AVIAAM LEASING AB

INDEPENDENT AUDITOR'S REPORT,

FINANCIAL STATEMENTS AND

STAND-ALONE ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS Pages

Independent auditor's report

To the shareholders of AviaAM Leasing AB

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AviaAM Leasing AB ("the Company") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

What we have audited
The Company's financial statements comprise:

- the balance sheet as at 31 December 2016;
- the statements of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the Law on Audit of the Republic of Lithuania that are relevant to our audit of the financial statements in Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law on Audit of the Republic of Lithuania.

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Our audit approach

Overview

Materiality	Overall Company materiality is USD 590 thousand, which represents 1% of total assets.
Key audit matter	Recoverability of loans granted

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the 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 financial statements as a whole.

Overall Company materiality	USD 590 thousand.
How we determined it	1 % of total assets.
Rationale for the materiality benchmark applied	We considered that the Company is an asset-based holding company and the total assets is the key performance indicator monitored by management and investors.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD 30 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
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 2016, the Company's balance sheet includes loans granted in the amount of USD 22.602 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 39% of total assets) and magnitude and uncertainty of the estimation of expected future cash flows and resulting impairment provision for loans granted is considered as a key audit matter.	We assessed whether the Company's accounting policy in relation to the measurement of impairment provision of the loans is in compliance with IFRS. 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. We tested internal controls on the timely recognition and measurement of impairment and we also assessed the effectiveness of the Company's procedures of collecting the information for making key assumptions and valuation calculations. 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 arrangements made with the debtors; and • We challenged management' assumptions regarding the estimates of expected cash for overdue loans and resulting calculation of the impairment provision.

Our testing was aimed at identifying impairment losses at the individual and collective basis.
We assessed also whether the financial statement disclosures appropriately reflect the Company's exposure to credit risk.

We found no material exceptions arising from our work.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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.

The engagement partner on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
6 April 2017

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

STATEMENT OF COMPREHENSIVE INCOME

		2016		2015 (restated)	
	Note	**USD**	**EUR**	**USD**	**EUR**
Revenue	6	1,432	1,317	665	601
Interest income on loans		1,646	1,486	1,879	1,692
Depreciation of aircraft and engines	13	(153)	(137)	(128)	(115)
Impairment of investment and loan granted to subsidiary	7	-	-	(6,591)	(5,670)
Aircraft maintenance expenses		(107)	(97)	(77)	(69)
Employee-related expenses	8	(641)	(580)	(396)	(357)
Other operating expenses	9	(1,325)	(1,200)	(893)	(807)
Other gain (losses) net		356	328	26	23
Operating profit (loss)		**1,208**	**1,117**	**(5,515)**	**(4,702)**
Finance income	10	6,547	6,209	5,035	4,681
Finance costs	10	(302)	(278)	(1,513)	(1,364)
Finance costs – net		**6,245**	**5,931**	**3,522**	**3,317**
Profit (loss) before income tax		**7,453**	**7,048**	**(1,993)**	**(1,385)**
Income tax	11	(699)	(673)	(759)	(685)
Profit (loss) for the year		**6,754**	**6,375**	**(2,752)**	**(2,070)**
Other comprehensive income (costs)					
Items that will not be reclassified to profit or loss:					
Currency translation differences on translation to presentation currency		-	1,869	-	5,263
Items that may be reclassified to profit or loss:					
Revaluation of available for sale investments		713	746	(380)	(254)
Deferred income tax on revaluation of available for sale investments		(147)	112	26	38
Total other comprehensive income (costs)		**566**	**2,727**	**(354)**	**5,047**
Total comprehensive income		**7,320**	**9,102**	**(3,106)**	**2,977**
Basic and diluted earnings (loss) per share (USD/EUR)	12	0.16	0.15	-0.06	-0.05

The notes on pages 14 to 54 are an integral part of these financial statements.

The financial statements on pages 9 to 54 have been approved by the Management Board as at 6 April 2017 and signed by the General Manager.

Tadas Goberis
General Manager

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

BALANCE SHEET

		31 December 2016		31 December 2015 (restated)		31 December 2014 (restated)	
	Note	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**
ASSETS							
Non-current assets							
Property, plant and equipment	13	1,411	1,429	1,551	1,471	1,702	1,399
Intangible assets		-	-	-	-	1	1
Investments in joint ventures	26	15,300	14,300	-	-	-	-
Investments in subsidiaries	14	37	31	38	30	2,031	1,467
Available-for-sale financial assets	15	2,125	2,033	1,012	927	881	725
Financial assets at fair value through profit or loss	16	14,823	14,181	-	-	-	-
Loans granted	17	4,767	4,548	5,476	5,012	11,063	9,095
Deferred income tax assets	22	-	-	70	64	236	194
		38,463	**36,522**	**8,147**	**7,504**	**15,914**	**12,881**
Current assets							
Inventory		74	70	76	67	85	70
Loans granted	17	17,835	17,062	24,967	22,851	23,628	19,426
Trade and other receivables	18	1,634	1,564	6,146	5,625	1,148	944
Prepaid income tax		373	357	-	-	-	-
Cash and cash equivalents	19	263	252	12,830	11,743	20,120	16,541
		20,179	**19,305**	**44,019**	**40,286**	**44,981**	**36,981**
Total assets		**58,642**	**55,827**	**52,166**	**47,790**	**60,895**	**49,862**
EQUITY							
Equity attributable to the Company’s equity shareholders							
Share capital	20	16,804	12,559	16,804	12,559	16,804	12,542
Share premium	20	27,972	20,878	27,972	20,878	27,972	20,878
Legal reserve	20	1,739	1,254	1,739	1,254	1,739	1,254
Reserve for own shares	20	1,315	1,204	1,315	1,204	-	-
Cumulative translation reserve	20	-	10,695	-	8,826	-	3,563
Revaluation reserve (deficit) of financial assets	20	(613)	(587)	(1,179)	(1,079)	(825)	(678)
Retained earnings	20	10,655	9,085	4,889	3,576	13,332	10,764
Total equity		**57,872**	**55,088**	**51,540**	**47,218**	**59,022**	**48,323**
LIABILITIES							
Non-current liabilities							
Deferred income tax liabilities		56	53	-	-	-	-
		56	**53**	**-**	**-**	**-**	**-**
Current liabilities							
Borrowings		-	-	-	-	826	679
Trade and other payables	21	334	320	316	289	356	291
Current income tax liabilities		380	366	310	283	691	569
		714	**686**	**626**	**572**	**1,873**	**1,539**
Total liabilities		**770**	**739**	**626**	**572**	**1,873**	**1,539**
Total equity and liabilities		**58,642**	**55,827**	**52,166**	**47,790**	**60,895**	**49,862**

The notes on pages 14 to 54 are an integral part of these financial statements.

