AVIAAM LEASING AB

INDEPENDENT AUDITOR'S REPORT,

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of AviaAM Leasing AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2016, and its consolidated financial performance and consolidated 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 Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the Law on Audit of the Republic of Lithuania that are relevant to our audit of the consolidated 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.

Our audit approach

Overview

Materiality

Overall Group materiality is USD 1.110 thousand, which represents 5% of profit before tax

Audit scope

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

Key audit matters

- Assessment of fair value of aircraft and engines.
- Recognition of revenue from sales of aircraft.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the 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.

Audit scope

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

Materiality

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

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

Overall materiality	USD 1.110 thousand.
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	We have applied this benchmark because profit before tax is the key measure used both internally by management and, in our view, externally by shareholders in evaluating the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD 55 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Assessment of recoverable amount of aircraft and engines *Refer to Note 2 'Summary of significant accounting policies', Note 4 'Critical accounting estimates' and Note 14 'Property, plant and equipment' for further details.* The Group carries its aircraft and engines, at cost less accumulated depreciation and any accumulated impairment losses (carrying amount as at 31 December 2016, equals to USD 94.739 thousand). The Group has performed an impairment test as at 31 December 2016 and this resulted in the recognition of an impairment loss of USD 5.924 thousand and a reversal of impairment loss of USD 315 thousand. The recoverable amount for the purpose of an impairment test was determined based on fair value less cost to sell. The fair value assessment is based on comparable sales transactions conducted in the aircraft sales market, considering the usage of the data regarding the type of aircraft, specifications, maintenance status and accrued hours/cycles of the aircraft concerned.	We evaluated the competence, independence and objectivity of the expert engaged by management to calculate the fair value less cost to sell. We have read the valuation report prepared by the valuation expert, evaluated its work, evaluated the appropriateness of the valuation techniques used, tested to external data, where possible, the assumptions used in determining the inputs to the valuation techniques used, and the reasonableness of the expert's conclusions. We have carried out the procedures, on a sample basis, to test whether aircraft specific information supplied to the expert by the Group reflected the underlying aircraft records held by the Group. We have also reviewed whether the management properly applied the value of each aircraft based on the valuation report in their calculations of the impairment loss. We found no material exceptions arising from our work.

Taking into account the specifics of the measurement and complexity of the collection of external data, the Group's management has engaged an external expert in assessing the fair value.

Due to the magnitude and uncertainty of the estimation, the determination of the recoverable amount of aircraft and engines is considered a key audit matter.

Recognition of revenue from sales of aircraft

Refer to Note 2 'Summary of significant accounting policies', Note 4 'Critical accounting estimates' and Note 5 'Revenue' for further details.

In 2016, the Group recognised revenue of USD 89.531 thousand, of which USD 43.850 thousand is related to the sale of aircraft.

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

- A principal acting on its own account when contracting with the customers for the supply of aircraft in return for consideration (revenue of USD 43.850 thousand for the reporting period); or
- An agent acting as an intermediary earning a commission in return for arranging the provision of aircraft on behalf of a principal (revenue in the form of the commission income of USD 18.640 thousand for the reporting period).

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

The determination whether the Group acts as an agent or principal in a particular transaction is complex and requires judgment and therefore, it is considered as a key audit matter.

We evaluated the facts and circumstances surrounding the relationships as to whether the Group was acting as a principal or an agent in the transactions, i.e. whether it was exposed to the significant risks and rewards associated with the sale of the aircraft.

Our procedures included reading the aircraft acquisition and sale agreements, review acquisition transfer and sale transfer-acceptance certificates, evaluating other explanations provided by management and assessing the Group's overall judgement based on the factors whether the Group was acting as a principal or an agent.

We concluded that management appropriately evaluated all facts and circumstances related to aircraft sold. We found no material exceptions arising from our work.

How we tailored our Group audit scope

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

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

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2016		2015 (restated)	
	Note	USD	EUR	USD	EUR
Revenue	6	89,531	80,863	32,099	28,903
Interest income on loans		1,796	1,622	1,694	1,526
Costs of aircraft sold		(40,813)	(36,836)	(2,788)	(2,510)
Costs of services rendered	7	(9,637)	(8,704)	(6,235)	(5,614)
Aircraft maintenance and servicing expenses		(3,345)	(3,021)	(2,982)	(2,685)
Depreciation of aircraft		(8,943)	(8,077)	(4,161)	(3,746)
Impairment loss of aircraft - net	14	(5,609)	(5,066)	(213)	(192)
Revaluation of investment property	15	(596)	(538)	403	363
Impairment of receivables and prepayments		-	-	(752)	(677)
Employee-related expenses	8	(883)	(797)	(650)	(586)
Other operating expenses	9	(2,340)	(2,113)	(1,554)	(1,399)
Gain on sale of property, plant and equipment		6,633	5,991	-	-
Other gain (losses) - net	10	(177)	(185)	618	556
Operating profit		**25,617**	**23,139**	**15,479**	**13,939**
Finance income	11	729	658	466	420
Finance costs	11	(5,103)	(4,609)	(2,977)	(2,681)
Finance costs – net		**(4,374)**	**(3,951)**	**(2,511)**	**(2,261)**
Profit (loss) before income tax		**21,243**	**19,188**	**12,968**	**11,678**
Income tax	12	(3,423)	(3,122)	(2,926)	(2,595)
Profit (loss) for the period		**17,820**	**16,066**	**10,042**	**9,083**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Currency translation differences on translation to presentation currency		-	4,533	-	8,392
Items that may be reclassified to profit or loss:					
Revaluation of available for sale investments		713	682	(380)	(348)
Deferred income tax on revaluation of available for sale investments		(147)	(141)	26	38
Total other comprehensive income		**566**	**5,074**	**(354)**	**8,082**
Total comprehensive income		**18,386**	**21,140**	**9,688**	**17,165**
Basic and diluted earnings per share (USD/EUR)	13	**0.41**	**0.37**	**0.23**	**0.21**

