys
Executive Director

Laima Gruzdienė
Chief Financier

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	31 December 2017 USD	31 December 2017 EUR	31 December 2016 USD	31 December 2016 EUR
ASSETS					
Non-current assets					
Property, plant and equipment	12	39,462	32,904	94,897	90,784
Investment property	13	1,833	1,528	2,091	2,000
Intangible assets		1	1	1	1
Investments in joint venture	14	40,603	33,855	15,300	14,300
Available-for-sale financial assets	15	1,746	1,456	2,125	2,019
Loans granted	17	37,119	30,951	4,767	4,561
Trade and other receivables	18	-	-	558	534
		120,764	**100,695**	**119,739**	**114,199**
Current assets					
Inventory	16	1,476	1,231	1,463	1,401
Loans granted	17	17,269	14,400	24,370	23,314
Trade and other receivables	18	12,344	10,292	25,103	24,009
Financial assets at fair value through profit or loss	19	-	-	11,298	10,808
Cash and cash equivalents	20	15,774	13,153	28,916	27,663
		46,863	**39,076**	**91,150**	**87,195**
Assets classified as held for sale	31	**6,518**	**5,435**	**-**	**-**
Total assets		**174,145**	**145,206**	**210,889**	**201,394**
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	21	16,804	12,559	16,804	12,559
Share premium	21	27,972	20,878	27,972	20,878
Legal reserve	21	1,740	1,254	1,740	1,254
Reserve for own shares	21	-	-	1,315	1,204
Revaluation reserve (deficit) of financial assets	21	(905)	(754)	(613)	(587)
Cumulative translation reserve		-	3,248	-	18,459
Retained earnings	21	97,742	82,345	66,121	54,305
Total equity		**143,353**	**119,530**	**113,339**	**108,072**
LIABILITIES					
Non-current liabilities					
Borrowings	22	3,092	2,578	50,859	48,655
Security deposits received	24	4,233	3,530	5,210	4,984
Trade and other payables	23	200	167	-	-
Deferred income tax liabilities	25	2,978	2,485	2,709	2,592
		10,503	**8,760**	**58,778**	**56,231**
Current liabilities					
Borrowings	22	2,303	1,920	8,642	8,267
Trade and other payables	23	9,015	7,517	25,104	24,016
Security deposits received	24	980	817	-	-
Advances received	25	60	50	291	279
Current income tax liabilities		6,948	5,793	4,735	4,529
		19,306	**16,097**	**38,772**	**37,091**
Total liabilities		**29,809**	**24,857**	**97,550**	**93,322**
Total equity and liabilities		**173,162**	**144,387**	**210,889**	**201,394**
Liabilities classified as held for sale	31	**983**	**819**	**-**	**-**
Total equity and liabilities		**174,145**	**145,206**	**210,889**	**201,394**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Justinas Gilys
Executive Director

Laima Gruzdienė
Chief Financier

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Retained earnings	Total equity
Balance at 1 January 2016		**16,804**	**27,972**	**1,740**	**1,315**	**-**	**(1,179)**	**49,289**	**95,941**
Comprehensive income									
Revaluation of financial assets available for sale	15	-	-	-	-	-	713	-	713
Deferred income tax on revaluation of financial assets available for sale	25	-	-	-	-	-	(147)	-	(147)
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**566**	**-**	**566**
Profit for the year		-	-	-	-	-	-	17,820	17,820
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**566**	**17,820**	**18,386**
Transactions with owners									
Dividends	21	-	-	-	-	-	-	(988)	(988)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(988)**	**(988)**
Balance at 31 December 2016/ 1 January 2017		**16,804**	**27,972**	**1,740**	**1,315**	**-**	**(613)**	**66,121**	**113,339**
Comprehensive income									
Revaluation of financial assets available for sale	15	-	-	-	-	-	(379)	-	(379)
Deferred income tax on revaluation of financial assets available for sale	25	-	-	-	-	-	87	-	87
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(292)**	**-**	**(292)**
Profit for the period		-	-	-	-	-	-	30,306	30,306
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(292)**	**30,306**	**30,014**
Transactions with owners									
Transfer from reserve for own shares	21	-	-	-	(1,315)	-	-	(1,315)	-
Total transactions with owners		**-**	**-**	**-**	**(1,315)**	**-**	**-**	**1,315**	**-**
Balance at 31 December 2017		**16,804**	**27,972**	**1,740**	**-**	**-**	**(905)**	**97,742**	**143,353**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Justinas Gilys
Executive Director

Laima Gruzdienė
Chief Financier

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

EUR	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Cum. trans.	Retained earnings	Total equity
Balance at 1 January 2016		**12,559**	**20,878**	**1,254**	**1,204**	**-**	**(1,079)**	**13,926**	**39,066**	**87,808**
Comprehensive income										
Revaluation of financial assets available for sale	15	-	-	-	-	-	682	-	-	682
Deferred income tax on revaluation of financial assets available for sale	25	-	-	-	-	-	(141)	-	-	(141)
Currency translation differences		-	-	-	-	-	(49)	4,533	-	4,484
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**492**	**4,533**	**-**	5,025
Profit for the period		-	-	-	-	-	-	-	16,066	16,066
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**492**	**4,533**	**16,066**	**21,091**
Transactions with owners	21									
Dividends		-	-	-	-	-	-	-	(866)	(866)
Currency translation differences		-	-	-	-	-	-	-	39	39
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(827)**	**(827)**
Balance at 31 December 2016/ 1 January 2017		**12,559**	**20,878**	**1,254**	**1,204**	**-**	**(587)**	**18,459**	**54,305**	**108,072**
Comprehensive income	15									
Revaluation of financial assets available for sale	25	-	-	-	-	-	(316)	-	-	(316)
Deferred income tax on revaluation of financial assets available for sale	15	-	-	-	-	-	73	-	-	73
Currency translation differences		-	-	-	-	-	76	(15,211)	-	(15,135)
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(167)**	**(15,211)**	**-**	**(15,378)**
Profit for the period		-	-	-	-	-	-	-	26,837	26,837
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(167)**	**(15,211)**	**26,837**	**11,459**
Transactions with owners										
Dividends	21	-	-	-	-	-	-	-	-	-
Currency translation differences		-	-	-	(1,204)	-	-	-	1,204	-
Total transactions with owners		**-**	**-**	**-**	**(1,204)**	**-**	**-**	**-**	**1,204**	**-**
Balance at 31 December 2017		**12,559**	**20,878**	**1,254**	**-**	**-**	**(754)**	**3,248**	**82,346**	**119,531**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Justinas Gilys
Executive Director

Laima Gruzdienė
Chief Financier

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	2017 USD	2017 EUR	2016 USD	2016 EUR
Operating activities					
Profit (loss) before income tax		34,262	30,340	21,243	19,188
Adjustments for:				-	
Depreciation and amortisation	12	6,725	5,955	8,943	8,077
Impairment of accounts receivable and prepayments		1,154	1,022	-	-
Discounting effect		657	582	(72)	(65)
Finance income/costs – net	9	1,366	1,210	(429)	(388)
Share of gain from joint venture	14	(1,588)	(1,406)	-	-
Impairment loss of aircraft	12	1,305	1,156	5,609	5,066
Change in fair value of investment property	13	-	-	596	538
Profit from sale of fixed assets		(9,568)	(8,472)	(6,633)	(5,991)
Changes in working capital:					
Trade and other receivables		14,192	12,568	(18,513)	(16,722)
Trade and other payables		(24,058)	(21,304)	28,212	25,480
Security deposits and advances received		1,708	1,513	981	886
Inventory		(13)	(12)	(61)	(55)
Cash generated from operations		**26,142**	**23,152**	**39,876**	**36,014**
Interest paid		(1,552)	(1,374)	(2,597)	(2,346)
Income tax paid		(1,398)	(1,238)	(2,298)	(2,076)
Net cash generated from operating activities		**23,192**	**20,540**	**34,981**	**31,592**
Investing activities					
Purchase of property, plant and equipment		(11,599)	(10,271)	(90,707)	(81,925)
Purchase of investment property		(3,324)	(2,943)	(1,158)	(1,046)
Prepayments for property plant and equipment		-	-	-	-
Sale of property, plant and equipment		71,504	63,317	55,225	49,878
Investments in joint ventures	14	(23,715)	(21,000)	(15,300)	(13,819)
Investments in other entities	15	-	-	(400)	(361)
Purchase of fin. assets carried at fair value through profit or loss		-	-	(11,974)	(10,815)
Loans granted		(16,883)	(14,950)	(23,399)	(21,133)
Loans repaid		899	796	6,342	5,728
Interest received		278	246	1,075	971
Net cash used in investing activities		**17,160**	**15,195**	**(80,296)**	**(72,522)**
Financing activities					
Borrowings received		(51,066)	(45,219)	54,874	49,561
Repayment of borrowings		-	-	(3,787)	(3,420)
Dividends paid		-	-	(988)	(892)
Lease (finance lease) payments		(2,428)	(2,150)	(2,961)	(2,674)
Net cash used in financing activities		**(53,494)**	**(47,369)**	**47,138**	**42,575**
Increase (decrease) in cash and cash equivalents		**(13,142)**	**(11,634)**	**1,823**	**1,645**
Movement in cash and cash equivalents					
At beginning of year		28,916	27,663	27,093	24,797
Decrease in cash and cash equivalents		(13,142)	(11,634)	1,823	1,645
Foreign translation differences		-	(2,876)	-	1,221
At end of the year	20	**15,774**	**13,153**	**28,916**	**27,663**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Justinas Gilys
Executive Director

Laima Gruzdienė
Chief Financier

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

AviaAM Leasing AB (referred to as *the Company*) is a public limited liability company incorporated at State Enterprise Centre of the Republic of Lithuania as at 17 April 2009 (Company code – 302330793). The Company is domiciled in Vilnius, the capital of Lithuania. The address of its registered office is at Smolensko g. 10, LT-03201 Vilnius, Lithuania.

The Company's shares are traded on the Warsaw Stock Exchange as from 28 June 2013 (see Note 21).