Tadas Goberis
General Manager

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

STATEMENT OF CHANGES IN EQUITY

USD	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve (deficit) of financial assets	Retained earnings	Total equity
Balance at 1 January 2015		**16,804**	**27,972**	**1,739**	**-**	**(825)**	**13,891**	**59,581**
Effect of changes in accounting policies		-	-		-	-	(559)	(559)
Balance at 1 January 2015 (restated)		**16,804**	**27,972**	**1,739**	**-**	**(825)**	**13,332**	**59,022**
Comprehensive income								
Revaluation of financial assets available for sale		-	-	-	-	(380)	-	(380)
Deferred income tax on revaluation of financial assets available for sale		-	-	-	-	26	-	26
Other comprehensive income / (loss)		**-**	**-**	**-**	**-**	**(354)**	**-**	**(354)**
Profit for the year							(2,752)	(2,752)
Total comprehensive income		**-**	**-**	**-**	**-**	**(354)**	**(2,752)**	**(3,106)**
Transactions with owners								
Transfers to reserves	20	-	-	-	1,315	-	(1,315)	-
Dividends	20	-	-	-	-	-	(4,376)	(4,376)
Total transactions with owners		**-**	**-**	**-**	**1,315**	**-**	**(5,691)**	**(4,376)**
Balance at 31 December 2015 / 1 January 2016		**16,804**	**27,972**	**1,739**	**1,315**	**(1,179)**	**4,889**	**51,540**
Comprehensive income								
Revaluation of financial assets available for sale	15	-	-	-	-	713	-	713
Deferred income tax on revaluation of financial assets available for sale		-	-	-	-	(147)	-	(147)
Other comprehensive income / (loss)		**-**	**-**	**-**	**-**	**566**	**-**	**566**
Profit for the year		-	-	-	-		6,754	6,754
Total comprehensive income		**-**	**-**	**-**	**-**	**566**	**6,754**	**7,320**
Transactions with owners								
Dividends	20	-	-	-	-	-	(988)	(988)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**(988)**	**(988)**
Balance at 31 December 2016		**16,804**	**27,972**	**1,739**	**1,315**	**(613)**	**10,655**	**57,872**

The notes on pages 14 to 54 are an integral part of these financial statements.

Tadas Goberis
General Manager

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

EUR	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve (deficit) of financial assets	Cumulative translation reserve	Retained earnings	Total equity
Balance at 1 January 2015		**12,542**	**20,878**	**1,254**	**-**	**(678)**	**3,563**	**11,224**	**48,783**
Effect of changes in accounting policies		**-**	**-**	**-**	**-**	**-**	**-**	**(460)**	**(460)**
Balance at 1 January 2015 (restated)		**12,542**	**20,878**	**1,254**	**-**	**(678)**	**3,563**	**10,764**	**48,323**
Comprehensive income									
Currency translation differences		-	-	-	-	(91)	5,263	-	5,172
Revaluation of financial assets available for sale	15	-	-		-	(348)	-	-	(348)
Deferred income tax on revaluation of financial assets available for sale		-	-	-	-	38	-	-	38
Other comprehensive income / (loss)		**-**	**-**	**-**	**-**	**(401)**	**5,263**	**-**	**4,862**
Profit for the year		-	-	-	-	-	-	(2,070)	(2,070)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(401)**	**5,263**	**(2,070)**	**2,792**
Transactions with owners									
Transfers to reserves	20	-	-	-	1,204	-	-	(1,204)	-
Dividends	20	-	-	-	-	-	-	(3,898)	(3,898)
Share capital conversion result		17	-	-	-	-	-	(17)	-
Total transactions with owners		**17**	**-**	**-**	**1,204**	**-**	**-**	**(5,119)**	**(3,898)**
Balance at 31 December 2015 / 1 January 2016		**12,559**	**20,878**	**1,254**	**1,204**	**(1,079)**	**8,826**	**3,576**	**47,218**
Comprehensive income									
Currency translation differences		-	-	-	-	(78)	1,869	-	1,791
Revaluation of financial assets available for sale	15	-	-	-	-	682	-	-	682
Deferred income tax on revaluation of financial assets available for sale		-	-	-	-	(112)	-	-	(112)
Other comprehensive income / (loss)		**-**	**-**	**-**	**-**	**492**	**1,869**	**-**	**2,361**
Profit for the year								6,375	6,375
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**492**	**1,869**	**6,375**	**8,736**
Transactions with owners									
Dividends	20	-	-	-	-	-	-	(866)	(866)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(866)**	**(866)**
Balance at 31 December 2016		**12,559**	**20,878**	**1,254**	**1,204**	**(587)**	**10,695**	**9,085**	**55,088**

The notes on pages 14 to 54 are an integral part of these financial statements.

Tadas Goberis
General Manager

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

STATEMENT OF CASH FLOW

	Note	2016 USD	2016 EUR	2015 (restated) USD	2015 (restated) EUR
Operating activities					
Profit (loss) before income tax		7,453	7,048	(1,993)	(1,385)
Adjustments for:					
Depreciation and amortisation		153	137	128	115
Dividend income		(6,541)	(5,908)	(5,000)	(4,502)
Finance income (costs) – net		(906)	(819)	(612)	(551)
Impairment of subsidiaries		-	-	6,591	5,670
Profit / loss from sale of financial assets at fair value through profit or loss		(223)	(201)	-	-
Changes in working capital:					
Trade and other receivables		(488)	(441)	2	2
Trade and other payables		(19)	(17)	1,177	1,059
Inventory		(8)	(7)	(1)	(1)
Cash generated from operations		**(579)**	**(208)**	**292**	**407**
Interest paid		(3)	(3)	(33)	(30)
Income tax paid		(1,066)	(963)	(874)	(787)
Net cash generated from (used in) operating activities		**(1,648)**	**(1,174)**	**(615)**	**(410)**
Investing activities					
Purchase of property, plant and equipment and intangible assets		(31)	(28)	(14)	(13)
Sale of property, plant and equipment and intangible assets		-	-	20	18
Investments in joint ventures	27	(15,300)	(13,819)	-	-
Investments in other entities	16	(400)	(361)	(522)	(470)
Dividends received		11,541	10,424	-	-
Loans granted		(16,223)	(14,652)	(30,585)	(27,539)
Loans repaid		8,362	7,552	26,729	24,067
Interest received		2,120	1,915	100	90
Net cash generated from (used in) investing activities		**(9,931)**	**(8,969)**	**(4,272)**	**(3,847)**
Financing activities					
Dividends paid		(988)	(892)	(1,583)	(1,425)
Borrowings received		333	300	-	-
Repayment of borrowings		(333)	(300)	(820)	(738)
Net cash generated from (used in) financing activities		**(988)**	**(892)**	**(2,403)**	**(2,163)**
		(12,567)	**(11,035)**	**(7,290)**	**(6,420)**
Increase in cash and cash equivalents					
Movement in cash and cash equivalents					
At beginning of year		12,830	11,743	20,120	16,541
Increase in cash and cash equivalents		(12,567)	(11,035)	(7,290)	(6,420)
Foreign translation differences		-	(456)	-	1,622
At end of the year	19	**263**	**252**	**12,830**	**11,743**

The notes on pages 14 to 54 are an integral part of these financial statements.
Tadas Goberis

General Manager

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

NOTES TO THE 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 19).