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

The financial statements on pages 10 to 64 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)

CONSOLIDATED 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	14	94,897	90,784	51,775	47,387	36,219	29,777
Investment property	15	2,091	2,000	1,540	1,410	-	-
Intangible assets		-	-	1	1	1	1
Investments in joint venture	31	15,300	14,300	-	-	-	-
Available-for-sale financial assets	16	2,125	2,019	1,012	926	881	724
Loans granted	18	4,767	4,561	9,621	8,806	10,717	8,811
Trade and other receivables	19	558	534	-	-	-	-
		119,738	**114,198**	**63,949**	**58,530**	**47,818**	**39,313**
Current assets							
Inventory	17	1,463	1,401	1,747	1,598	1,037	851
Loans granted	18	24,370	23,314	21,419	19,603	23,549	19,361
Trade and other receivables	19	25,104	24,010	6,472	5,923	6,764	5,561
Financial assets at fair value through profit or loss	20	11,298	10,808	1,526	1,396	-	-
Cash and cash equivalents	21	28,916	27,663	27,093	24,797	36,574	30,069
		91,151	**87,196**	**58,257**	**53,317**	**67,924**	**55,842**
Total assets		**210,889**	**201,394**	**122,206**	**111,847**	**115,742**	**95,155**
EQUITY							
Equity attributable to the Group’s equity shareholders							
Share capital	22	16,804	12,559	16,804	12,559	16,804	12,542
Share premium	22	27,972	20,878	27,972	20,878	27,972	20,878
Legal reserve	22	1,740	1,254	1,740	1,254	1,740	1,254
Reserve for own shares	22	1,315	1,204	1,315	1,204	-	-
Revaluation reserve (deficit) of financial assets	22	(613)	(587)	(1,179)	(1,079)	(825)	(678)
Cumulative translation reserve		-	18,459	-	13,926	-	5,521
Retained earnings	22	66,121	54,305	49,289	39,066	44,938	34,992
Total equity		**113,339**	**108,072**	**95,941**	**87,808**	**90,629**	**74,509**
LIABILITIES							
Non-current liabilities							
Borrowings	23	50,859	48,655	5,480	5,015	10,782	8,864
Security deposits received	25	5,210	4,984	4,650	4,256	3,332	2,739
Deferred income tax liabilities	26	2,709	2,592	1,877	1,718	830	682
		58,778	**56,231**	**12,007**	**10,989**	**14,944**	**12,285**
Current liabilities							
Borrowings	23	8,642	8,267	5,927	5,425	2,768	2,276
Trade and other payables	24	25,104	24,016	3,658	3,348	2,488	2,045
Security deposits received	25	-	-	520	476	40	33
Advances received	24	291	279	159	145	70	58
Current income tax liabilities		4,735	4,529	3,994	3,656	4,803	3,949
		38,772	**37,091**	**14,258**	**13,050**	**10,169**	**8,361**
Total liabilities		**97,550**	**93,322**	**26,265**	**24,039**	**25,113**	**20,646**
Total equity and liabilities		**210,889**	**201,394**	**122,206**	**111,847**	**115,742**	**95,155**

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

Tadas Goberis
General Manager

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Note	Share capital	Share premium	Legal reser-ve	Reserve for own shares	Revalua-tion reserve	Revaluation reserve (deficit) of financial assets	Retained earnings	Total equity
Balance at 1 January 2015		**16,804**	**27,972**	**1,740**	**-**	**4,343**	**(825)**	**43,020**	**93,054**
Effect of changes in accounting policies		-	-	-	-	(4,343)	-	1,918	(2,425)
Balance at 1 January 2015 (restated)		**16,804**	**27,972**	**1,740**	**-**	**-**	**(825)**	**44,938**	**90,629**
Comprehensive income									
Revaluation of financial assets available for sale	16	-	-	-	-	-	(380)	-	(380)
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	26	-	26
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(354)**	**-**	**(354)**
Profit for the year		-	-	-	-	-	-	10,042	10,042
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(354)**	**10,042**	**9,688**
Transactions with owners									
Transfer to reserve for own shares		-	-	-	1,315	-	-	(1,315)	-
Dividends	22	-	-	-	-	-	-	(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**	**1,740**	**1,315**	**-**	**(1,179)**	**49,289**	**95,941**
Comprehensive income									
Revaluation of financial assets available for sale	16	-	-	-	-	-	713	-	713
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	(147)	-	(147)
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**566**	**-**	**566**
Profit for the period		-	-	-	-	-	-	17,820	17,820
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**566**	**17,820**	**18,386**
Transactions with owners									
Dividends	22	-	-	-	-	-	-	(988)	(988)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(988)**	**(988)**
Balance at 31 December 2016		**16,804**	**27,972**	**1,740**	**1,315**	**-**	**(613)**	**66,121**	**113,339**