The shareholders' structure of the Company as at 31 December 2017 and 31 December 2016 was as follows:

	As at 31 December 2017		As at 31 December 2016	
	Number of shares	**%**	**Number of shares**	**%**
ALH Aircraft Leasing Holdings Limited	12,994,905	30.01	12,994,905	30.01
Mesotania Holdings Limited	9,857,217	22.76	10,899,858	25.17
Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open pension fund)	2,500,000	5.77	5,000,000	11.55
Aurimas Sanikovas	294,478	0.68	294,478	0.68
Tadas Goberis	147,239	0.34	147,239	0.34
Other shareholders	17,511,754	40.44	13,969,113	32.25
Total	**43,305,593**	**100.00**	**43,305,593**	**100.00**

The Company and its subsidiaries (together, *the Group*) are engaged in the business of aircraft leasing, trading and management. The principal activity of the Group is operating leasing, management and trading of mid-life narrow body and regional jet aircraft. As of 31 December 2017 the Group owned 14 aircraft: 1 Airbus A321, 1 Boeing 737-300, 2 Boeing 737-500 and 10 Bombardier CRJ200 aircraft. 14 aircraft were leased out under operating lease contracts. As of 31 December 2016 the Group owned 17 aircraft: 4 Airbus A321, 1 Boeing 737-300, 2 Boeing 737-500 and 10 Bombardier CRJ200 aircraft. 16 aircraft were leased out under operating lease contracts and one Boeing B737 aircraft was under preparation for use.

In 2016, the Company acquired a 51% stake in a joint venture - AviaAM Financial Leasing China Co. Ltd., established on 4 August 2016. The principal activity of the joint venture is to provide comprehensive services across the field of aircraft acquisition, lease and sale.

On 19 December 2016 the Company, through one of its subsidiaries, acquired a remaining 50% stake in a joint-venture Regional Charter Capital Ltd. and effectively became the sole owner of the company. Regional Charter Capital Ltd. owns one Bombardier CRJ200 aircraft in a business jet configuration. The principal activity of the subsidiary is management of the subject aircraft.

As at 31 December 2017 the number of full-time staff employed by the Group totalled 19. As at 31 December 2016 the number of full-time staff employed by the Group totalled 18.

The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of another set of financial statements.

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

1 General information (continued)

The subsidiaries and joint ventures, which are included in the Group’s consolidated financial statements are indicated below:

The Group’s companies	Country of establishment	Share of equity, % As at 31 December 2017	Share of equity, % As at 31 December 2016	Date of acquiring (establishment) / activity / address of establishment
AviaAM B01 UAB	Lithuania	100	100	Date of acquiring: 4 January 2010 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B02 UAB	Lithuania	100	100	Date of acquiring: 4 January 2010 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B04 UAB	Lithuania	100	100	Date of establishment: 22 February 2007 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B05 UAB	Lithuania	100	100	Date of establishment: 28 June 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B06 UAB	Lithuania	100	100	Date of establishment: 15 July 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B07 UAB	Lithuania	100	100	Date of establishment: 30 September 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
DG21 UAB	Lithuania	100	100	Date of establishment: 7 August 2015 / Real estate management / Smolensko g. 10, Vilnius
DG AVIA UAB	Lithuania	100	-	Date of establishment: 17 February 2017 / Real estate management / Smolensko g. 10, Vilnius
AviaAM B10 Ltd	Ireland	100	100	Date of establishment: 17 December 2015 / Aircraft leasing / Suite 10, The Mall, Beacon Court, Sandyford, Dublin 18, Ireland
AAL Aircraft Investment Ltd	Cyprus	100	100	Date of establishment: 8 November 2016 / Aircraft leasing / Jacovides Tower, Georgiou Griva Digeni Ave. 81-83,1st floor, Office No. 122, 1090, Nicosia, Cyprus
AAL Capital Aircraft Holdings Ltd	Cyprus	100	100	Date of establishment: 29 September 2011 / Aircraft leasing / Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090 Nicosia, Cyprus
AviaAM Leasing Bermuda Ltd	Bermuda	100*	100*	Date of establishment: 16 September 2011 / Aircraft leasing / Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

1 General information (continued)

The Group's companies	Country of establishment	Share of equity, % As at 31 December 2017	Share of equity, % As at 31 December 2016	Date of acquiring (establishment) / activity / address of establishment
AviaAM B08 Ltd	Bermuda	100*	100*	Date of establishment: 26 April 2014 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda
AviaAM B09 Ltd	Bermuda	100*	100*	Date of acquiring: 27 June 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
Ice Aircraft Management Ltd	Bermuda	100*	100*	Date of establishment: 23 October 2013 /Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
Boulevard Two Aircraft Ltd	Ireland	100*	100*	Date of acquiring: 20 December 2013 / Aircraft leasing / 70 Sir John Rogerson's Quay, Dublin 2, Ireland
AviaAM Financial Leasing China Co., Ltd***	People's Republic of China	51	51	Date of establishment: 4 August 2016 / Aircraft leasing / 2401, Floor 24, No. 8, Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou City, Henan Province, People's Republic of China
Dikkys Investments Ltd	Cyprus	100*	100*	Date of acquiring: / 24 March 2016 Aircraft leasing / Jacovides Tower, Georgiou Griva Digeni Ave. 81-83, 1st floor, Office No. 122, 1090 Nicosia, Cyprus
Regional Charter Capital Ltd	Bermuda	100**	100**	Date of establishment: 31 October 2012 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda

* Shareholding through AAL Capital Aircraft Holdings Ltd. which owns 100 per cent of the company.
** Shareholding through AviaAM Leasing Bermuda Ltd.
*** Company has a 51% stake in a joint venture - AviaAM Financial Leasing China Co. Ltd (Note 14)

2 Summary of significant accounting policies

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

2.1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The financial statements for all periods in this report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and its interpretations and amendments that are effective as at 31 December 2017 ("IFRS").

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

2.1.1 Basis of preparation (continued)

The financial statements have been prepared on a going concern basis and under the historical cost convention. The consolidated financial statements are presented in US Dollars (USD) and Euro (EUR) and all values are rounded to the nearest thousand (USD’000 and EUR ´000) except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.2 Changes in accounting policy and disclosures

(a) Adoption of new and/or amended International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

Amendments to IAS 12 ‘Recognition of Deferred Tax Assets for Unrealised Losses ‘

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

Amendments to IAS 7 ‘Disclosure Initiative’

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company has applied the requirements of the new standard.

(b) Standards, interpretations and amendments that are not yet effective and have not been early adopted by the Company

IFRS 9, 'Financial instruments: Classification and measurement' (effective for annual periods beginning on or after 1 January 2018)

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

2.1.2 Changes in accounting policy and disclosures (continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging

The Group assesses this standards will have no significant impact on its financial statements, except on classification of available-for-sale financial assets which will be classified as at fair value through other comprehensive income and hence there will be no change to accounting for these assets. The Company also have financial assets attributed to the category of financial assets 'Loans and receivables' which according to new standard would be measured at amortised cost as before as the business model of these assets is held to collect contractual cash flows and they are SPPI.

The new impairment model requires the recognition of impairment provision based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS39. It applies to Company's financial assets classified at amortised cost. Based on the assessments undertaken to date, the Company does not expect any change in the allowance. The company evaluated the following parameters in evaluating expected credit losses:

- Liquidity ratios
- Long term assets which backs up the amounts payable
- The future performance indicators and business plans
- The payments received after the balance sheet date
- The structure of each concerned company being as the part of the company group
- The prospects of future cooperation, i.e. long-term contracts and new developments.

IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group assesses this standard will have no impact on its financial statements.

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

2.1.2 Changes in accounting policy and disclosures (continued)

Amendments to IFRS 15, ' Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018)

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group assesses this standard will have no impact on its financial statements.

IFRS 16**,** 'Leases' (effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group assesses this standard will have no significant impact on its financial statements

Amendments to IFRS 4 - 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches. (1) The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued ('overlay approach). In addition, the amended standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39. The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility. The Company assesses this standard will have no impact on its financial statements.

(c) Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Company

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28*
- *Classification and Measurement of Share-based Payment Transactions -Amendments to IFRS 2*
- *Annual Improvements to IFRSs 2014–2016 Cycle*
- *Transfers of Investment Property - Amendments to IAS 40*
- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*
- *IFRS 17, Insurance Contracts*
- *IFRIC 23, Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation - Amendments to IFRS 9*

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

2.1.2 Changes in accounting policy and disclosures (continued)

- *Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28*
- *Annual Improvements to IFRSs 2015-2017 cycle*

The Group is currently assessing the impact of these amendments on its financial statements.

There are no other new or amended standards and interpretations that are not yet effective and that may have a material impact for the Company

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Business combinations with entities not under common control

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Business combinations between entities under common control

IFRS 3, 'Business combinations' is not applied to business combinations between entities under common control, therefore, for the purpose of these financial statements business combinations between entities under common control were accounted for using the predecessor accounting (pooling of interest) method. The application of this method in practice consists of the following procedures:

- the assets and liabilities of the entities in business combination are stated at their carrying amounts;

- no newly arising goodwill is recognised on business combination;

- any differences between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings;

- the acquiree's results are consolidated as if the acquiree had always been controlled by the acquirer (or from the date the common control arises).

Inter-company transactions

Inter-company transactions, balances, income and expenses on transactions between entities including consolidated financial statements are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

2.2 Consolidation (continued)

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint venture is an entity of joint operations, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition.

The group’s share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group’s share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the group and its associate/joint venture are recognised in the group’s financial statements only to the extent of unrelated investor’s interests in the associates/joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates/joint ventures are recognised in the income statement.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The functional currency of the Company and all its subsidiaries is the US dollar (USD) as a significant proportion of their business is conducted in the US dollars and management uses the information prepared in USD to manage business risks and exposures and to measure performance of the business.

The financial statements are presented in US dollars, which is the functional currency of the Company and all its subsidiaries, and, due to the requirements of the laws of the Republic of Lithuania, also in euro (EUR) which is the Group's second presentation currency.