The shareholders’ structure of the Company as at 31 December 2016 and 31 December 2015 was as follows:

	Number of shares	%
ALH Aircraft Leasing Holdings Limited	12,994,905	30.01
Mesotania Holdings Limited	10,899,858	25.17
ING Otwarty Fundusz Emerytalny (Open pension fund)	5,000,000	11.55
Aurimas Sanikovas	294,478	0.68
Tadas Goberis	147,239	0.34
Other shareholders	13,969,113	32.25
Total	**43,305,593**	**100.00**

The principal activity of the Company is management of its subsidiaries and aircraft leasing. The principal activity of all subsidiaries of the Company is operating leasing, management and trading of mid-life narrow-body and regional jet aircraft. As of 31 December 2016 and 31 December 2015 the Company owned 2 aircraft engines.

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 7 August 2015 the Company established a subsidiary – DG21 UAB – with a purpose of pursuing the investments into the real estate. In September and December 2015 the aforementioned subsidiary acquired two buildings in Vilnius, Lithuania to be leased to companies engaged in aviation related business.

As at 31 December 2016 the number of full-time staff employed by the Company totalled 16, including one employee on maternity leave (31 December 2015 – 14).

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.

The subsidiaries and joint ventures of the Company are indicated below:

(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 2016	Share of equity, % As at 31 December 2015	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
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	-	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
AviaAM B08 Ltd.	Bermuda	100*	100*	Date of establishment: 26 April 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda
AviaAM B09 Ltd.	Bermuda	100*	100*	Date of establishment: 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
Dikkys Investments Ltd	Cyprus	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
Boulevard Two Aircraft Ltd.	Ireland	100*	100*	Date of acquiring: 20 December 2013 / Aircraft leasing / 70 Sir John Rogerson's Quay, Dublin 2, Ireland

(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 2016	As at 31 December 2015	Date of acquiring (establishment) / activity / address of establishment
Regional Charter Capital Ltd.	Bermuda	100**	50**	Date of establishment: 31 October 2012 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
AviaAM Financial Leasing China Co., Ltd	People's Republic of China	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

* Shareholding through AAL Capital Aircraft Holdings Ltd. which owns 100 per cent of the company.
** Shareholding through AviaAM Leasing Bermuda Ltd.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 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 have been prepared on a going concern basis and under the historical cost convention.

The Company has prepared these stand-alone financial statements to file with the Center of State Registers in accordance with Lithuanian Law.

The 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. On 1 January 2015, Lithuania joined the Euro area and the Euro became its national currency.

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 Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the 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)

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

2.1.2 Changes in accounting policy and disclosures (continued)

Disclosure initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards

Annual improvements to 2012 IFRSs

The improvements consist of changes to seven standards.
- IFRS 2 was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

Annual improvements to 2014 IFRSs

The amendments impact 4 standards.
- IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.
- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

(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 IAS 19, Defined benefit plans: Employee contributions (effective for annual periods beginning on or after 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11 (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38 (effective for annual periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

Equity Method in Separate Financial Statements - Amendments to IAS 27. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements

These amendments had no significant impact on the financial statements of the Company.

(b) The following new or amended IFRS and IFRIC interpretations are effective in 2015 but not relevant to the Company:

Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for annual periods beginning on or after 1 January 2016). The standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity’s ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent’s financial statements.

(c) 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'

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).

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

2.1.2 Changes in accounting policy and disclosures (continued)

- 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.
- 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.

This standard is effective for annual periods beginning on or after 1 January 2018. The Company is currently assessing the impact of the new standard on the financial statements.

IFRS 15, 'Revenue from contracts with customers'

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 standard is effective for annual periods beginning on or after 1 January 2018. The Company is currently assessing the impact of this standard on its financial statements.

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

- *IFRS 14, Regulatory Deferral Accounts*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28*
- *IFRS 16, Leases*
- *Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12*
- *Disclosure Initiative - Amendments to IAS 7*
- *Revenue from Contracts with Customers - Amendments to IFRS 15*

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

2.1.2 Changes in accounting policy and disclosures (continued)

- *Share-based Payments -Amendments to IFRS 2*
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4*
- *Annual Improvements to*
- *IFRSs 2014–2016 Cycle*
- *Transfers of Investment Property - Amendments to IAS 40*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

The Company 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 Investments in subsidiaries and joint ventures

Subsidiaries

In the stand-alone financial statements investments in subsidiaries are stated at cost less impairment, if any.

Associates and joint ventures

Associates are all entities over which the Company 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 Company’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 Company’s share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Company 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 Company and its associate/joint venture are recognised in the Company’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 Company.

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 the Company are measured using the currency of the primary economic environment in which the entity 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 Company's second presentation currency.

As at 31 December 2015 the exchange rate of euro to US Dollar was EUR 1 = USD 1.0453 (2014: EUR 1 = USD 1.0926).

The results and financial position of the Company are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average monthly 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

(c) all resulting exchange differences are recognised 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 income statement.

2.4 Property, plant and equipment

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 Company 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.

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

2.4 Property, plant and equipment (continued)

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
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 income statement.

2.5 Intangible assets

Intangible assets expected to provide economic benefit to the Company 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.

2.6 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.

2.7 Financial assets

2.7.1 Classification

The Company classifies its financial assets into the following measurement categories: loans and receivables, and available-for-sale financial assets. 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 Company has not held any financial assets at fair value through profit or loss and held to maturity categories.

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

2.7.1 Classification (continued)

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 Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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 Company 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 Company's documented investment strategy. The Company'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.

2.7.2 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 Company 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 income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

2.8 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.

2.9 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.

2.10 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.

2.11 Share capital

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

2.12 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.

2.13 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 income statement over the period of the borrowings using the effective interest method.

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

2.14 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.

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

2.15 Current and deferred income tax

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

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 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 Company 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.

2.16 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 Company 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 Company's activities, as described below.

(a) Sales of services

Revenue of the Company consists of lease revenue and other operational revenue.

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

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company 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.

2.17 Leases – where the Company is the lessor

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 income statement on a straight-line basis over the period of the lease.

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.

2.18 Employee benefits

Social security contributions

The Company 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 Company 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.

2.19 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.

2.20 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).

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

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk. The Company'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 Company.

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

		2016
	USD	**EUR**
Reasonably possible change of EUR to USD in per cent		-4.30%
Financial assets denominated in EUR	15,074	14,422
Financial liabilities denominated in EUR	294	282
Projected effect on profit	**(635)**	**(607)**

		2015
	USD	**USD**
Reasonably possible change of EUR to USD in per cent		-10.15%
Financial assets denominated in EUR	23,700	21,693
Financial liabilities denominated in EUR	218	199
Projected effect on profit	**(2,383)**	**(2,181)**

The Company operates internationally and is exposed to foreign exchange risk arising from the Company'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 Company's functional currency.

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

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. Company 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.