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

Tadas Goberis
General Manager

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

EUR	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Cum. trans.	Retained earnings	Total equity
Balance at 1 January 2015		**12,542**	**20,878**	**1,254**	**-**	**3,570**	**(678)**	**5,521**	**33,416**	**76,503**
Effect of changes in accounting policies		**-**	**-**	**-**	**-**	**(3,570)**	**-**	**-**	**1,576**	**(1,994)**
Balance at 1 January 2015 (restated)		**12,542**	**20,878**	**1,254**	**-**	**-**	**(678)**	**5,521**	**34,992**	**74,509**
Comprehensive income										
Revaluation of financial assets available for sale	16	-	-	-	-	-	(348)	-	-	(348)
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	38	-	-	38
Currency translation differences		-	-	-	-	-	(91)	8,405	-	8,314
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(401)**	**8,405**	**-**	**8,004**
Profit for the period		-	-	-	-	-	-	-	9,083	9,083
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(401)**	**8,405**	**9,083**	**17,087**
Transactions with owners										
Transfer to reserve for own shares		-	-	-	1,204	-	-	-	(1,204)	-
Dividends	22	-	-	-	-	-	-	-	(3,898)	(3,898)
Share capital conversion result		17			-	-	-	-	(17)	-
Currency translation differences		-	-	-	-	-	-	-	110	110
Total transactions with owners		**17**	**-**	**-**	**1,204**	**-**	**-**	**-**	**(5,009)**	**(3,788)**
Balance at 31 December 2015/ 1 January 2016		**12,559**	**20,878**	**1,254**	**1,204**	**-**	**(1,079)**	**13,926**	**39,066**	**87,808**
Comprehensive income										
Revaluation of financial assets available for sale	16	**-**	**-**	**-**	**-**	**-**	682	-	**-**	682
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	(141)	-	-	(141)
Currency translation differences		-	-	-	-	-	(49)	4,533		4,484
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**492**	**4,533**	**-**	**5,025**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	16,066	16,066
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**492**	**4,533**	**16,066**	**21,091**
Transactions with owners										
Dividends	22	-	-	-	-	-	-	-	(866)	(866)
Currency translation differences		-	-	-	-	-	-	-	39	39
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(828)**	**(828)**
Balance at 31 December 2016		**12,559**	**20,878**	**1,254**	**1,204**	**-**	**(587)**	**18,459**	**54,305**	**108,072**

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

Tadas Goberis
General Manager

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

CONSOLIDATED STATEMENT OF CASH FLOW

		2016		2015 (restated)	
	Note	**USD**	**EUR**	**USD**	**EUR**
Operating activities					
Profit (loss) before income tax		21,243	19,188	12,968	11,678
Adjustments for:		-			
Depreciation and amortisation	14	8,943	8,077	4,161	3,746
Impairment of accounts receivable and prepayments		-	-	752	677
Discounting effect		(72)	(65)	(248)	(224)
Finance income/costs – net		(429)	(388)	518	466
Change in fair value of aircraft	14	5,609	5,066	213	192
Change in fair value of investment property	15	596	538	(403)	(363)
Profit / loss from sale of fixed assets		(6,633)	(5,991)	-	-
Changes in working capital:					
Trade and other receivables		(18,513)	(16,722)	17,331	15,606
Trade and other payables		28,212	25,480	2,212	1,992
Security deposits and advances received		981	886	2,041	1,838
Inventory		(61)	(55)	657	592
Cash generated from operations		**39,876**	**36,014**	**40,202**	**36,200**
Interest paid		(2,597)	(2,346)	(873)	(786)
Income tax paid		(2,298)	(2,076)	(2,417)	(2,176)
Net cash generated from operating activities		**34,981**	**31,592**	**36,912**	**33,238**
Investing activities					
Purchase of property, plant and equipment		(90,707)	(81,925)	(22,321)	(20,098)
Purchase of investment property		(1,158)	(1,046)	(1,137)	(1,024)
Sale of property, plant and equipment		55,225	49,878	-	-
Investments in joint ventures	31	(15,300)	(13,819)	-	-
Investments in other entities	16	(400)	(361)	(511)	(460)
Purchase of fin. assets carried at fair value through profit or loss		(11,974)	(10,815)	(1,526)	(1,374)
Loans granted		(23,399)	(21,133)	(44,752)	(40,295)
Loans repaid		6,342	5,728	27,467	24,731
Interest received		1,075	971	114	103
Net cash used in investing activities		**(80,296)**	**(72,522)**	**(42,666)**	**(38,417)**
Financing activities					
Borrowings received		54,874	49,561	624	562
Repayment of borrowings		(3,787)	(3,420)	-	-
Dividends paid		(988)	(892)	(1,583)	(1,425)
Lease (finance lease) payments		(2,961)	(2,674)	(2,768)	(2,493)
Net cash used in financing activities		**47,138**	**42,575**	**(3,727)**	**(3,356)**
Increase (decrease) in cash and cash equivalents		**1,823**	**1,645**	**(9,481)**	**(8,353)**
Movement in cash and cash equivalents					
At beginning of year		27,093	24,797	36,574	30,069
Decrease in cash and cash equivalents		1,823	1,645	(9,481)	(8,535)
Foreign translation differences		-	1,221	-	3,263
At end of the year	21	**28,916**	**27,663**	**27,093**	**24,797**