As at 31 December 2017 the exchange rate of euro to US Dollar was EUR 1 = USD 1.1993 (2016: EUR 1 = USD 1.0453).

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. income and expenses for each comprehensive income statement are translated at average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

iii. all exchange differences resulting from translation to presentation currency are recognized in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the comprehensive income statement.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within finance income or finance costs.

2.4 Property, plant and equipment

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Property, plant and equipment comprise aircraft, aircraft under preparation for use and other tangible fixed assets.

Aircraft and other tangible fixed assets are carried at their historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Aircraft classified as aircraft under preparation for use are reclassified to aircraft group when they are ready for their intended use.

Depreciation of aircraft is calculated using the component-based approach by writing off the cost of assets to their residual values based on their expected use or over their estimated useful life as follows:

D-Check (Airframe Heavy Maintenance Visit)	24,000 flight hours
Engines Shop Visits based on Engine Life Limited Parts	23,000 cycles
	24,000 cycles (Bombardier CRJ200)
Airframe	7 years

Other tangible fixed assets are measured at cost less depreciation and impairment losses. Depreciation of other tangible fixed assets is calculated using the straight-line method to write off the cost of assets to their residual values over their estimated useful life as follows:

Other tangible fixed assets	3 – 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Gain (loss) on sale of property, plant and equipment – net' in the statement of comprehensive income.

2.5 Investment property

Investment property is land, buildings or part these items held by the Group to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

2.5 Investment property (continued)

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and the cost of an asset can be measured reliably.

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently to initial recognition, investment property is carried at a fair value amount, being its fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluations are made at the end of each reporting period. The market value of the investment property is obtained from reports prepared by external valuators holding a recognised and appropriate professional qualification in valuation of similar category assets (Note 4(b)). The fair value measurement of investment property is performed at each reporting date, and changes in the fair value are recognised in profit or loss.

2.6 Intangible assets

Intangible assets expected to provide economic benefit to the Group in future periods are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method over estimated benefit period as follows:

Computer software	3 years

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets into the following measurement categories: loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During all the periods presented the Group has not held any financial assets in held to maturity categories.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the loans and receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

2.8.1 Classification (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial assets at fair value through profit or loss

The Group classifies its investments in securities, as financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

(i) Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separable embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

(ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group’s documented investment strategy. The Group’s policy requires the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. During the periods presented in these financial statements, all the financial assets at fair value through profit or loss have been designated to that category.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2.8.2 Recognition and measurement

Gains or losses on financial assets at fair value through profit or loss are recognised in profit and loss.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the comprehensive income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8.2 Recognition and measurement (continued)

Interest income, if any, from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Dividends on available-for-sale equity instruments are recognised in the comprehensive income statement as part of other income when the group's right to receive payments is established.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Inventory

Inventory consists of aircraft and aircraft components acquired which carrying amount is to be recovered through a sale transaction. Inventory is stated at the lower of cost and net realisable value.

2.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.12 Share capital

Ordinary shares are stated at their par value and classified as equity.

2.13 Trade payables and security deposits

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and security deposits are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and security deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Fair value of the security deposit at initial recognition is determined by discounting the nominal amount of cash received using the market interest rate.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Profit is taxable at a rate of 15% in accordance with Lithuanian regulatory legislation on taxation.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

2.17 Revenue recognition (continued)

(a) Sales of services

Revenue of the Group consists of lease revenue, supplemental maintenance rent from aircraft leases and other operational revenue.

As a lessor, the Group leases aircraft under operating leases and reports rental income on a linear basis over the life of the lease as it is earned. All aircraft lease agreements provide for the payment of a fixed, periodic amount of lease rentals.

In addition to lease revenue the Group receives supplemental maintenance rent from aircraft leases, based on the utilization of airframes, engines and other major life-limited components, and which is recognised into income over the lease term based on a measure of utilization of the leased aircraft.

(b) Sales of aircraft

Revenue from sale of aircraft is recognised when aircraft is delivered and all risks and benefits from disposal of aircraft is passed to the customer.

(c) Commission income

Commission income relates to aircraft transaction management services provided by the Group to its customers under servicing, consulting and other agreements of similar nature pursuant to which the Group undertakes to perform certain services in respect to facilitating aircraft purchase, sale, lease or similar transactions carried by the customers. Commission income is recognised when the services are rendered.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.18 Leases – where the Group is the lessee

Finance lease

Leases of property, plant and equipment where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

2.19 Employee benefits

Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within employee related expenses.

2.20 Earnings (loss) per share

Earnings (loss) per share are calculated by dividing the net profit (loss) attributable to the shareholders by the weighted average number of ordinary registered shares issued during the year.

2.21 Fair value estimation

Financial instruments carried at fair value are analysed by valuation method. The different levels have been defined as follows:

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk), credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the General Manager. The General Manager identifies and evaluates financial risks in close co-operation with the Chief Financier. The General Manager provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Market risk

(i) Foreign exchange risk

		2017
	USD	**EUR**
Reasonably possible change of EUR to USD in per cent		+/-5%
Financial assets denominated in EUR	37,744	31,474
Financial liabilities denominated in EUR	(1,964)	(1,638)
Projected negative effect on profit	**(1,789)**	**(1,492)**
Projected positive effect on profit	**1,789**	**1,492**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

3.1 Financial risk factors (continued)

		2016
	USD	**EUR**
Reasonably possible change of EUR to USD in per cent		-4,30%
Financial assets denominated in EUR	21,224	20,305
Financial liabilities denominated in EUR	(2,035)	(1,947)
Projected positive effect on profit	**825**	**789**
Projected negative effect on profit	**(825)**	**(789)**

The Group operates internationally and is exposed to foreign exchange risk arising from the Group’s exposure to different currencies other than its functional currency (primarily to EUR). Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group’s functional currency.

Foreign exchange risk is controlled by entering into most contracts in the functional currency (USD) and monitoring exposures to other currencies.

(ii) Cash flow interest rate risk

The Group’s interest rate risk arises from long-term borrowings and loans granted with variable interest rates.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Cash flow interest rate risk is managed by monitoring the repricing dates of the borrowings.

Reasonably possible change in interest rate (by the currency of financial assets/liabilities) – expressed in percentage points

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
EUR (EURIBOR)		1.00		1.00
USD (USD LIBOR)		1.00		1.00
Financial assets subject to variable interest rates (by the currency of financial assets/liabilities)				
EUR	-	-	-	-
USD	-	-	-	-
Financial liabilities subject to variable interest rates (by the currency of financial assets/liabilities)				
EUR	-	-	593	567
USD	5,395	4,498	7,821	7,482
Projected effect on profit	**(54)**	**-**	**(84)**	**(88)**

The table below presents split of the Group’s borrowings according to the interest rate repricing terms.

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

3.1 Financial risk factors (continued)

Repricing terms of interest rates

	2017		2016	
	USD	EUR	USD	EUR
3 months or less	5,395	4,498	7,821	7,482
3-6 months	-	-	593	567
Fixed	-	-	51,087	48,873
	5,395	**4,498**	**59,501**	**56,922**

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and loans granted. Credit risks are controlled by the application of credit terms and monitoring procedures.

Group procedures are in force to ensure that services are sold only to customers with an appropriate credit history and do not exceed acceptable credit exposure limit. Cash transactions are limited to high credit quality financial institutions.

(i) Concentration risk
Risk of credit concentration is determined by the Group in relation to industry in which Group debtors operate. Concentration of credit risk of the Group arises from loans granted and receivables from related parties, loans granted and trade receivables from third parties. Only material credit risk concentration is with debtors operating in aviation business. See the table below for concentration risk analysis.

	2017		2016	
	USD	EUR	USD	EUR
Loans granted to debtors in aviation business	54,388	45,351	29,137	27,875
Trade and other receivables from customers in aviation business	12,344	10,292	25,662	24,544
	66,732	**55,643**	**54,799**	**52,419**

Trade receivables and loans granted are related to a limited number of customers. Largest customer amounts to 51% of total trade and other receivables and 35% of total loans granted as at 31 December 2017.

(ii) Maximum exposure of credit risk

The table below summarises all credit risk exposures relating to on-balance sheet items of the Group. Maximum exposure to credit risk before collateral held or other credit enhancements:

	2017		2016	
	USD	EUR	USD	EUR
Loans granted	54,388	45,351	29,137	27,875
Trade receivables	10,409	8,679	23,896	22,854
Cash and cash equivalents	15,774	13,153	28,916	27,663
	80,571	**67,183**	**81,949**	**78,392**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

3.1 Financial risk factors (continued)

(iii) Financial assets neither past due nor impaired - credit quality of financial assets

(a) Trade receivables (trade customers without external credit rating)

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Group 1 – new customers (less than 6 months)	-	-	-	-
Group 2 – old customers (more than 6 months)	7,381	6,154	20,215	19,337
	7,381	**6,154**	**20,215**	**19,337**

The group o*ld customers* consist of customers with proven credit history and low risk of default.

(b) Cash and cash equivalents in banks (assessed in accordance with long – term credit ratings*)

		2017		2016
	USD	**EUR**	**USD**	**EUR**
A	3	2	-	-
A-	1,740	1,451	517	495
A+	862	719	6,079	5,816
AA	9	8	-	-
AA-	1	1	1	1
B-	191	159	1,416	1,355
B+	464	387	7	7
BB	2	1	-	-
BBB+	11,357	9,470	8,689	8,312
BBB-	447	373	-	-
Other **	698	582	12,207	11,677
	15,774	**13,153**	**28,916**	**27,663**

* - External long term credit ratings set by international agency Fitch Ratings as at March 2017.
** - Cash classified in Other category is held in a fiduciary bank, in which accounts are segregated from other funds therefore credit risk of this bank is assumed as low

(c) Loans granted (customers without external credit rating)

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Group 1 – new customers/related parties (less than 6 months).	-	-	-	-
Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.	54,105	45,114	26,528	25,378
	54,105	**45,114**	**26,528**	**25,378**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

3.1 Financial risk factors (continued)

(iv) Financial assets past due but not impaired

(a) The aging analysis of loans granted and trade receivables past due but not impaired

		2017		2016
	USD	EUR	USD	EUR
Past due up to 3 months	1,165	971	3,979	3,806
Past due 4-6 months	821	686	1,633	1,559
Past due for more than 6 months	1,325	1,105	678	649
	3,311	**2,762**	**6,290**	**6,014**

(v) Impaired financial assets

(a) Loans granted impaired

		2017		2016
	USD	EUR	USD	EUR
Impaired loans granted – gross amount	112	95	112	107
Less: impairment of loans granted	(112)	(95)	(112)	(107)
Impaired loans granted – net amount	-	-	-	-

(b) Trade and other receivables impaired

		2017		2016
	USD	EUR	USD	EUR
Impaired trade and other receivables – gross amount	3,738	3,118	3,240	3,100
Less: impairment of receivables	(3,738)	(3,118)	(3,240)	(3,100)
Impaired trade and other receivables – net amount	-	-	-	-

Loans granted and trade receivables that are less than six months past overdue are not considered impaired. The impairment assessment of overdue loans granted and trade receivables are performed going individually through the customers list and assessing the expectation of recovery.