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

3.1 Financial risk factors (continued)

(i) Concentration risk

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Loans granted to debtors in aviation business	35,240	33,713	29,933	27,863
Trade and other receivables from customers in aviation business	1,452	1,390	1,036	949
	36,692	**35,103**	**30,969**	**28,812**

(ii) Maximum exposure of credit risk

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Loans granted	37,202	35,590	30,443	27,863
Trade receivables	1,459	1,396	1,037	949
Other receivables	154	148	97	89
Cash and cash equivalents	263	252	12,830	11,743
	39,078	**37,386**	**44,407**	**40,644**

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

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Group 1 – new customers (less than 6 months)	-	-	1	1
Group 2 – old customers (more than 6 months)	5,729	5,480	570	522
	5,729	**5,480**	**571**	**523**

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

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

3.1 Financial risk factors (continued)

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

		2016		2015
	USD	EUR	USD	EUR
A+	262	251	11,225	10,274
AA-	1	1	-	-
Other**	-	-	1,605	1,469
	263	**252**	**12,830**	**11,743**

* - External long term borrowings ratings set by international agencies Standard & Poor's in 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

All loans granted are closely monitored by the management of the Company and therefore considered as low default risk.

Loans granted (customers without external credit rating):

		2016		2015
	USD	EUR	USD	EUR
Group 1 – new customers/related parties (less than 6 months).	-	-	510	467
Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.	34,317	32,828	29,732	27,211
	34,317	**32,828**	**30,242**	**27,678**

(iv) Financial assets past due but not impaired

		2016		2015
	USD	EUR	USD	EUR
Past due up to 3 months	2,253	2,157	264	243
Past due 4-6 months	936	895	127	116
Past due for more than 6 months	342	328	276	252
	3,531	**3,380**	**667**	**611**

(v) Impaired financial assets

Loans granted impaired

		2016		2015
	USD	EUR	USD	EUR
Impaired loans granted – gross amount	4,486	4,052	4,586	4,197
Less: impairment of loans granted	(4,486)	(4,052)	(4,586)	(4,197)
Impaired loans granted – net amount	**-**	**-**	**-**	**-**

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

3.1 Financial risk factors (continued)

Trade and other receivables impaired

	2016		2015	
	USD	**EUR**	**USD**	**EUR**
Impaired trade and other receivables – gross amount	29	26	29	27
Less: impairment of receivables	(29)	(26)	(29)	(27)
Impaired trade and other receivables – net amount	**-**	**-**	**-**	**-**

Trade receivables that are less than six months past overdue are not considered impaired.

The impairment of overdue trade receivables and loans granted is performed going individually through the customers list and assessing the expectation of recovery.

The cost of establishment of provision for impaired receivables and loans granted has been included in the 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:

	2016		2015	
	USD	**EUR**	**USD**	**EUR**
At 1 January	4,587	4,198	-	-
Provision for trade receivables impairment	(2,355)	(2,253)	4,587	4,198
At 31 December	**2,232**	**1,945**	**4,587**	**4,198**

Movement on provisions for impairment of trade and other receivables:

	2016		2015	
	USD	**EUR**	**USD**	**EUR**
At 1 January	29	27	29	24
Exchange rate difference	-	3	-	3
At 31 December	**29**	**30**	**29**	**27**

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

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

3.1 Financial risk factors (continued)

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 2016			
Borrowings from related parties	-	-	-
Trade and other payables	334	-	-
	334	**-**	**-**
At 31 December 2015			
Trade and other payables	316	-	-
	316	**-**	**-**

EUR	Less than 1 year	Between 1 and 2 years	Over 2 years
At 31 December 2016			
Borrowings from related parties	-	-	-
Trade and other payables	320	-	-
	320	**-**	**-**
At 31 December 2015			
Trade and other payables	289	-	-
	289	**-**	**-**

3.2 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’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 Company 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 Company 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 balance sheet plus net debt.

As at 31 December the Company’s capital structure was as follows:

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Less: cash and cash equivalents	(263)	(252)	(12,830)	(11,743)
Net debt	(263)	(252)	(12,830)	(11,743)
Total equity	57,872	55,088	52,342	47,901
Total capital	**57,609**	**54,836**	**39,512**	**36,158**
Gearing ratio	N/A		N/A	

3.2 Capital risk management (continued)

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 the Company complied with these 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 approximate the book value because interest rates applied are similar to the market interest rates at balance sheet dates.

The fair values of Company’s assets and liabilities are within level 2 of the fair value hierarchy, except loans granted 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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company 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) 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 Company has performed impairment test for its aircraft as at 31 December 2016. Fair value measurements as at 31 December 2016 were performed by an independent appraiser IBA Group Limited. The valuation was performed in line with the requirements of the International Valuation Standards.

Each value 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 Company the valuation was performed using two step approach. Firstly, appraisers has obtained market transactions data related to the same types of aircraft as the Company 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.

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

4 Critical accounting estimates (continued)

The "Half-Life" values were then adjusted to produce the fair values of each of the Company's aircraft using the data regarding the identification, specifications and maintenance status as well as accrued hours/cycles of the subject aircraft of the Company 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 value of aircraft and could have a significant impact on the financial statements

(b) Aircraft residual value risk

The Company is exposed to aircraft residual value risk at the end of lease contracts. Aircraft's values depreciate in the ordinary course over time and their ability to generate earnings and cash flow for business declines over time. If an aircraft would be disposed for a price that is less than its depreciated value, then the Company would be required to recognize a loss that would reduce its net income during the period of the disposition and reduce total assets and shareholders' equity. Therefore, residual values of aircraft used for the purpose of calculation of depreciation are subject to review at the end of each reporting period.

Residual value risk is controlled by monitoring the movements of aircraft market prices taking into consideration the possibility of residual value insurance. In the opinion of the Company's management, the carrying value of the aircraft in our portfolio is currently recoverable through the cash flows expected to result from their use and eventual disposition.

(c) Fair value of investments that are not traded in an active market

Fair values of investments in securities that are not traded in an active market are determined by using valuation techniques, primarily discounted cash flows and recent comparable transactions. The valuation techniques used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability. Details of the inputs and valuation models used to determine Level 3 fair value are provided in Note 16.

(d) Related-party transactions

In the normal course of business the Company enters into transactions with their 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.

(e) Income taxes

Tax contingencies and uncertain tax positions. Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period 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 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 Company'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 Change in accounting policy

In previous periods the Company has accounted for aircraft at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations were made at the end of each reporting period. In 2016 the Company has changed its accounting policy on aircraft and started accounting 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. This change in accounting policy was adopted on a retrospective basis and the Company restated the comparative amounts for each prior period presented as if the new accounting policy had always been applied. Change in the accounting policy resulted in decrease in the book value of the aircraft in all the previous periods due to the reason that market value of the aircraft was above its acquisition cost less accumulated depreciation and impairment losses.

The purpose of the change in the accounting policy on aircraft is related to the better representation of the profits from the sale of aircraft. The Group is engaged in a business of aircraft leasing, however, during the recent years, the Group has been actively involved and completed an increased number of aircraft sale transactions, including sales of aircraft with lease attached. Taking into account that under the cost method the profits from such aircraft trading activities are recognised in the period of the actual sale of aircraft, the management of the Group considers that the cost method better represents the financial results and economic gains resulting from the aircraft trading activities under the evolving business model of the Group.