The notes on pages 10 to 58 are an integral part of these consolidated financial statements.

Tadas Goberis
General Manager

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

The Company's shares are traded on the Warsaw Stock Exchange as from 28 June 2013 (see Note 22).

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%
Nationale-Nederlanden 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 Company and its subsidiaries (together, *the Group*) are engaged in the business of aircraft leasing, trading and management. The principal activity of the Group is operating leasing, management and trading of mid-life narrow body and regional jet aircraft. As of 31 December 2016 the Group owned 17 aircraft: 4 Airbus A321, 1 Boeing 737-300, 2 Boeing 737-500 and 10 Bombardier CRJ200 aircraft. 16 aircraft were leased out under operating lease contracts and one Boeing B737 aircraft was under preparation for use. As of 31 December 2015 the Group owned 15 aircraft: 2 Airbus A319, 1 Boeing 737-300, 3 Boeing 737-500 and 9 Bombardier CRJ200 aircraft. All aircraft were leased out under operating lease.

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

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

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 Group totalled 18. As at 31 December 2015 the number of full-time staff employed by the Group totalled 16.

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

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

1 General information (continued)

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

The Group's companies	Country of establishment	Share of equity, % As at 31 December 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

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
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
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 consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1.1 Basis of preparation

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

The financial statements for all periods in this report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and its interpretations and amendments that are effective as at 31 December 2016 ("IFRS").

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

The consolidated financial statements are presented in US Dollars (USD) and Euro (EUR) and all values are rounded to the nearest thousand (USD'000 and EUR ´000) except when otherwise indicated.

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

2.1.2 Changes in accounting policy and disclosures

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

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.

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

2.1.2 Changes in accounting policy and disclosures (continued)

- 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".

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.

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

(b) The following new and/or amended IFRS and IFRIC that are effective in 2016 but not relevant to the Group

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.

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

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

2.1.2 Changes in accounting policy and disclosures (continued)

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

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).
- 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 Group 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 Group is currently assessing the impact of this standard on its financial statements.

2.1.2 Changes in accounting policy and disclosures (continued)

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

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

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

2.2 Consolidation

Subsidiaries

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

Business combinations with entities not under common control

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

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

2.2 Consolidation (continued)

Business combinations between entities under common control

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

- the assets and liabilities of the entities in business combination are stated at their carrying amounts;
- no newly arising goodwill is recognised on business combination;
- any differences between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings;
- the acquiree's results are consolidated as if the acquiree had always been controlled by the acquirer (or from the date the common control arises).

Inter-company transactions

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Associates and joint ventures

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

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

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

2.2 Consolidation (continued)

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

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the 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 Group's second presentation currency.

As at 31 December 2016 the exchange rate of euro to US Dollar was EUR 1 = USD 1.0453 (2015: EUR 1 = USD 1.0926).

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

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

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

iii. all 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 comprehensive 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

Other tangible fixed assets	3 – 6 years

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

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

2.5 Investment property

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

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

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

2.6 Intangible assets

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

Computer software	3 years

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

Loans and receivables

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

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

The group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. The group has not elected to designate any financial assets at fair value through profit or loss.

2.8.2 Recognition and measurement

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 comprehensive income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 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 comprehensive income statement as part of other income when the group’s right to receive payments is established.

2.9 Offsetting financial instruments

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

2.10 Inventory

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

2.11 Cash and cash equivalents

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

2.12 Share capital

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

2.13 Trade payables and security deposits

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

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

2.14 Borrowings

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

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

2.15 Borrowing costs

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

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

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

2.16 Current and deferred income tax

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

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

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

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

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

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

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

2.17 Revenue recognition

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

(a) Sales of services

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

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

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

(b) Sales of aircraft

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

(c) Commission income

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

(d) Interest income

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

2.18 Leases – where the Group is the lessee

Finance lease

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

2.18 Leases – where the Group is the lessee (continued)

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.