The provision for impaired receivables has been included in the comprehensive income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash and all appropriate documentation according to the legislations were collected.

Movement on provisions for impairment of loans granted

		2017		2016
	USD	EUR	USD	EUR
At 1 January	112	107	112	103
Provision for loans granted impairment	-	-	-	-
Currency translation differences	-	(12)	-	4
At 31 December	**112**	**95**	**112**	**107**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

3.1 Financial risk factors (continued)

Movement on provisions for impairment of trade and other receivables

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
At 1 January	3,240	3,100	3,240	2,966
Provision for trade receivables impairment	1,154	1,022	-	-
Reversal of trade receivables impaired	-	-	-	-
Currency translation differences	-	(457)	-	134
At 31 December	**4,394**	**3,665**	**3,240**	**3,100**

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Liquidity risk is managed by the General Manager, who is required to maintain a minimum required liquidity position.

In addition, the Group’s liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below analyses the Group’s financial liabilities into relevant maturity groupings based on remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows.

USD	**Less than 1 year**	**Between 1 and 2 years**	**Over 2 years**
At 31 December 2017			
Security deposits received	980	-	4,233
Lease liabilities	2,300	2,423	669
Trade and other payables	9,215	-	-
	12,495	**2,423**	**4,902**
At 31 December 2016			
Borrowings from banks	6,044	6,232	39,403
Security deposits received	-	-	5,210
Lease liabilities	2,429	2,300	3,093
Trade and other payables	25,104	-	-
	33,577	**8,532**	**47,706**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

3.1 Financial risk factors (continued)

EUR	**Less than 1 year**	**Between 1 and 2 years**	**Over 2 years**
At 31 December 2017			
Borrowings from banks	-	-	-
Security deposits received	817	-	3,530
Lease liabilities	1,918	2,020	558
Trade and other payables	7,684	-	-
	10,419	**2,020**	**4,088**
At 31 December 2016			
Borrowings from banks	5,782	5,961	37,696
Security deposits received	-	-	4,984
Lease liabilities	2,324	2,201	2,958
Trade and other payables	24,016	-	-
	32,122	**8,162**	**45,638**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to maintain it within 65 per cent and 80 per cent.

As at 31 December the Group's capital structure was as follows:

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
Borrowings	5,395	4,498	59,501	56,922
Less: cash and cash equivalents	(15,774)	(13,153)	(28,916)	(27,663)
Net debt	(10,379)	(8,655)	30,585	29,259
Total equity	143,353	119,530	113,339	108,072
Total capital	**132,974**	**110,875**	**143,924**	**137,331**
Gearing ratio	N/A		21%	

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company and private limited liability company must be not less than EUR 40,000 and EUR 2,500 respectively and the equity capital of the company may not be less than 1/2 of the authorised capital indicated in the Articles of Association. As of 31 December 2016 three of the Group companies have not complied with these requirements. No actions were yet taken in 2016 to rectify the situation.

3.2 Capital risk management (continued)

According to the Lithuanian Law on Companies, if the equity capital of a company falls below 1/2 of the amount of the authorised capital, the General Meeting of Shareholders must be convened within 3 months from the day on which it has been learnt or ought to have been learnt about the existing situation. In case the General Meeting of Shareholders fails to adopt a decision on remedying the situation existing in the company or such situation is not rectified within six months, the Board of the company (if the Board is not formed, the manager of the company) must refer to court for reduction of the company's authorised capital by the amount whereby the equity capital has fallen below the authorised capital.

There are no significant implications for the Group for incompliance with the above requirements

3.3 Fair value estimation

The fair value of financial assets and financial liabilities for the disclosure purposes is estimated by discounting the cash flows from each class of financial assets or financial liabilities.

The carrying value less impairment losses of trade receivables and carrying value of payables are assumed to approximate their fair value. The carrying value of borrowings approximate their fair value because interest rates applied are similar to the market interest rates at balance sheet dates.

Fair value of loans granted approximates the book value because interest rates applied are similar to the market interest rates at balance sheet dates.

The fair value of security deposits received applying 4.54% discount rate amounted to USD 5,077 thousand (EUR 4,233 thousand) as at 31 December 2017.

The fair values of Group's assets and liabilities are within level 2 of the fair value hierarchy, except loans granted, borrowings, financial assets at fair value through profit or loss and trade and other receivables and trade and other payables which are within level 3 and available for sale financial assets which are within level 1.

4 Critical accounting estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) Recognition of revenue from sales of aircraft

The Group is engaged in the aircraft transactions where the Group is:

- A principal acting on its own account when contracting with the customers for the supply of aircraft in return for consideration; or
- An agent acting as an intermediary earning a commission in return for arranging the provision of aircraft on behalf of a principal.

The gross inflow of economic benefit is not revenue, if the Group is not exposed to the significant risks and rewards associated with the sale of the aircraft. Instead, a commission income is recognised as revenue.

4 Critical accounting estimates (continued)

Whether an entity is acting as a principal or an agent in transactions is dependent on the facts and circumstances of the relationship.

The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of aircraft. Indicators that an entity should account for a transaction as a principal include:

- The Group has the primary responsibility for providing the aircraft to the customer or for fulfilling the order;
- The Group has inventory risk before or after the customer order, during delivery;
- The Group has the latitude in establishing prices, either directly or indirectly;

The Group bears the customer's credit risk for the amount receivable from the customer.

(b) Recoverable amount of Aircraft

Aircraft are carried at their historical cost less accumulated depreciation and any accumulated impairment loss. Due to possible impairment indicators, the Group has performed impairment test for its aircraft fleet as at 31 December 2017. Recoverable amount measurements as at 31 December 2017 were performed by an independent appraiser IBA Group Limited. The valuation was performed in line with the requirements of the International Valuation Standards.

Recoverable amount (fair value less cost of disposal) determined by appraisers is intended to reflect what might have been expected from the result of an 'arm's-length, single sale transaction' conducted in an orderly manner between a 'willing buyer and willing seller', with the aircraft free of any lease or charge. Basis of fair value is comparable sales transactions in the aircraft sales market.
Recoverable amount (fair value less cost of disposal) determined by appraisers is intended to reflect what might have been expected from the result of an 'arm's-length, single sale transaction' conducted in an orderly manner between a 'willing buyer and willing seller', with the aircraft free of any lease or charge. Basis of fair value is comparable sales transactions in the aircraft sales market.

In order to obtain fair values of the aircraft possessed by the Group the valuation was performed using two step approach. Firstly, appraisers has obtained market transactions data related to the same types of aircraft as the Group have and using the data on the conditions of the subject aircraft produced "Half-Life" values for each one at each valuation date. The term "Half-Life" refers to the airframe, engines, landing gear, APU and all major components being half way between major overhauls, inspections or performance restorations as appropriate; with engine LLPs having 50% of their certified lives remaining.

The "Half-Life" values were then adjusted to produce the fair values of each of the Group's aircraft using the data regarding the identification, specifications and maintenance status as well as accrued hours/cycles of the subject aircraft of the Group at each valuation date. The maintenance data was pertaining to the airframe, engine, landing gear and engine overhauls and engine Life Limited Parts (LLPs) remaining useful lives.

Any changes in these assumptions could result in significant changes in the recoverable of aircraft and could have a significant impact on the financial statements.

(c) Significant judgement: joint venture with more than 50% ownership

The management has concluded that the Company does not control AviaAM Financial Leasing China Co., Ltd., even though it holds more than half of the voting rights of this entity. This is because the shareholders agreement in relation to AviaAM Financial Leasing China Co., Ltd. requires unanimous consent from both parties for all relevant activities. The two partners have rights to the net assets of the joint venture. This entity is therefore classified as a joint venture in financial statements and the Group does not consolidate it, but accounts using equity method.

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

4 Critical accounting estimates (continued)

(d) Significant estimate: recoverability of loans granted

The group assesses at the end of each reporting period whether there is objective evidence that a loans granted is impaired. The existence of impairment is evidenced if one or more events occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The assumptions used impacts the calculation of the future cash flows.

Any changes in the assumptions related to future cash flows could result in significant changes in the value of loans granted and could have a significant impact on the financial statements.

e) Income taxes

Tax contingencies and uncertain tax positions. Tax legislation which was enacted or substantively enacted at the end of the reporting period in jurisdictions where the Group operates may be subject to varying interpretations.

Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Tax contingencies and uncertain tax positions. Tax legislation which was enacted or substantively enacted at the end of the reporting period in jurisdictions where the Group operates may be subject to varying interpretations. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

5 Revenue

		2017		2016
	USD	EUR	USD	EUR
Sales of aircraft	16,059	14,220	43,850	39,604
Lease revenue	14,685	13,003	18,346	16,569
Commission income	11,568	10,243	18,640	16,838
Supplemental maintenance rent	8,150	7,217	8,571	7,740
Revenue from real estate	-	-	40	36
Other revenue	135	121	84	76
	50,597	**44,804**	**89,531**	**80,863**

The future aggregate minimum lease revenue (not including supplemental maintenance rent) under operating leases is as follows:

		2017		2016
	USD	EUR	USD	EUR
Not later than 1 year	10,260	9,085	20,580	18,587
Later than 1 year but not later than 5 years	10,552	9,317	62,062	56,053
Later than 5 years	-	-	29,264	26,430
	20,782	**18,402**	**111,906**	**101,070**

The chief operating decision maker of the Group has been identified as the General Manager, which is responsible for allocating resources and assessing performance of the Group. The General Manager has determined that the activities of the Company form a single operating segment – aircraft leasing and trading. The internal reporting provided to the General Manager has been prepared using the accounting policies and presentation consistent with those used in preparation of the financial statements. The General Manager monitors net profit and operating profit as a measure of profit.

The segment’s sales to external customers are derived from the following separate customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of that segment in any of the years):

		2017		2016
Lease, sale and aircraft transaction management customers	USD	EUR	USD	EUR
Customer M	16,000	14,168	16,550	14,948
Customer B	13,982	12,381	12,407	11,206
Customer C	10,248	9,074	14,809	13,375
Customer Z	4,549	4,028	9,556	8,631
Customer O	1,845	1,633	1,719	1,553
Customer S	1,439	1,275	653	590
Customer L	961	851	-	-
Customer J	260	230	3,250	2,935
Customer T	-	-	24,900	22,489
Customer H	-	-	2,000	1,806
Customer I	-	-	1,036	936
Other customers	1,313	1,164	2,651	2,395
	50,597	**44,804**	**89,531**	**80,863**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

5 Revenue (continued)

The segment's aircraft lease and sales revenue according to geographical location (based on the residence of customers):

		2017		2016
Country	**USD**	**EUR**	**USD**	**EUR**
Russia	24,278	21,498	28,252	25,517
Cyprus	16,000	14,168	16,550	14,948
Poland	4,549	4,028	9,556	8,631
Ireland	1,221	1,082	3,334	3,011
Lithuania	2,004	1,775	1,415	1,278
Belarus	1,845	1,633	1,719	1,553
Kazakhstan	600	531	598	540
China	92	82	-	-
United States	6	5	-	-
Netherlands	2	2	-	-
Virgin Islands	-	-	24,900	22,489
United Arab Emirates	-	-	2,000	1,806
Latvia	-	-	525	474
United Kingdom	-	-	400	361
Bermuda	-	-	282	255
	50,597	**44,804**	**89,531**	**80,863**

The segment's non-current assets (aircraft on leases) according to geographical location (based on the residence of lessees):

		2017		2016
Country	**USD**	**EUR**	**USD**	**EUR**
Russia	27,266	22,736	17,862	17,088
Lithuania	10,189	8,496	8,503	8,135
Belarus	1,250	1,042	2,892	2,767
Kazakhstan	571	476	734	702
Poland	-	-	63,978	61,206
	39,276	**32,750**	**93,969**	**89,898**

6 Costs of services rendered

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Cost of services rendered related to aircraft leases	436	386	170	154
Cost of services rendered related to commission income	-	-	9,462	8,546
Cost of services related to real estate income	-	-	5	4
	436	**386**	**9,637**	**8,704**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

7 Employee related expenses

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Salaries	920	815	668	603
Social insurance expenses	338	299	215	194
	1,258	**1,114**	**883**	**797**

8 Other operating expenses

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Legal and translation expenses	1,093	968	783	707
Travelling expenses	377	334	299	270
Representation expenses	216	192	165	149
Insurance expenses	207	183	108	97
Training expenses	28	25	8	7
Marketing expenses	133	117	126	114
Audit and accounting expenses	130	115	92	83
Office expenses	107	95	38	34
Charity expenses	81	72	92	84
Database usage expenses	67	59	83	75
Bank fees	65	57	97	88
Other fixed assets depreciation	37	33	30	28
Management services	167	148	160	145
Fuel costs	37	33	40	36
Transportation expenses	26	23	13	11
IT costs	25	22	20	18
Expenses related to listing of shares	21	18	31	28
Other tax expenses	9	8	70	63
Other administrative expenses	216	192	85	76
	3,042	**2,694**	**2,340**	**2,113**

Services provided by the Audit company to the Group in 2017:

		2017
	USD	**EUR**
Financial audit services	25	22
Assurance and other related services	-	-
Tax advice	-	-
Other services	-	
Total	**25**	**22**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

9 Other gain (losses) net

Other gain (losses) consists of one-off items not related to the primary activity of the Group. In 2017 other gain amounted to USD 50 thousand (EUR 44 thousand). In 2016, out of the total recorded amount a loss of USD 177 thousand (EUR 185 thousand) related to the mutually agreed reduction in loan granted to one third-party borrower.

9 Finance income (costs) – net

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Discounting of security deposits received	-	-	582	526
Unwinding of discount of non-current loans from related parties	-	-	15	13
Other finance income	61	54	132	119
Foreign exchange gain on financing activities	4,967	4,398	-	-
Finance income	**5,028**	**4,452**	**729**	**658**
Interest expenses	(1,552)	(1,374)	(2,597)	(2,345)
Foreign exchange loss on financing activities	-	-	(1,674)	(1,513)
Unwinding of discount of security deposits received	(657)	(582)	(510)	(460)
Other finance costs	(138)	(118)	(322)	(291)
Finance costs	**(2,347)**	**(2,074)**	**(5,103)**	**(4,609)**
Finance costs – net	**2,681**	**2,378**	**(4,374)**	**(3,951)**

10 Income tax

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Current tax	3,752	3,322	2,737	2,494
Deferred tax	357	317	686	628
Total income tax expenses/(benefit)	**4,109**	**3,639**	**3,423**	**3,122**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Profit (loss) before tax	**34,262**	**30,340**	**21,243**	**19,188**
Tax calculated at a tax rate of 15%	5,139	4,551	3,186	2,878
Tax effects of:				
- Expenses non-deductible for tax purposes	31	27	58	52
- Non-taxable incomes	-	-	-	-
- Impact of foreign exchange differences	(834)	(738)	859	785
- Other differences	(227)	(201)	(680)	(593)
Total income tax expenses/(benefit)	**4,109**	**3,639**	**3,423**	**3,122**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

11 Earnings per share

Earnings per share are calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares issued during the year.

		2017		2016
	USD	EUR	USD	EUR
Net profit attributable to shareholders	30,153	26,701	17,820	16,066
Weighted average number of ordinary shares issued (thousand)	43,306		43,306	
Basic earnings per share (USD/EUR)	**0.70**	**0.62**	**0.41**	**0.37**

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

12 Property, plant and equipment

USD	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2016	**50,866**	**750**	**158**	**51,774**
Additions	99,646	770	16	**100,432**
Disposals	(42,991)	-	-	**(42,991)**
Reclassifications	999	(750)	-	**249**
Depreciation charge	(8,943)	-	(16)	**(8,959)**
Impairment loss - net	(5,609)	-	-	**(5,609)**
Closing net book amount as at 31 December 2016	**93,968**	**770**	**158**	**94,896**
At 31 December 2016				
Cost	119,468	770	234	**120,472**
Accumulated depreciation and impairment	(25,499)	-	(76)	**(25,575)**
Net book amount (restated)	**93,969**	**770**	**158**	**94,897**
Opening net book amount as at 1 January 2017	**93,969**	**770**	**158**	**94,897**
Additions	19,172	737	65	**19,974**
Disposals	(67,329)	-	-	**(67,329)**
Reclassifications	1,494	(1,507)	13	**-**
Depreciation charge	(6,725)	-	(50)	**(6,775)**
Impairment loss - net	(1,305)	-	-	**(1,305)**
Closing net book amount as at 31 December 2017	**39,276**	**-**	**186**	**39,462**
At 31 December 2017				
Cost	65,342	-	312	**65,654**
Accumulated depreciation and impairment	(26,066)	-	(126)	**(26,192)**
Net book amount	**39,276**	**-**	**186**	**39,462**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

12 Property, plant and equipment (continued)

EUR	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2016	**46,555**	**686**	**146**	**47,387**
Additions	89,999	695	14	**90,708**
Disposals	(38,828)	-	-	**(38,828)**
Reclassifications	902	(676)	-	**226**
Depreciation charge	(8,077)	-	(14)	**(8,091)**
Impairment loss - net	(5,065)	(1)	-	**(5,066)**
Exchange differences	4,410	33	5	**4,448**
Closing net book amount as at 31 December 2016	**89,896**	**737**	**151**	**90,784**
At 31 December 2016				
Cost	111,803	737	224	**112,764**
Accumulated depreciation and impairment	(21,907)	-	(73)	**(21,980)**
Net book amount (restated)	**89,896**	**737**	**151**	**90,784**
Opening net book amount as at 1 January 2017	**89,896**	**737**	**151**	**90,784**
Additions	16,977	653	58	**17,688**
Disposals	(59,620)	-	-	**(59,620)**
Reclassifications	1,323	(1,333)	12	**2**
Depreciation charge	(5,955)	-	(44)	**(5,999)**
Impairment loss - net	(1,156)	-	-	**(1,156)**
Exchange differences	(8,716)	(57)	(22)	**(8,795)**
Closing net book amount as at 31 December 2017	**32,749**	**-**	**155**	**32,904**
At 31 December 2017				
Cost	54,483	-	260	**54,743**
Accumulated depreciation and impairment	(21,734)	-	(105)	**(21,839)**
Net book amount	**32,749**	**-**	**155**	**32,904**

Split of recognised impairment loss – net		**2017**		**2016**
	USD	**EUR**	**USD**	**EUR**
Impairment loss recognized	(1,305)	(1,156)	(5,924)	(5,351)
Impairment loss reversed	-	-	315	285
	(1,305)	**(1,156)**	**(5,609)**	**(5,066)**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

12 Property, plant and equipment (continued)

Leased assets, where the Group is a lessee under finance lease contracts comprised as follows as at 31 December:

Aircraft		2017		2016
	USD	EUR	USD	EUR
Cost – capitalised finance lease	22,331	18,620	20,656	19,761
Accumulated depreciation	(8,111)	(6,763)	(5,090)	(4,870)
Net book amount	**14,220**	**11,857**	**15,566**	**14,891**

Aircraft were pledged to the banks as collateral for borrowings (Note 22). Carrying amount of pledged aircraft as at 31 December:

		2017		2016
	USD	EUR	USD	EUR
Aircraft	-	-	63,978	61,205
	-	**-**	**63,978**	**61,205**

13 Investment property

	USD	EUR
Opening net book amount as at 1 January 2016	**1,540**	**1,410**
Additions	1,159	**1,047**
Revaluation loss	(608)	(549)
Exchange differences	-	92
Closing net book amount as at 31 December 2016	**2,091**	**2,000**
At 31 December 2016		
Cost or valuation	2,091	2,000
Net book amount	**2,091**	**2,000**

	USD	EUR
Opening net book amount as at 1 January 2017	**2,091**	**2,000**
Additions	5,288	4,572
Reclassification to assets held for sale (Note 31)	(5,767)	(4,804)
Revaluation surplus	10	9
Revaluation loss	(6)	(5)
Exchange differences	-	(244)
Closing net book amount as at 31 December 2017	**1,833**	**1,528**
At 31 December 2017		
Cost or valuation	1,833	1,528
Net book amount	**1,833**	**1,528**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

13 Investment property

Investment property was pledged to the bank as collateral for borrowings (Note 22) as at 31 December 2016. 2016 additions comprises capitalised assets related to reconstruction of buildings.