Information about the effect of changes in accounting policy on the comparative financial information as at 31 December 2015, for the year then ended and as at 1 January 2015 is given in the table below:

USD	**Amount before adjustment**		**Adjustment**		**Amount after adjustment**	
	2015.12.31	**2015.01.01**	**2015.12.31**	**2015.01.01**	**2015.12.31**	**2015.01.01**
Balance sheet line items						
Property, plant and equipment	2,353	2,261	(802)	(559)	1,551	1,702
Retained earnings	5,691	13,891	(802)	(559)	4,889	13,332
	-	-	-	-	-	-
Profit/loss line items	**2015**		**2015**		**2015**	
Depreciation and amortization	(147)	-	19	-	(128)	-
Revaluation of aircraft	262	-	(262)	-	-	-
	-	**-**	**(243)**	**-**	**-**	**-**

EUR	**Amount before adjustment**		**Adjustment**		**Amount after adjustment**	
	2015.12.31	**2015.01.01**	**2015.12.31**	**2015.01.01**	**2015.12.31**	**2015.01.01**
Balance sheet line items						
Property, plant and equipment	2,154	1,859	(683)	(460)	1,471	1,399
Retained earnings	4,259	11,224	683	460	3,576	10,764
	-	-	-	-	-	-
Profit/loss line items	**2015**		**2015**		**2015**	
Depreciation and amortization	(132)	-	17	-	(115)	-
Revaluation of aircraft	241	-	(241)	-	-	-
	-	**-**	**(224)**	**-**	**-**	**-**

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

6 Revenue

		2016		2015
	USD	EUR	USD	EUR
Lease revenue	840	759	665	601
Consultancy services revenue	592	558	-	-
	1,432	**1,317**	**665**	**601**

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

		2016		2015
	USD	EUR	USD	EUR
Not later than 1 year	840	759	840	769
Later than 1 year but not later than 5 years	1,008	910	1,855	1,698
Later than 5 years	-	-	-	-
	1,848	**1,669**	**2,695**	**2,467**

The chief operating decision maker of the Company has been identified as the General Manager, which is responsible for allocating resources and assessing performance of the Company. 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 single customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of that segment in any of the years):

		2016		2015
Lease and sale customers	USD	EUR	USD	EUR
Customer B	420	381	420	380
Customer C	420	379	245	221
	840	**761**	**665**	**601**

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

		2016		2015
Country	USD	EUR	USD	EUR
Lithuania	840	759	665	601
	840	**759**	**665**	**601**

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

6 Revenue (continued)

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

		2016		2015
Country	**USD**	**EUR**	**USD**	**EUR**
Kazakhstan	660	631	968	886
Belarus	1,116	1,068	1,229	1,125
	1,776	**1,699**	**2,197**	**2,011**

7 Impairment of investment and loans granted to subsidiary

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Impairment of investment in subsidiary	-	-	2,004	1,448
Impairment of loan granted to subsidiary	-	-	4,587	4,222
	-	**-**	**6,591**	**5,670**

In the year 2015 the Company recognized impairment losses on the investment in subsidiary AviaAM B04 UAB of USD 2,004 thousand (EUR 1,448 thousand) and on the loan granted to AviaAM B04 UAB of USD 4,587 thousand (EUR 4,222 thousand).

8 Employee related expenses

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Salaries	492	436	306	261
Social insurance expenses	149	144	90	96
	641	**580**	**396**	**357**

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

9 Other operating expenses

	2016		2015	
	USD	EUR	USD	EUR
Legal and translation expenses	310	280	216	195
Representation expenses	165	151	43	38
Training expenses	152	138	28	25
Travelling expenses	149	134	75	68
Marketing expenses	122	111	101	91
Database usage expenses	83	74	-	-
Charity expenses	71	65	-	-
Other tax expenses	61	54	49	45
Fuel costs	33	30	30	27
Office running costs	33	29	36	32
Expenses related to listing	31	28	32	28
Other fixed assets depreciation	30	28	23	21
Management services	19	18	134	121
Insurance expenses	9	9	33	32
Audit and accounting expenses	8	8	47	43
Bank fees	3	2	1	1
Other administrative costs	46	41	45	40
	1,325	**1,200**	**893**	**807**

10 Finance costs – net

	2016		2015	
	USD	EUR	USD	EUR
Gain on revaluation of financial instruments	-	-	24	22
Dividends	6,541	6,203	5,000	4,649
Fines and penalties	6	6	11	10
Finance income	**6,547**	**6,209**	**5,035**	**4,681**
Interest expenses	(3)	(3)	(28)	(25)
Foreign exchange loss on financing activities	(299)	(275)	(1,485)	(1,339)
Finance costs	**(302)**	**(278)**	**(1,513)**	**(1,364)**
Finance income (costs) – net	**6,245**	**5,931**	**3,522**	**3,317**

11 Income tax

	2016		2015	
	USD	EUR	USD	EUR
Current tax	719	687	567	517
Deferred tax	(20)	(14)	192	168
Total income tax expenses (benefit)	**699**	**673**	**759**	**685**

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

11 Income tax (continued)

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Profit (loss) before tax	**7,453**	**7,048**	**(1,993)**	**(1,385)**
Tax calculated at a tax rate of 15%	1,118	1,057	(299)	(208)
Tax effects of:				
- Expenses non-deductible for tax purposes	30	27	945	850
- Non-taxable incomes	(1,033)	(933)	(750)	(675)
- Deferred tax assets not recognised	-	-	-	-
- Effect of changes of tax rate	-	-	-	-
- Impact of foreign exchange differences	248	219	863	718
- Other eliminations	336	303	-	-
Total income tax expenses (benefit)	**699**	**673**	**759**	**685**

12 Earnings per share

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Net profit attributable to shareholders	6,754	6,375	(2,752)	(2,070)
Weighted average number of ordinary shares issued (thousand)	43,306		43,306	
Basic earnings per share (USD/EUR)	**0.16**	**0.15**	**(0.06)**	**(0.05)**

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

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

13 Property, plant and equipment

USD	Aircraft and engines	Engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2015 (restated)	**1,523**	**-**	**179**	**1,702**
Additions	-	-	14	**14**
Disposals	-	-	(20)	**(20)**
Depreciation charge	(128)	-	(17)	**(145)**
Closing net book amount as at 31 December 2015 (restated)	**1,395**	**-**	**156**	**1,551**
At 31 December 2015				
Cost	2,093	-	203	**2,296**
Accumulated depreciation and impairment	(698)	-	(47)	**(745)**
Net book amount	**1,395**	**-**	**156**	**1,551**
Opening net book amount as at 1 January 2016 (restated)	**1,395**	**-**	**156**	**1,551**
Additions			31	**31**
Depreciation charge	(153)	-	(18)	**(171)**
Closing net book amount as at 31 December 2016	**1,242**	**-**	**169**	**1,411**
At 31 December 2016				
Cost	2,093	-	234	**2,327**
Accumulated depreciation and impairment	(851)	-	(65)	**(916)**
Net book amount	**1,242**	**-**	**169**	**1,411**