2.19 Employee benefits

Social security contributions

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

2.20 Earnings (loss) per share

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

2.21 Fair value estimation

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

Market risk

(i) Foreign exchange risk

		2016
	USD	**EUR**
Reasonably possible change of EUR to USD in per cent		-4,30%
Financial assets denominated in EUR	21,224	20,305
Financial liabilities denominated in EUR	2,035	1,947
Projected effect on profit	**(824)**	**(789)**

		2015
	USD	**EUR**
Reasonably possible change of EUR to USD in per cent		-10.15%
Financial assets denominated in EUR	26,901	24,621
Financial liabilities denominated in EUR	3,561	3,260
Projected effect on profit	**(2,369)**	**(2,168)**

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

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

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

3 Financial risk management (continued)

(ii) Cash flow interest rate risk

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

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

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

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
EUR (EURIBOR)		1.00		1.00
USD (USD LIBOR)		1.00		1.00

Financial assets subject to variable interest rates (by the currency of financial assets/liabilities)

EUR	-	-	-	-
USD	-	-	-	-

Financial liabilities subject to variable interest rates (by the currency of financial assets/liabilities)

EUR	593	567	624	572
USD	7,821	7,482	10,783	9,868
Projected effect on profit	**(84)**	**(88)**	**(114)**	**(125)**

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

Repricing terms of interest rates

		2016		2015
	USD	**EUR**	**USD**	**EUR**
3 months or less	7,821	7,482	10,783	9,868
3-6 months	593	567	624	572
Fixed	51,087	48,873	-	-
	59,501	**56,922**	**11,407**	**10,440**

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and loans granted. Credit risks are controlled by the application of credit terms and monitoring procedures. Group procedures are in force to ensure that services are sold only to customers with an appropriate credit history and do not exceed acceptable credit exposure limit. Cash transactions are limited to high credit quality financial institutions.

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

3 Financial risk management (continued)

(i) Concentration risk

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

		2016		2015
	USD	EUR	USD	EUR
Loans granted to debtors in aviation business	29,137	27,875	31,040	28,409
Trade and other receivables from customers in aviation business	25,662	24,544	6,472	5,923
	54,799	**52,419**	**37,512**	**34,332**

Trade receivables and loans granted are related to a limited number of customers. Largest customer amounts to 37% of total trade and other receivables and 16% of total loans granted as at 31 December 2016.

(ii) Maximum exposure of credit risk

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

		2016		2015
	USD	EUR	USD	EUR
Loans granted	29,137	27,875	31,040	28,409
Trade receivables	23,896	22,854	5,131	4,695
Cash and cash equivalents	28,916	27,663	27,093	24,797
	81,949	**78,392**	**63,264**	**57,901**

(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)	-	-	-	-
Group 2 – old customers (more than 6 months)	20,215	19,337	3,152	2,883
	20,215	**19,337**	**3,152**	**2,883**

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

3 Financial risk management (continued)

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

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
A+	6,079	5,816	15,615	14,292
AA-	1	1	-	-
A-	517	495	-	-
BBB+	8,689	8,312	-	-
B+	7	7	-	-
B-	1,416	1,355	-	-
Other **	12,207	11,677	11,478	10,505
	28,916	**27,663**	**27,093**	**24,797**

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

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Group 1 – new customers/related parties (less than 6 months).	-	-	-	-
Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.	26,528	25,378	30,838	28,225
	26,528	**25,378**	**30,838**	**28,225**

(iv) Financial assets past due but not impaired

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Past due up to 3 months	3,979	3,806	1,044	955
Past due 4-6 months	1,633	1,559	807	739
Past due for more than 6 months	678	649	330	302
	6,290	**6,014**	**2,181**	**1,996**

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

3 Financial risk management (continued)

(v) Impaired financial assets

(a) Loans granted impaired

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Impaired loans granted – gross amount	112	107	112	103
Less: impairment of loans granted	(112)	(107)	(112)	(103)
Impaired loans granted – net amount	**-**	**-**	**-**	**-**

(b) Trade and other receivables impaired

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Impaired trade and other receivables – gross amount	3,240	3,100	3,240	2,966
Less: impairment of receivables	(3,240)	(3,100)	(3,240)	(2,966)
Impaired trade and other receivables – net amount	**-**	**-**	**-**	**-**

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

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

Movement on provisions for impairment of loans granted

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
At 1 January	112	103	-	-
Provision for loans granted impairment	-	-	112	103
Currency translation differences	-	4	-	-
At 31 December	**112**	**107**	**112**	**103**

Movement on provisions for impairment of trade and other receivables

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
At 1 January	3,240	2,966	2,601	2,139
Provision for trade receivables impairment	-	-	860	774
Reversal of trade receivables impaired	-	-	(221)	(199)
Currency translation differences	-	134	-	252
At 31 December	**3,240**	**3,100**	**3,240**	**2,966**

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

3 Financial risk management (continued)

Liquidity risk

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

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

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

USD	**Less than 1 year**	**Between 1 and 2 years**	**Over 2 years**
At 31 December 2016			
Borrowings from banks	6,044	6,232	39,403
Security deposits received	-	-	5,210
Lease liabilities	2,429	2,300	3,093
Trade and other payables	25,104	-	-
	33,577	**8,532**	**47,706**
At 31 December 2015			
Borrowings from banks	6	69	550
Security deposits received	520	-	4,650
Lease liabilities	5,921	3,821	1,040
Trade and other payables	3,658	-	-
	10,105	**3,890**	**6,240**