2017 additions comprises purchase of land and capitalised assets related with works made with land and other reconstructions.

14 Investments into joint ventures

In 2016, the Group acquired a 51% stake in a joint venture AviaAM Financial Leasing China Co. Ltd., established on 4 August 2016. The investment in joint venture was USD 15,300 thousand (EUR 14,365 thousand).

In 2017, the Group's made additional investment in joint venture of USD 23,715 thousand (EUR 20,760 thousand) by transferring U.S. dollars. The Group's investments amounted to USD 39,015 thousand (EUR 34,786 thousand) as at 31 December 2017.

Nature of investment in joint venture:

Name of Entity	Place of business / country of incorporation	% of ownership interest	Measurement method
AviaAM Financial Leasing China Co.	People's Republic of China	51	Equity

The joint venture is a private company and there is no quoted market place available for its shares.

There are no contingent liabilities relating to the group's interest in the joint venture.

Set out below is the summarized unaudited financial information for AviaAM Financial Leasing China Co. which is accounted for using the equity method:

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

14 Investments into joint ventures (continued)

Reconciliation of summarised financial information

	31 December 2017		31 December 2016	
	USD	**EUR**	**USD**	**EUR**
ASSETS				
Non-current assets				
Property, plant and equipment	395,536	329,806	-	-
Security deposits paid	4,693	3,913	-	-
	400,229	**333,719**	**-**	**-**
Current assets				
Trade and other receivables	81	68	2	2
Cash and cash equivalents	13,406	11,178	29,668	28,383
	13,487	**11,246**	**29,670**	**28,385**
Total assets	**413,716**	**344,965**	**29,670**	**28,385**
LIABILITIES				
Non-current liabilities				
Borrowings	318,677	265,719	-	-
	318,677	**265,719**	**-**	**-**
Current liabilities				
Borrowings	12,465	10,394	-	-
Trade and other payables	1,942	1,619	39	38
Current income tax liabilities	445	371	3	3
	14,852	**12,384**	**42**	**41**
Total liabilities	**333,529**	**278,103**	**42**	**41**
Net assets	**80,187**	**66,862**	**29,628**	**28,344**

Statement of comprehensive income

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Revenue	20,024	17,732	-	-
Depreciation	(7,515)	(6,655)	-	-
Gross profit	**12,509**	**11,077**	**-**	**-**
Employee-related expenses	(396)	(351)	-	-
General and administrative expenses	(3,197)	(2,831)	(85)	(77)
Operating profit (loss)	**8,916**	**7,895**	**(85)**	**(77)**
Finance activity- net	(5,358)	(4,744)	95	86
Profit (loss) before income tax	**3,558**	**3,151**	**10**	**9**
Income tax expenses	(445)	(394)	(3)	(3)
Profit (loss) for the period	**3,113**	**2,757**	**7**	**6**
Share profit of joint venture	**1,588**	**1,406**	**-**	**-**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

14 Investments into joint ventures (continued)

		2017		2016
	USD	EUR	USD	EUR
Opening net assets as at 1 January	29,628	28,344	-	-
Investment in the joint venture	46,500	39,773	30,000	26,786
Profit (loss) for the period	3,113	2,757	7	6
Currency exchange impact	946	(3,012)	(379)	1,552
Closing net assets as at 31 December	**80,187**	**66,862**	**29,628**	**28,344**

		2017		2016
	USD	EUR	USD	EUR
Interest into joint venture (%)		51		51
Investment in the joint venture	40,895	34,100	15,110	14,455
Currency exchange impact	(292)	(245)	190	(155)
Carrying value as at 31 December	**40,603**	**33,855**	**15,110**	**14,455**

As at 31 December 2015, the Group effectively held a 50% stake in a joint-venture - Regional Charter Capital Ltd. In 2016 the Group acquired a remaining 50% stake in Regional Charter Capital Ltd. and effectively holds 100 % of share capital as at 31 December 2016.

15 Available-for-sale financial assets

		2017		2016
	USD	EUR	USD	EUR
Opening amount as at 1 January	**2,125**	**2,019**	**1,012**	926
Exchange differences		(247)	-	50
Additions	-	-	400	361
Disposals	-	-	-	-
Net gains/(losses) transferred to equity	(379)	(316)	713	682
Closing amount as at 31 December	**1,746**	**1,456**	**2,125**	**2,019**
Less non-current portion	1,746	1,456	2,125	2,019
Current portion	**-**	**-**	**-**	**-**

Available-for sale financial assets include the following:

		2017		2016
	USD	EUR	USD	EUR
Listed securities:				
Equity securities - Lithuania	1,746	1,456	2,125	2,019
	1,746	**1,456**	**2,125**	**2,019**

Available-for sale financial assets are denominated in the following currencies:

		2017		2016
	USD	EUR	USD	EUR
PLN	1,746	1,456	2,125	2,019
	1,746	**1,456**	**2,125**	**2,019**

None of these financial assets are impaired.

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

16 Inventories

	2017		2016	
	USD	EUR	USD	EUR
Aircraft components	1,476	1,231	1,463	1,401
	1,476	**1,231**	1,463	1,401

17 Loans granted

	31 December 2017		31 December 2016	
	USD	EUR	USD	EUR
Non-current loans				
Loans granted to related parties (weighted average interest rate 4.3%) (Note 28)	15,531	12,950	661	632
Loans granted to third parties (weighted average interest rate 7.3%)	19,126	15,948	1,751	1,675
Bonds acquired from related parties (interest rate 5.2%) (Note 28)	2,462	2,053	2,355	2,254
	37,119	**30,951**	**4,767**	**4,561**
Current loans				
Loans granted to related parties (weighted average interest rate 4.3%) (Note 28)	155	131	12,576	12,032
Less: provision for impairment of loans granted to related parties	(112)	(95)	(112)	(107)
Loans granted to third parties (weighted average interest rate 7.3%)	5,028	4,193	11,906	11,389
Less: provision for impairment of loans granted to third parties	(656)	(547)	-	-
Bonds acquired from third parties	12,854	10,718	-	-
	17,269	**14,400**	**24,370**	**23,314**
Total loans granted	**54,388**	**45,351**	**29,137**	**27,875**

The nominal amounts of the loans granted are denominated in the following currencies:

	2017		2016	
	USD	EUR	USD	EUR
USD	21,821	18,194	14,717	14,079
EUR	32,567	27,157	14,420	13,796
	54,388	**45,351**	**29,137**	**27,875**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

18 Trade and other receivables

		2017		2016
	USD	EUR	USD	EUR
Trade receivables from third parties	12,665	10,561	25,414	24,307
Less: provision for impairment of trade receivables	(2,661)	(2,220)	(2,163)	(2,069)
Trade receivables from third parties – net	**10,004**	**8,341**	**23,251**	**22,238**
Receivables from related parties	1,453	1,212	1,693	1,619
Less: provision for impairment of trade receivables from related parties	(1,048)	(874)	(1,048)	(1,003)
Receivables from related parties - net (Note 28)	**405**	**338**	**645**	**616**
Other receivables	29	24	29	28
Less: provision for impairment of other receivables	(29)	(24)	(29)	(28)
Other receivables - net	**-**	**-**	**-**	**-**
Deferred charges	809	674	364	348
VAT receivables	369	308	185	177
Prepayments	757	631	1,216	1,164
	12,344	**10,292**	**25,661**	**24,543**
Non-current portion :	-	-	558	534
Current portion:	**12,344**	**10,292**	**25,103**	**24,009**

The nominal amounts of the trade and other receivables are denominated in the following currencies:

		2017		2016
	USD	EUR	USD	EUR
USD	9,370	7,812	23,200	22,189
EUR	2,974	2,480	2,461	2,354
	12,344	**10,292**	**25,661**	**24,543**

19 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of investment of USD 11,298 thousand (EUR 10,808 thousand) in closed contractual fund as at 31 December 2016. In 2017 the Group reclassified financial assets at fair value through profit or loss to loans granted to third parties due to changes in the agreement

Financial assets at fair value through profit or loss include the following:

		2017		2016
	USD	EUR	USD	EUR
Mutual funds - Europe	-	-	11,298	10,808
	-	**-**	**11,298**	**10,808**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

19 Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are denominated in the following currencies:

		2017		2016
	USD	**EUR**	**USD**	**EUR**
EUR	-	-	11,289	10,808
	-	**-**	**11,289**	**10,808**

20 Cash and cash equivalents

Cash and cash equivalents are dominated in following currencies:

		2017		2016
	USD	**EUR**	**USD**	**EUR**
USD	13,571	11,316	24,574	23,509
EUR	2,203	1,837	4,342	4,154
	15,774	**13,153**	**28,916**	**27,663**

21 Share capital and reserves

Share capital

As at 31 December 2017 and 31 December 2016 the share capital of the Company amounted to EUR 12,558,622 (USD 16,804 thousand) and consisted of 43,305,593 ordinary registered shares with a nominal value of EUR 0.29 each. All shares were fully paid up.