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

13 Property, plant and equipment (continued)

EUR	Aircraft and engines	Engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2015 (restated)	1,252	-	147	**1,399**
Additions	-	-	13	**13**
Disposals	-	-	(18)	**(18)**
Depreciation charge	(115)	-	(15)	**(130)**
Exchange differences	190	-	16	**206**
Closing net book amount as at 31 December 2015 (restated)	**1,328**	**-**	**143**	**1,471**
At 31 December 2015				
Cost	2,002	-	186	**2,188**
Accumulated depreciation and impairment	(674)	**-**	(43)	**(717)**
Net book amount	**1,328**	**-**	**143**	**1,471**
Opening net book amount as at 1 January 2016 (restated)	**1,328**	**-**	**143**	**1,471**
Additions	-	-	28	**28**
Depreciation charge	(137)	-	(16)	**(153)**
Exchange differences	77	-	7	**84**
Closing net book amount as at 31 December 2016	**1,267**	**-**	**162**	**1,429**
At 31 December 2016				
Cost	1,699	-	224	**1,923**
Accumulated depreciation and impairment	-	-	(62)	**(62)**
Net book amount	**1,699**	**-**	**162**	**1,861**

Split of recognised revaluation in profit/loss		**2016**		**2015**
	USD	**EUR**	**USD**	**EUR**
Impairment loss recognized	2,002	-	224	**2,226**
Impairment loss reversed	(735)	**-**	(62)	**(797)**
	1,267	**-**	**162**	**1,429**

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

14 Investments into subsidiaries

	2016		2015	
	USD	EUR	USD	EUR
AviaAM B01 UAB	3.8	2.9	4.2	2.9
AviaAM B02 UAB	3.8	2.9	4.0	2.9
AviaAM B04 UAB	2,003.0	1,448.1	2,004.1	1,448.1
AviaAM B05 UAB	3.9	2.9	4.1	2.9
AviaAM B06 UAB	3.9	2.9	4.1	2.9
AviaAM B07 UAB	3.7	2.9	3.9	2.9
AAL Capital Aircraft Holdings Ltd	6.8	5.0	6.8	5.0
DG21 UAB	10.9	10.0	10.9	10.0
AviaAM B10 Ltd	0.1	0.1	0.1	0.1
AAL Aircraft Investment LTD	1.1	1.0	-	-
Impairments in subsidiaries	(2,004.1)	(1,448.1)	(2,004.1)	(1,448.1)
	36.9	**30.6**	**38.1**	**29.6**

The Company recognized impairment losses on the investment in subsidiary AviaAM B04 UAB of USD 2,004 thousand (EUR 1,448 thousand) in the year 2015.

15 Available-for-sale financial assets

	2016		2015	
	USD	EUR	USD	EUR
Opening amount as at 1 January	**1,012**	**927**	**881**	**725**
Exchange differences	-	63	-	94
Additions	400	361	511	456
Disposals	-	-	-	-
Net gains/(losses) transferred to equity	713	682	(380)	(348)
Closing amount as at 31 December	**2,125**	**2,033**	**1,012**	**927**
Less non-current portion				
Current portion	**2,125**	**2,033**	**1,012**	**927**

Available-for sale financial assets include the following:

	2016		2015	
	USD	EUR	USD	EUR
Listed securities:				
Equity securities – Lithuania	2,125	2,033	1,012	927
	2,125	**2,033**	**1,012**	**927**

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

	2016		2015	
	USD	EUR	USD	EUR
PLN	2,125	2,033	1,012	927
	2,125	**2,033**	**1,012**	**927**

None of these financial assets are impaired.

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

16 Financial assets at fair value through profit or loss

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

	2016		2015	
	USD	**EUR**	**USD**	**EUR**
Financial assets at fair value through profit or loss	14,600	13,980	-	-
Interests	223	201	-	-
	14,823	**14,181**	**-**	**-**

In 2016, the Company has subscribed for Profit Participation Notes (hereinafter – the "Notes") issued by one of its Irish subsidiaries – AviaAM B10 Ltd (hereinafter – the "Subsidiary" or the "Issuer"). The purpose of this arrangement was to provide necessary funding to the Subsidiary for the acquisition of four Airbus A321 aircraft. The overall amount of the Notes issued by the Subsidiary is USD 40 million and as at 31 December 2016 the Company subscribed and paid-up for USD 14,6 million of the Notes. The Issuer may request further payments through capital calls issued to the Company and the Company is obliged to subscribe for that certain specified amount. The key terms of the Notes are:

- The Company is entitled to receive "interest" equal to all income and gains earned by the Subsidiary less any losses, less operating expenses and costs and less carry forward losses;
- "Interest" is payable at the end of the annual reporting period to the extend the Issuer has unencumbered cash to make the payment;
- "Interest" is cumulative and any accrued but unpaid amounts have to be settled on the final maturity date and the final redemption amount for capital and unpaid interest is 12 April 2026, however the Issuer has the right to redeem the notes early at any time.

The Company conducted the valuation of the Profit Participation Notes at inception and as at 31 December 2016. The valuation was carried out by the Company's internal management's experts using the income approach. The fair value of investment was determined using the inputs and ratios reasonably reflecting the investment. As for the income approach, the discounted cash flow method was used. It was based on free cash flow forecasts made by the management's experts for the period of 8 years, which is the term of four aircraft lease agreements entered by the Subsidiary with its customer. The Subsidiary was the owner of four Airbus 321 aircraft as at 31 December 2016. Free cash flows were calculated as lease and additional lease income less interest on bank financing (other than "interest" above) and less capital, aircraft maintenance and other expenses and plus cash inflow from sale of aircraft at the end of the lease term.

The Company's financial assets at fair value through profit or loss included assets attributed to Level 3 in the fair value hierarchy (Note 2.20).

The fair value of the Notes amounted to USD 0.2 million at the date of inception, which was 12 April 2016, being the inception date of the Deed Poll issued by the Subsidiary in respect to the creation and issuance of the Notes. Subsequently during the year ended 31 December 2016 the Company subscribed and paid for USD 14.6 million of the Notes and the fair value of the Notes amounted to USD 14.8 million as at 31 December 2016. There were no fair value gains or losses recognized since the inception of the Notes.

The table below presents the inputs and the fair value valuation techniques (Level 3) for the Notes and the sensitivity analysis due to changes in the inputs used:

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

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

Description	Fair value, USD '000	Valuation technique	Unobservable inputs	Input value	Reasonable possible shift -/+	Change in valuation +/- (thousand, USD)
Profit Participation Notes	14,6	Discounted cash flow	Cost of capital	5 %	-/+ 0.5 pp	548 / (522)
			Expected cash inflows from supplemental lease rent of one aircraft (average)	USD 14,003 thousand	-/+ 10 pp	(3,223) / 3,669
			Expected cash inflows from sale of one aircraft	USD 5,500 thousand	-/+ 10 pp	(1,418) / 1,418
			Expected cash outflow from maintenance of one aircraft (average)	USD 14,184 thousand	-/+ 10 pp	(4,377) / 4,822

The fair value was based on discounted cash flow method, which was selected by the management's internal experts as the best representation of the company specific earnings potential.