EUR	**Less than 1 year**	**Between 1 and 2 years**	**Over 2 years**
At 31 December 2016			
Borrowings from banks	5,782	5,961	37,696
Security deposits received	-	-	4,984
Lease liabilities	2,324	2,201	2,958
Trade and other payables	24,016	-	-
	32,122	**8,162**	**45,638**
At 31 December 2015			
Borrowings from banks	5	63	503
Security deposits received	476	-	4,256
Lease liabilities	5,419	3,498	952
Trade and other payables	3,348	-	-
	9,248	**3,561**	**5,711**

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

3.2 Capital risk management

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

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

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

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Borrowings	59,501	56,922	11,407	10,440
Less: cash and cash equivalents	(28,916)	(27,663)	(27,093)	(24,797)
Net debt	30,585	29,259	(15,686)	(14,357)
Total equity	113,339	108,072	108,184	99,015
Total capital	**143,924**	**137,331**	**92,498**	**84,658**
Gearing ratio	21%		N/A	

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

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

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

3.3 Fair value estimation

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

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

3.3 Fair value estimation (continued)

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 value of security deposits received applying 3.78% discount rate amounted to USD 5,210 thousand (EUR 4,984 thousand) as at 31 December 2016.

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

4 Critical accounting estimates

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

(a) Recognition of revenue from sales of aircraft

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

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

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

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

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

- The Group has the primary responsibility for providing the aircraft to the customer or for fulfilling the order;
- The Group has inventory risk before or after the customer order, during shipping;
- The Group has the latitude in establishing prices, either directly or indirectly;
- The Group bears the customer's credit risk for the amount receivable from the customer.

4 Critical accounting estimates (continued)

(b) Recoverable amount of Aircraft

Aircraft are carried at their historical cost less accumulated depreciation and any accumulated impairment loss. Due to possible impairment indicators, the Group has performed impairment test for its aircraft 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 Group the valuation was performed using two step approach. Firstly, appraisers has obtained market transactions data related to the same types of aircraft as the Group have and using the data on the conditions of the subject aircraft produced “Half-Life” values for each one at each valuation date. The term “Half-Life” refers to the airframe, engines, landing gear, APU and all major components being half way between major overhauls, inspections or performance restorations as appropriate; with engine LLPs having 50% of their certified lives remaining.

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

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

(c) Aircraft residual value risk

The Group 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 Group 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 aircrafts 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 Group’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.

(d) Fair value of investment property

Investment property is carried at revalued amounts being fair value at the end of each reporting period. Fair value measurements of the buildings were performed by the independent appraiser Ober-Haus UAB.

In order to obtain fair values of the investment property possessed by the Group the valuation was performed using two approaches. Firstly, appraisers has obtained market transactions data related to the similar investment property as the Group have and using the data on the conditions of the subject investment property produced values for each one at each valuation date. Second approach was using discounted cash flows method.

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

4 Critical accounting estimates (continued)

(e) Related-party transactions

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

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

5 Change in accounting policy

In previous periods the Group 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 Group 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 Group 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.

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

5 Change in accounting policy (continued)

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	
	31.12.2015	**1.1.2015**	**31.12.2015**	**1.1.2015**	**31.12.2015**	**1.1.2015**
Balance sheet line items						
Property, plant and equipment	64,198	39,167	(12,423)	(2,948)	51,775	36,219
Revaluation reserve (net of deferred tax)	12,244	4,343	(12,244)	(4,343)	-	-
Deferred income tax assets (liabilities)	2,057	1,353	(180)	(523)	1,877	830
Retained earnings	49,288	43,020	1	1,918	49,289	44,938
	-	-	-	-	-	-
Profit/loss line items	**2015**		**2015**		**2015**	
Depreciation of aircraft	(4,253)	-	92	-	(4,161)	-
Revaluation of aircraft/ Impairment of aircraft - net	59	-	(272)	-	(213)	-
Income tax	(1,189)	-	(1,737)	-	(2,926)	-
	-	-	**(1,917)**	-	-	-
Other comprehensive income items						
Gain on revaluation of aircraft	9,295	-	(9,295)	-	-	-
Deferred income tax on revaluation of aircraft	(1,394)	-	1,394	-	-	-
	-	-	**(7,901)**	-	-	-

EUR	Amount before adjustment		Adjustment		Amount after adjustment	
	31.12.2015	**1.1.2015**	**31.12.2015**	**1.1.2015**	**31.12.2015**	**1.1.2015**
Balance sheet line items						
Property, plant and equipment	58,757	32,201	(11,370)	(2,424)	47,387	29,777
Revaluation reserve (net of deferred tax)	11,206	3,570	(11,206)	(3,570)	-	-
Deferred income tax assets (liabilities)	1,882	1,112	(164)	(430)	1,718	682
Retained earnings	39,066	33,416	1	1,576	39,067	34,992
	-	-	-	-	-	-
Profit/loss line items	**2015**		**2015**		**2015**	
Depreciation and amortization	(3,830)	-	83	-	(3,747)	-
Revaluation of aircraft	53	-	(245)	-	(192)	-
Income tax	(1,189)	-	(2,903)	-	(4,092)	-
	-	-	**(3,065)**	-	-	-
Other comprehensive income items						
Gain on revaluation of aircraft	8,369	-	(8,369)	-	-	-
Deferred income tax on revaluation of aircraft	(1,276)	-	1,276	-	-	-
Currency translation differences on translation to presentation currency	8,392	-	-	-	8,392	-
	-	-	**(7,093)**	-	-	-