Share premium

On 21 June 2013 the Company issued additional 13,857,790 ordinary shares with a par value EUR 0.29 each for issue price of PLN 8 (32.0% of the total ordinary share capital issued). Following the increase of the capital, gross share premium amounts to USD 29,463 thousand (LTL 75,930 thousand). On 28 June 2013 shares of the Company were introduced to trading at Warsaw Stock Exchange.

	USD	**EUR**
The balance of share premium as at 31 December 2017	27,972	20,878
The balance of share premium as at 31 December 2016	27,972	20,878

Legal reserve

The legal reserve is compulsory under the Lithuanian Law on Companies and is formed from profit to be appropriated. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve may be used to cover the accumulated losses. A part of the legal reserve in excess of 10 per cent of the authorised share capital may be redistributed when appropriation of profit for the following financial year is performed. Legal reserve comprises only the legal reserve of the Company.

Reserve for own shares

In 2015 the Company created reserve for redemption of own shares and transferred USD 1,315 thousand (EUR 1,204 thousand) from retained earnings to this reserve.In 2017 the Company's shareholders decided to reverse the aforementioned reserve for the acquisition of own shares.

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

Revaluation reserve (deficit) of financial assets

Revaluation reserve comprises increase (decrease) in the value of financial assets available for sale (Note 15) net of deferred income tax (Note 25).

Cumulative translation reserve

Cumulative translation reserve represents accumulated foreign exchange differences arising from translation of Group's balances and results from functional currency USD to presentation currency EUR.

Dividends

On 29 April 2016 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of EUR 0.02 per share. The dividends in the total amount of USD 988 thousand (EUR 866 thousand) were offset with loans granted or paid out by 27 May 2016. No dividends were paid in 2017.

22 Borrowings

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Non-current				
Bank borrowings	-	-	45,466	43,496
Finance lease liabilities	3,092	2,578	5,393	5,159
	3,092	**2,578**	**50,859**	**48,655**
Current				
Bank borrowings	-	-	6,213	5,943
Finance lease liabilities	2,300	1,918	2,429	2,324
Other borrowings	3	2	-	-
	2,303	**1,920**	**8,642**	**8,267**
Total borrowings	**5,395**	**4,498**	**59,501**	**56,922**

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Beginning of the year	**59,501**	**56,922**	**11,407**	**10,271**
Loans advanced during the year as monetary transactions	-	-	53,166	48,019
Loans advanced during the year by transferring trade receivables to loans	-	-	1,534	1,385
Loan repayments as monetary transactions	(49,466)	(43,802)	(3,787)	(3,420)
Loan repayments as non-monetary transactions	(1,452)	(1,286)	-	-
Finance lease repayments as monetary transactions	(2,429)	(2,151)	(2,961)	(2,674)
Interest charged	1,768	1,566	2,522	2,278
Interest repaid	(1,937)	(1,715)	(2,353)	(2,125)
Liabilities held for sale	(592)	(524)	-	-
Exchange rate differences	2	(4,512)	(27)	3,188
End of the year	**5,395**	**4,498**	**59,501**	**56,922**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

22 Borrowings (continued)

The nominal amounts of the borrowings are denominated in the following currencies:

		2017		2016
	USD	EUR	USD	EUR
USD	5,395	4,498	58,908	56,355
EUR	-	-	593	567
	5,395	**4,498**	**59,501**	**56,922**

Bank borrowings were repaid prematurely to the lender as a result of sale of the underlying assets.

Bank borrowings were secured by the aircraft as at 31 December 2016 (Note 12).

The table below analyses the Group's bank borrowings (excluding finance lease liabilities) according to relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date:

		2017		2016
	USD	EUR	USD	EUR
Less than 1 year	-	-	6,044	5,782
Between 1 and 5 years	-	-	27,035	25,863
Over 5 years	-	-	18,600	17,794
	-	**-**	**51,679**	**49,439**

The weighted average interest rates at the balance sheet date were as follows:

	2017	2016
Bank borrowings	-	4,74%
Finance lease liabilities	8.77%	8,34%

Finance lease liabilities – minimum lease payments:

		2017		2016
	USD	EUR	USD	EUR
Not later than 1 year	2,704	2,255	3,022	2,891
After 1 year but not later than 5 years	3,304	2,754	5,289	5,060
After 5 years	-	-	696	665
Less: future finance lease charges	(616)	(513)	(1,185)	(1,133)
Present value of finance lease liabilities	**5,392**	**4,496**	**7,822**	**7,483**

Present value of finance lease liabilities:

		2017		2016
	USD	EUR	USD	EUR
Not later than 1 year	2,300	1,918	2,429	2,324
After 1 year but not later than 5 years	3,092	2,578	4,723	4,518
After 5 years	-	-	670	641
Present value of finance lease liabilities	**5,392**	**4,496**	**7,822**	**7,483**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

22 Borrowings (continued)

During 2017 and 2016 the Group has not acquired aircraft as non-cash transactions based on finance lease agreements.

23 Trade and other payables and advances received

	2017		2016	
	USD	**EUR**	**USD**	**EUR**
Trade and other payables – financial liabilities				
Trade payables to third parties	3,435	2,864	19,665	18,812
Trade payables to related parties (Note 28)	927	773	841	805
Salaries and social security payable, including vacation accrual	223	186	103	99
Accruals	4,430	3,694	4,495	4,300
	9,015	**7,517**	**25,104**	**24,016**

	2017		2016	
	USD	**EUR**	**USD**	**EUR**
Advance payments received – non-financial liabilities				
Advance payments from customers	60	50	291	279
	60	**50**	**291**	**279**

The carrying amounts of the Group’s trade and other payables and advances received are denominated in the following currencies:

	2017		2016	
	USD	**EUR**	**USD**	**EUR**
EUR	1,964	1,638	1,442	1,380
USD	7,111	5,929	23,953	22,915
	9,075	**7,567**	**25,395**	**24,295**

24 Security deposits received

	2017		2016	
	USD	**EUR**	**USD**	**EUR**
Security deposits repayable after one year at nominal value	4,570	3,811	6,209	5,940
Less: discounting effect	(373)	(281)	(999)	(956)
Security deposits repayable after one year	**4,233**	**3,530**	**5,210**	**4,984**
Security deposits repayable within one year	980	817	-	-
Less: discounting effect	-	-	-	-
Security deposits repayable within one year	**980**	**817**	**-**	**-**
Security deposits	**5,213**	**4,347**	**5,210**	**4,984**

Average rates used for security deposits discounting are as follows: 2017: 4.53% 2016: 3.78%

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

24 Security deposits received (continued)

Security deposits serve as a security by a lessee for the performance of its obligations under the aircraft lease agreements and upon termination of lease lessor is obliged return it to lessee. All of the Group's security deposits are denominated in USD.

Security deposits are not interest-bearing (Note 2.13).

25 Deferred income taxes

The movement in deferred tax assets and liabilities of the Group (prior to offsetting of balances) is as follows:

		2017		2016
	USD	EUR	USD	EUR
Deferred tax assets				
At beginning of the period	465	445	575	527
Recognised through profit (loss)	(30)	(26)	37	33
Recognised through other comprehensive income	87	73	(147)	(141)
Exchange rate differences	-	(56)	-	26
At the end of the year	**523**	**436**	**465**	**445**
Deferred tax liabilities				
At beginning of the period	(3,174)	(3,037)	(2,452)	(2,242)
Recognised through profit (loss)	(327)	(291)	(722)	(661)
Exchange rate differences	-	407	-	(134)
At the end of the year	**(3,501)**	**(2,921)**	**(3,174)**	**(3,037)**

The analysis of deferred tax assets and deferred tax liabilities is as the follows:

		2017		2016
	USD	EUR	USD	EUR
Deferred tax assets				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	523	436	465	445
	523	**436**	**465**	**445**
Deferred tax liabilities				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	(3,501)	(2,921)	(3,174)	(3,037)
	(3,501)	**(2,921)**	**(3,174)**	**(3,037)**

Deferred income tax asset for the year is recognised to the extent that the realization of the related tax benefit through the future taxable profit is probable.

The movement in deferred tax assets and deferred tax liabilities of the Group (prior to offsetting of balances) are as follows:

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

25 Deferred income taxes (continued)

USD **Deferred tax assets**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft (restated)	Accumulated taxable losses	Discounting effect	Revaluation of financial assets available for sale	**Total**
At 31 December 2015	**-**	**295**	**16**	**92**	**172**	**575**
Charged / (credited) to the profit or loss	-	71	(15)	(19)	-	37
Charged / (credited) to the other comprehensive income	-	-	-	-	(147)	(147)
At 31 December 2016	**-**	**366**	**1**	**73**	**25**	**465**
Charged / (credited) to the profit or loss	-	(8)	(1)	(20)	-	(29)
Charged / (credited) to the other comprehensive income	-	87	-	-		87
At 31 December 2017	**-**	**445**	**-**	**53**	**25**	**523**

USD **Deferred tax liabilities**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft (restated)	Supple-mental rent	Discounting effect	Other accrued expenses	**Total**
At 31 December 2015	**(556)**	**140**	**(2,036)**	**-**	**-**	**(2,452)**
Charged / (credited) to the profit or loss	(136)	3	(589)	-	-	(722)
At 31 December 2016	**(692)**	**143**	**(2,625)**	**-**	**-**	**(3,174)**
Charged / (credited) to the profit or loss	357	46	(730)	-	-	(327)
At 31 December 2017	**(335)**	**189**	**(3,355)**	**-**	**-**	**(3,501)**