In the opinion of the management, the fair value was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments.

17 Loans granted

		2016		2015
	USD	EUR	USD	EUR
Non-current loans				
Loans granted to related parties (weighted average interest rate 5,55%) (Note 25)	5,148	4,913	5,239	4,795
Bonds acquired from related parties	2,355	2,253		
Less: provision for impairment of loans granted to related parties	(4,487)	(4,293)	(4,587)	(4,198)
Loans granted to third parties (weighted average interest rate 7,77%)	1,751	1,675	4,824	4,415
	4,767	**4,548**	**5,476**	**5,012**
Current loans				
Loans granted to related parties parties (weighted average interest rate 5,55%) (Note 25)	13,569	12,981	19,858	18,175
Bonds acquired from related parties (interest rate 5,2%)	-	-	2,247	2,056
Loans granted to third parties (weighted average interest rate 7,77%)	4,266	4,081	2,862	2,620
	17,835	**17,062**	**24,967**	**22,851**
Total loans granted	**22,602**	**21,610**	**30,443**	**27,863**

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

17 Loans granted (continued)

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

	2016 USD	2016 EUR	2015 USD	2015 EUR
USD	8,420	8,042	17,774	16,267
EUR	14,182	13,568	12,653	11,581
GBP	-	-	16	15
	22,602	**21,610**	**30,443**	**27,863**

18 Trade and other receivables

	2016 USD	2016 EUR	2015 USD	2015 EUR
Trade receivables from third parties	676	647	769	704
Less: provision for impairment of trade receivables	(29)	(28)	(29)	(28)
Trade receivables from third parties – net	**647**	**619**	**740**	**676**
Receivables from related parties	812	777	297	273
Other current assets	154	148	97	89
Prepayments	8	8	-	-
Dividends receivable	-	-	5,000	4,576
VAT receivables	13	12	12	11
	1,634	**1,564**	**6,146**	**5,625**
Non-current portion:	-	-	-	-
Current portion:	**1,634**	**1,564**	**6,146**	**5,625**

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

	2016 USD	2016 EUR	2015 USD	2015 EUR
USD	799	765	6,090	5,574
EUR	835	799	39	36
GBP	-	-	17	15
	1,634	**1,564**	**6,146**	**5,625**

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

19 Cash and cash equivalents

Cash and cash equivalents are dominated in following currencies:

		2016		2015
	USD	**EUR**	**USD**	**EUR**
EUR	57	55	11,008	10,076
USD	206	197	1,822	1,667
PLN	-	-	-	-
	263	**252**	**12,830**	**11,743**

20 Share capital and reserves

Share capital

After euro adoption in 1 January 2015 and according to the Republic of Lithuania Law on redenomination to the euro of the capital and of the nominal value of securities of Public Limited Liability Companies and Private Limited Liability Companies and amendment of the Articles of Association of these Companies, the nominal value of the Company's shares were automatically converted from LTL 1 per share to EUR 0.29 per share in the Central Securities Depository of Lithuania. On 31 December 2016 and 31 December 2015 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 LTL 1 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 (EUR 20,878 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 2015	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.

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

20 Share capital and reserves (continued)

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 22).

Cumulative translation reserve

Cumulative translation reserve represents accumulated foreign exchange differences arising from translation of Company'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 982 thousand (EUR 866 thousand) were offset with loans granted (Note 29) or paid out by 27 May 2016.

On 3 April 2015 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of EUR 0.09 per share. The dividends in the total amount of USD 4,376 thousand (EUR 3,898 thousand) were offset with loans granted (Note 25) or paid out by 30 April 2015.

21 Trade and other payables

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Trade and other payables – financial liabilities				
Trade payables	74	71	77	70
Trade payables to related parties (Note 25)	50	48	45	42
Salaries and social security payable, including vacation accrual	78	74	55	50
Other short term liabilities	120	115	107	98
Accruals	12	12	32	29
	334	**320**	**316**	**289**

The carrying amounts of the Company's trade and other payables are denominated in the following currencies:

		2016		2015
	USD	**EUR**	**USD**	**EUR**
USD	40	38	98	90
PLN	-	-	-	-
EUR	294	282	218	199
	334	**320**	**316**	**289**

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

22 Deferred income taxes

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

		2016		2015
	USD	EUR	USD	EUR
Deferred tax assets				
At beginning of the period	172	145	348	284
Recognised through profit (loss)	-	-	(202)	(185)
Recognised through other comprehensive income	(147)	(112)	26	38
Exchange rate differences		(4)		8
At end of year	**25**	**29**	**172**	**145**

		2016		2015
	USD	EUR	USD	EUR
Deferred tax liabilities				
At beginning of the period	(102)	(81)	(112)	(90)
Recognised through profit (loss)	21	(1)	10	9
At end of year	**(81)**	**(82)**	**(102)**	**(81)**

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

		2016		2015
	USD	EUR	USD	EUR
Deferred tax assets				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	25	29	172	145
	25	**29**	**172**	**145**
Deferred tax liability				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	(81)	(82)	(102)	(81)
	(81)	**(82)**	**(102)**	**(81)**

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.

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

22 Deferred income taxes (continued)

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

USD
Deferred tax assets

	Accumulated taxable losses	Difference between tax basis and accounting basis (fair value) of aircraft	Revaluation of financial assets available for sale	Total
At 31 December 2014	**-**	**202**	**146**	**348**
Charged / (credited) to the profit or loss	-	(202)	-	**(202)**
Charged / (credited) to other comprehensive income	-	-	26	26
At 31 December 2015	**-**	**-**	**172**	**172**
Charged / (credited) to the profit or loss	-	-	(147)	(147)
At 31 December 2016	**-**	**-**	**25**	**25**

USD
Deferred tax liabilities

	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Other accrued expenses	Total
At 31 December 2014	**(109)**	**-**	**(3)**	**(112)**
Charged / (credited) to the profit or loss	47	(40)	3	10
At 31 December 2015	**(62)**	**(40)**	**-**	**(102)**
Charged / (credited) to the profit or loss	(11)	32		**21**
At 31 December 2016	**(73)**	**(8)**	**-**	**(81)**

EUR
Deferred tax assets

	Accumulated taxable losses	Difference between tax basis and accounting basis (fair value) of aircraft	Revaluation of financial assets available for sale	Total
At 31 December 2014	**(6)**	**170**	**120**	**284**
Charged / (credited) to the profit or loss	-	(185)	-	**(185)**
Charged / (credited) to other comprehensive income	-	-	38	**38**
Exchange rate difference	6	15	(13)	**8**
At 31 December 2015	**-**	**-**	**145**	**145**
Charged / (credited) to the profit or loss	-	-	(141)	(141)
Exchange rate difference	-	-	25	25
At 31 December 2016	**-**	**-**	**29**	**29**

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

22 Deferred income taxes (continued)

EUR **Deferred tax liabilities**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Other accrued expenses	**Total**
At 31 December 2014	**(88)**	**-**	**(2)**	**(90)**
Charged / (credited) to the profit or loss	44	(37)	2	9
Exchange rate difference	-	-	-	-
At 31 December 2015	**(44)**	**(37)**	**-**	**(81)**
Charged / (credited) to the profit or loss	(32)	31	-	(1)
Exchange rate difference	-	-	-	-
At 31 December 2016	**(76)**	**(6)**	**-**	**(82)**

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:

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Deferred tax assets	25	29	172	145
Deferred tax liabilities	(81)	(82)	(102)	(81)
	(56)	**(53)**	**70**	**64**

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

23 Commitments and contingencies

As at 31 December 2016 and 31 December 2015 the Company did not have any significant commitments and contingencies.