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

6 Revenue

		2016		2015
	USD	EUR	USD	EUR
Sales of aircraft	43,850	39,604	2,300	2,071
Lease revenue	18,346	16,569	13,878	12,497
Commission income	18,640	16,838	9,408	8,471
Supplemental maintenance rent	8,571	7,740	6,513	5,864
Revenue from real estate	40	36	-	-
Other revenue	84	76	-	-
	89,531	**80,863**	**32,099**	**28,903**

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	20,580	18,587	13,836	12,663
Later than 1 year but not later than 5 years	62,062	56,053	45,255	41,420
Later than 5 years	29,264	26,430	3,557	3,256
	111,906	**101,070**	**62,648**	**57,339**

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

The segment’s sales to external customers are derived from the following 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, sale and aircraft transaction management customers	USD	EUR	USD	EUR
Customer T	24,900	22,489	-	-
Customer M	16,550	14,948	-	-
Customer C	14,809	13,375	-	-
Customer B	12,407	11,206	12,174	10,962
Customer P	-	-	9,375	8,441
Customer Z	9,556	8,631	-	-
Customer J	3,250	2,935	-	-
Customer H	2,000	1,806	-	-
Customer Q	-	-	2,300	2,071
Customer O	1,719	1,553	1,594	1,435
Customer I	1,036	936	4,679	4,213
Other customers	3,304	2,984	1,977	1,781
	89,531	**80,863**	**32,099**	**28,903**

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

6 Revenue (continued)

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**
Russia	28,252	25,517	17,137	15,431
Virgin Islands	24,900	22,489	-	-
Cyprus	16,550	14,948	-	-
Poland	9,556	8,631	-	-
Ireland	3,334	3,011	9,375	8,441
United Arab Emirates	2,000	1,806	-	-
Belarus	1,719	1,553	1,594	1,435
Lithuania	1,415	1,278	1,060	955
Kazakhstan	598	540	2,900	2,611
Latvia	525	474	-	-
United Kingdom	400	361	-	-
Bermuda	282	255	33	30
	89,531	**80,863**	**32,099**	**28,903**

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

		2016		2015
Country	**USD**	**EUR**	**USD**	**EUR**
Poland	63,978	61,206	-	-
Russia	17,862	17,088	52,881	48,399
Lithuania	8,503	8,135	6,284	5,752
Belarus	2,892	2,767	1,875	1,716
Kazakhstan	734	702	924	846
	93,969	**89,898**	**61,964**	**56,713**

7 Costs of services rendered

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Cost of services rendered related to aircraft leases	170	154	721	649
Cost of services rendered related to commission income	9,462	8,546	5,514	4,965
Cost of services related to real estate income	5	4	-	-
	9,637	**8,704**	**6,235**	**5,614**

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

8 Employee related expenses

		2016		2015
	USD	EUR	USD	EUR
Salaries	668	603	474	427
Social insurance expenses	215	194	176	159
	883	**797**	**650**	**586**

9 Other operating expenses

		2016		2015
	USD	EUR	USD	EUR
Legal and translation expenses	783	707	428	385
Travelling expenses	299	270	90	81
Representation expenses	165	149	45	41
Management services	160	145	201	181
Marketing expenses	126	114	168	152
Insurance expenses	108	97	116	105
Bank fees	97	88	26	23
Charity expenses	92	84	-	-
Audit and accounting expenses	92	83	133	120
Database usage expenses	83	75	-	-
Other tax expenses	70	63	48	43
Fuel costs	40	36	41	37
Office expenses	38	34	44	40
Expenses related to listing of shares	31	28	32	28
Other fixed assets depreciation	30	28	23	21
IT costs	20	18	20	18
Transportation expenses	13	11	50	45
Training expenses	8	7	38	34
Other administrative expenses	85	76	51	45
	2,340	**2,113**	**1,554**	**1,399**

10 Other gain (losses) net

Other gain (losses) consists of one-off items not related to the primary activity of the Group. In 2016, out of the total recorded amount a loss of USD 168 thousand (EUR 161 thousand) related to the mutually agreed reduction in loan granted to one third-party borrower. In 2015, out of the total recorded amount USD 605 thousand (EUR 544 thousand) related to the settlement amount of the dispute with the client in Italy.