EUR **Deferred tax assets**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Accumulated taxable losses	Discoun-ting effect	Revaluation of financial assets available for sale	Other accru-ed expen-ses	**Total**
At 31 December 2015	**-**	**270**	**15**	**84**	**158**	**-**	**527**
Charged / (credited) to the profit or loss	-	65	(14)	(18)	-	-	33
Charged / (credited) to the other comprehensive income	-	-	-	-	(141)	-	(141)
Exchange rate difference	-	16	-	3	7	-	26
At 31 December 2016	**-**	**351**	**1**	**69**	**24**	**-**	**445**
Charged / (credited) to the profit or loss	-	(7)	(1)	(18)	-	-	(26)
Charged / (credited) to the other comprehensive income	-	73	-	-		-	73
Exchange rate difference	-	(46)	-	(7)	(3)	-	(56)
At 31 December 2017	**-**	**371**	**-**	**44**	**21**	**-**	**436**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

25 Deferred income taxes (continued)

EUR **Deferred tax liabilities**	Difference between tax basis and accounting basis (fair value) of aircraft	Exchange rate differences for tax purposes (depreciation)	Supplemental rent	Discounting effect	Other accrued expenses	**Total**
At 31 December 2015	**1,258**	**(1,637)**	**(1,864)**	**-**	**1**	**(2,242)**
Charged / (credited) to the profit or loss	(4)	(125)	(532)	-	-	(661)
Exchange rate difference	(33)	15	(115)	-	(1)	(134)
At 31 December 2016	**1,221**	**(1,747)**	**(2,511)**	**-**	**-**	**(3,037)**
Charged / (credited) to the profit or loss	41	314	(646)	-	-	(291)
Exchange rate difference	(1,104)	1,151	360	-	-	407
At 31 December 2017	**158**	**(282)**	**(2,797)**	**-**	**-**	**(2,921)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
Deferred tax assets	523	436	465	445
Deferred tax liabilities	(3,501)	(2,921)	(3,174)	(3,037)
	(2,978)	**(2,485)**	**(2,709)**	**(2,592)**

Deferred income tax asset and liability are calculated at 15% rate.

26 Commitments and contingencies

Capital commitments

There was no non-cancellable capital expenditure contracted as at 31 December 2017 and 31 December 2016.

27 Financial instruments by category

Category – loans and receivables

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
Loans granted	54,388	45,351	29,137	27,875
Trade receivables – net	10,004	8,341	23,251	22,238
Trade receivables and receivables from related parties – net	405	338	645	616
Cash and cash equivalents	15,774	13,153	28,916	27,663
	80,571	**67,183**	**81,949**	**78,392**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

27 Financial instruments by category (continued)

Category – financial assets at fair value through profit loss

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Financial assets at fair value through profit or loss	-	-	11,298	10,808

Category – financial liabilities measured at amortised cost

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Bank borrowings	-	-	51,679	49,439
Lease liabilities	5,392	4,496	7,822	7,483
Trade payables	3,435	2,864	19,665	18,812
Trade payables to related parties	927	773	841	805
Accruals and other payables	4,430	3,694	4,495	4,300
Security deposits received (Note 23)	5,213	4,347	5,210	4,984
	19,397	**16,174**	**89,712**	**85,823**

28 Related party transactions

Related parties of the Group include entities having significant influence over the Group, key management personnel of the Group and other related parties. Entities having significant influence over the Company and the Group are ALH Aircraft Leasing Holdings Ltd, being the majority shareholder of the Company, and ZIA Valda AB (the sole shareholder of ALH Aircraft Leasing Holdings Ltd). Transactions with these companies are presented separately. Related parties also include other shareholders of the Company, associates and jointly controlled entities of the Group and subsidiaries of ZIA Valda AB group. They are presented as other related parties. The following transactions were carried out with related parties:

Transactions with related parties

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Sales of services to:				
Entities having significant influence	215	190	280	253
Other related parties	1,567	1,388	1,436	1,297
	1,782	**1,578**	**1,716**	**1,550**

		2017		2016
	USD	**EUR**	**USD**	**EUR**
Purchases of services from:				
Entities having significant influence	1	1	2	1
Other related parties	3,146	2,786	1,645	1,486
	3,147	**2,787**	**1,647**	**1,487**

Period-end balances arising from sales/purchase of assets/services:

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

28 Related party transactions (continued)

Trade and other receivables from related parties		**2017**		**2016**
	USD	**EUR**	**USD**	**EUR**
Other related parties	1,453	1,212	1,693	1,619
Trade and other receivables at nominal value	**1,453**	**1,212**	**1,693**	**1,619**
Less: provision for impairment of receivables from other related parties	(1,048)	(874)	(1,048)	(1,003)
	405	**338**	**645**	**616**

The ageing of trade and other receivables from related parties is as follows:

Trade and other receivables from related parties		**2017**		**2016**
	USD	**EUR**	**USD**	**EUR**
Of which not overdue	125	105	133	125
Overdue up to 3 months	280	233	268	257
4 to 6 months	-	-	244	234
Overdue more than 6 months	1,048	874	1,048	1,003
Provision for impairment of receivables	(1,048)	(874)	(1,048)	(1,003)
	405	**338**	**645**	**616**

Individually impaired receivable relates to the customer that is in bankruptcy proceedings.

Payables to and prepayments from related parties

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
Other related parties	927	773	841	805
Total payables to and prepayments from related parties	**927**	**773**	**841**	**805**

*Payables as at 31 December 2017 and 31 December 2016 consist of payables for services and assets purchased.

Loans granted to related parties

		2017		**2016**
	USD	**EUR**	**USD**	**EUR**
Beginning of the year	**15,480**	**14,811**	**18,713**	**17,127**
Loans advanced during the year as monetary transactions	-	-	4,692	4,238
Loan repayments received as monetary transactions	(32)	(28)	(253)	(228)
Loan repayments received as non-monetary transactions	-	-	(63)	(57)
Interest charged	639	566	959	867
Interest received	(3)	(3)	(17)	(15)
Impaired loans and interest receivable			-	-
Netted loans*	-	-	(7,919)	(7,152)
Exchange rate differences	1,952	(307)	(632)	31
End of the year	**18,036**	**15,039**	**15,480**	**14,811**

(All tabular amounts are in USD‘000 and EUR‘000 unless otherwise stated)

28 Related party transactions (continued)

*This amount was netted with the Group Companies loans due to acquisition of remaining 50% of Regional Charters Capital Ltd.

Loans granted to related parties are denominated in the following currencies:

	2017		2016	
	USD	**EUR**	**USD**	**EUR**
EUR	15,574	12,986	13,125	12,558
USD	2,462	2,053	2,355	2,253
	18,036	**15,039**	**15,480**	**14,811**

	31 December 2017		31 December 2016	
	USD	**EUR**	**USD**	**EUR**
Non-current loans				
Loans granted to entities having significant influence (weighted average interest rate 4.2%)	6,203	5,172	-	-
Loans granted to related parties (weighted average interest rate 4.3%)	9,328	7,778	661	633
Bonds acquired from related parties (interest rate 5.2%) (Note 28)	2,462	2,053	2,355	2,253
	17,993	**15,003**	**3,016**	**2,886**
Current loans				
Loans granted to entities having significant influence (weighted average interest rate 4.2%)	-	-	5,215	4,989
Loans granted to related parties (weighted average interest rate 4.3%)	1,091	911	7,249	6,936
Less: provision for impairment of loans granted to related parties	(1,048)	(875)	-	-
	43	**36**	**12,464**	**11,925**
Total loans granted	**18,036**	**15,039**	**15,480**	**14,811**

As at 31 December 2017, weighted average effective interest rate of these loans is 4.3 per cent (2016: 5.5 per cent). The repayments are scheduled in 2018-2019.

In the normal course of business the Group enters into transactions with the related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

29 Remuneration of the Group's key management personnel

General manager, operating managers and chief financier are considered as the key management personnel of the Group.

	2017		2016	
	USD	EUR	USD	EUR
Salaries	387	343	248	224
Social insurance expenses	133	118	78	70
	520	**461**	**326**	**294**

30 Assets and liabilities classified as held for sale

As at 31 December 2017, the Group classified one of its subsidiaries - DG21 UAB - as assets held for sale. The Group expects to sell it till the end of the year 2018.

	31 December 2017	
Assets classified as held for sale	**USD**	**EUR**
Investment property	5,767	4,809
Non-current and current trade and other receivables	380	316
Deferred income tax asset	367	306
Inventory	4	3
Cash and cash equivalents	1	1
Total, excluding IC transactions with the Group	**6,518**	**5,434**
IC transactions with the Group	-	-
Total, including IC transactions with the Group	**6,518**	**5,434**
Liabilities held for sale		
Borrowings	604	503
Security deposits received	17	15
Deferred income tax liabilities	7	6
Trade and other payables	355	296
Total, excluding IC transactions with the Group	**983**	**820**
IC transactions with the Group	5,834	4,864
Total, including IC transactions with the Group	**6,816**	**5,684**

(All tabular amounts are in USD'000 and EUR'000 unless otherwise stated)

31 Assets and liabilities classified as held for sale (continued)

Statement of comprehensive income	31 December 2017	
Revenue, cost of sales and income tax expenses of assets classified as held for sale	**USD**	**EUR**
Revenue	161	143
Cost of sales	43	38
Gross profit (loss) from assets held for sale	**118**	**104**
Profit (loss) before income tax for the year from assets held for sale	**(168)**	**(149)**
Income tax expenses	(321)	(284)
Profit (loss) for the year from assets held for sale	**153**	**136**

31 Events after the balance sheet date

In January 2018 the Group completed the sale of one Airbus A321-200 aircraft with lease attached.

In February 2018 the Group acquired one Airbus A321-200 aircraft.

In February 2018 the Group rendered aircraft transaction management services in respect to sale and lease-back of one brand new Airbus A321 aircraft.

In March 2018 the Group acquired two Airbus A321-200 aircraft.

In March 2018 the Group rendered aircraft transaction management services in respect to sale and lease-back of three brand new Airbus A320 aircraft.

In March 2018 a number of shareholders of the Company submitted tender offer, aimed at delisting of shares of the Company from trading on the Warsaw Stock Exchange.