24 Financial instruments by category

Category – loans and receivables

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Loans to related parties – net	28,830	27,580	25,097	22,970
Loans to third parties – net	6,017	5,757	7,686	7,034
Trade receivables and receivables from related parties – net	812	777	298	273
Trade receivables from third parties – net	646	618	739	677
Other receivables	154	148	97	89
Dividends receivable	-	-	5,000	4,576
Cash and cash equivalents	263	252	12,830	11,743
	36,722	**35,132**	**51,747**	**47,362**

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

24 Financial instruments by category (continued)

Category – financial liabilities measured at amortised cost

	2016		2015	
	USD	EUR	USD	EUR
Trade payables	74	71	77	70
Trade payables to related parties	50	48	45	42
Accruals and other payables	132	126	139	127
	256	**245**	**261**	**239**

25 Related party transactions

Related parties of the Company include Subsidiaries of the Company, entities having significant influence over the Company, key management personnel of the Company and other related parties. Entities having significant influence over the Company are ALH Aircraft Leasing Holdings Ltd, being the majority shareholder of the Company, and ZIA Valda AB (the 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 Company and subsidiaries of ZIA Valda AB group. They are presented as other related parties. The following transactions were carried out with related parties:

	2016		2015	
	USD	EUR	USD	EUR
Sales of services to:				
Subsidiaries	1,485	1,341	507	457
Entities having significant influence	249	225	254	229
Other related parties	585	529	471	424
	2,319	**2,095**	**1,232**	**1,110**

		2016	2015	
	USD	EUR	USD	EUR
Purchases of services from:				
Subsidiaries	3	3	28	25
Entities having significant influence	2	1	11	10
Other related parties	412	372	308	278
	417	**376**	**347**	**313**

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

Trade and other receivables from related parties	2016		2015	
	USD	EUR	USD	EUR
Subsidiaries	5,297	5,068	297	273
Dividends receivable	6,541	6,258	5,000	4,576
Other related parties	86	82	-	-
Trade and other receivables at nominal value	**11,924**	**11,408**	**5,297**	**4,849**
Less: provision for impairment of receivables from related parties	-	-	-	-
	11,924	**11,408**	**5,297**	**4,849**

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

25 Related party transactions

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

Trade and other receivables from related parties

		2016		2015
	USD	EUR	USD	EUR
Of which not overdue	759	727	5,170	4,733
Overdue up to 3 months	47	45	127	116
4 to 6 months	2	2	-	-
Overdue more than 6 months	4	3	-	-
	812	**777**	**5,297**	**4,849**

Payables to and prepayments from related parties

		2016		2015
	USD	EUR	USD	EUR
Subsidiaries	1	1	-	-
Other related parties	49	47	45	42
	50	**48**	**45**	**42**

As at 31 December 2016 and 31 December 2015, payables consisted of payables for services purchased.

Loans received from related parties

		2016		2015
	USD	EUR	USD	EUR
Beginning of the year	**-**	**-**	**826**	**679**
Loans received during the year	333	318	-	-
Loan repayments and offset	(333)	(300)	(820)	(738)
Interest on loans charged	3	3	28	25
Interest on loans repaid	(3)	(3)	(33)	(30)
Exchange rate differences	-	(18)	(1)	64
End of the year	**-**	**-**	**-**	**-**

Loans granted to related parties

		2016		2015
	USD	EUR	USD	EUR
Beginning of the year	**22,757**	**20,828**	**25,636**	**21,076**
Loans advanced during the year	(732)	(1,581)	30,584	27,539
Loans advanced during the year by transferring trade receivables to loans	-	-	-	-
Loan repayments received as monetary transactions	(7,220)	(6,521)	(24,756)	(22,291)
Loan repayments received as non-monetary transactions	(63)	(57)	(3,559)	(3,205)
Interest charged	1,123	1,014	1,196	1,077
Interest received as monetary transaction	(987)	(892)	(343)	(309)
Impaired loans and receivable interest	-	-	(4,587)	(4,130)
Exchange rate differences	(648)	810	(1,414)	1,071
End of the year	**14,230**	**13,601**	**22,757**	**20,828**

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

25 Related party transactions (continued)

On 30 April 2015 USD 2,713 thousand (EUR 2,437 thousand) of payable dividends were set-off with loans granted.

As at 31 December 2016, all loans granted mature in 2017 – 2019 and weighted average effective interest rate of these loans is 5.55 per cent (2015: 5.39 per cent).

26 Remuneration of the Company's key management personnel

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

		2016		2015
	USD	EUR	USD	EUR
Salaries	144	130	110	99
Social insurance expenses	44	40	34	31
	188	**170**	**144**	**130**

27 Investments into joint ventures

In 2016, the Company 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 14,300 thousand). The Company's investments in joint venture amounted to USD 15,300 thousand (EUR 14,300 thousand) as investment was made by transferring U.S. dollars which were held in a bank as at 31 December 2016.

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.

28 Investments into joint ventures

There are no contingent liabilities relating to the Company'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)

28 Investments into joint ventures (continued)

Reconciliation of summarised financial information

	31 December 2016	
	USD	**EUR**
ASSETS		
Current assets		
Trade and other receivables	2	2
Cash and cash equivalents	29,668	28,383
	29,670	**28,385**
Total assets	**29,670**	**28,385**
LIABILITIES		
Current liabilities		
Trade and other payables	39	38
Current income tax liabilities	3	3
	42	**41**
Total liabilities	**42**	**41**
Net assets	**29,628**	**28,344**

Statement of comprehensive income

	31 December 2016	
	USD	**EUR**
Revenue	-	-
Cost of sales	-	-
Gross profit	**-**	**-**
General and administrative expenses	(85)	(77)
Operating profit (loss)	**(85)**	**(77)**
Finance activity- net	95	86
Profit (loss) before income tax	**10**	**9**
Income tax expenses	(3)	(3)
Profit (loss) for the period	**7**	**6**

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

28 Investments into joint ventures (continued)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint venture in consolidated financial statements:

		2016
	USD	**EUR**
Opening net assets as at 1 January	-	-
Investment in the joint venture	30,000	26,786
Profit (loss) for the period	7	6
Currency exchange impact	(379)	1,552
Closing net assets as at 31 December	**29,628**	**28,344**
Interest in the joint venture		51%
Investment in the joint venture	15,110	14,455
Carrying value as at 31 December	**15,110**	**14,455**

29 Events after the balance sheet date

On 17 February 2017 the Company established a subsidiary in Lithuania – DG AVIA UAB – with a purpose of pursuing further investments into the real estate.