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

11 Finance costs – net

		2016		2015
	USD	EUR	USD	EUR
Discounting of security deposits received	582	526	390	351
Unwinding of discount of non-current loans from related parties	15	13	-	-
Other finance income	132	119	76	69
Finance income	**729**	**658**	**466**	**420**
Interest expenses	(2,597)	(2,345)	(923)	(831)
Foreign exchange loss on financing activities	(1,674)	(1,513)	(1,818)	(1,638)
Unwinding of discount of security deposits received	(510)	(460)	(91)	(82)
Other finance costs	(322)	(291)	(145)	(130)
Finance costs	**(5,103)**	**(4,609)**	**(2,977)**	**(2,681)**
Finance costs – net	**(4,374)**	**(3,951)**	**(2,511)**	**(2,261)**

12 Income tax

		2016		2015 (restated)
	USD	EUR	USD	EUR
Current tax	2,737	2,494	1,853	1,668
Deferred tax	686	628	1,073	927
Total income tax expenses/(benefit)	**3,423**	**3,122**	**2,926**	**2,595**

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

		2016		2015 (restated)
	USD	EUR	USD	EUR
Profit (loss) before tax	**21,243**	**19,188**	**12,968**	**11,678**
Tax calculated at a tax rate of 15%	3,186	2,878	1,945	1,752
Tax effects of:				
- Expenses non-deductible for tax purposes	58	52	949	855
- Non-taxable incomes	-	-	(79)	(71)
- Impact of foreign exchange differences	859	785	572	474
- Other differences	(680)	(593)	(461)	(415)
Total income tax expenses/(benefit)	**3,423**	**3,122**	**2,926**	**2,595**

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

13 Earnings per share

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

	2016		2015 (restated)	
	USD	**EUR**	**USD**	**EUR**
Net profit attributable to shareholders	17,820	16,066	10,042	9,083
Weighted average number of ordinary shares issued (thousand)	43,306		43,306	
Basic earnings per share (USD/EUR)	**0.41**	**0.37**	**0.23**	**0.21**

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

14 Property, plant and equipment

USD

	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2015 (restated)	**35,287**	**750**	**182**	**36,219**
Additions	21,320	-	14	**21,334**
Disposals	-	-	(20)	**(20)**
Reclassifications	(1,366)	-	-	**(1,366)**
Depreciation charge	(4,161)	-	(18)	**(4,179)**
Impairment loss - net	(213)	-	-	**(213)**
Closing net book amount as at 31 December 2015 (restated)	**50,867**	**750**	**158**	**51,775**
At 31 December 2015 (restated)				
Cost	65,976	750	218	**66,944**
Accumulated depreciation and impairment	(15,110)	-	(60)	**(15,170)**
Net book amount (restated)	**50,866**	**750**	**158**	**51,774**
Opening net book amount as at 1 January 2016 (restated)	**50,866**	**750**	**158**	**51,774**
Additions	99,646	770	16	**100,432**
Disposals	(42,991)	-	-	**(42,991)**
Reclassifications	999	(750)	-	**249**
Depreciation charge	(8,943)	-	(16)	**(8,959)**
Impairment loss - net	(5,609)	-	-	**(5,609)**
Closing net book amount as at 31 December 2016	**93,969**	**770**	**158**	**94,897**
At 31 December 2016				
Cost	119,468	770	234	**120,472**
Accumulated depreciation and impairment	(25,499)	-	(76)	**(25,575)**
Net book amount	**93,969**	**770**	**158**	**94,897**

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

14 Property, plant and equipment (continued)

EUR	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2015 (restated)	**29,011**	**617**	**150**	**29,777**
Additions	19,197	-	13	**19,210**
Disposals	-	-	(18)	**(18)**
Reclassifications	(1,230)	-	-	**(1,230)**
Depreciation charge	(3,747)	-	(16)	**(3,763)**
Impairment loss - net	(192)	-	-	**(192)**
Exchange differences	3,516	69	17	**3,602**
Closing net book amount as at 31 December 2015 (restated)	**46,555**	**686**	**146**	**47,387**
At 31 December 2015 (restated)				
Cost	60,385	686	201	**61,272**
Accumulated depreciation and impairment	(13,830)	-	(55)	**(13,885)**
Net book amount (restated)	**46,555**	**686**	**146**	**47,387**
Opening net book amount as at 1 January 2016 (restated)	**46,555**	**686**	**146**	**47,387**
Additions	89,999	695	14	**90,708**
Disposals	(38,828)	-	-	**(38,828)**
Reclassifications	902	(676)	-	**226**
Depreciation charge	(8,077)	-	(14)	**(8,091)**
Impairment loss - net	(5,065)	(1)	-	**(5,066)**
Exchange differences	4,410	33	5	**4,449**
Closing net book amount as at 31 December 2016	**89,896**	**737**	**151**	**90,784**
At 31 December 2016				
Cost	111,803	737	224	**112,764**
Accumulated depreciation and impairment	(21,907)	-	(73)	**(21,980)**
Net book amount	**89,896**	**737**	**151**	**90,784**

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

14 Property, plant and equipment (continued)

Split of recognised impairment loss – net		2016		2015
	USD	EUR	USD	EUR
Impairment loss recognized	(5,924)	(5,351)	(1,378)	(1,259)
Impairment loss reversed	315	285	1,165	1,067
	(5,609)	**(5,066)**	**(213)**	**(192)**

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

Aircraft		2016		2015
	USD	EUR	USD	EUR
Cost – capitalised finance lease	20,656	19,761	20,070	18,369
Accumulated depreciation	(5,090)	(4,870)	(2,893)	(2,648)
Net book amount	**15,566**	**14,891**	**17,177**	**15,721**

Aircraft were pledged to the banks as collateral for borrowings (Note 23). Carrying amount of pledged aircraft as at 31 December:

		2016		2015
	USD	EUR	USD	EUR
Aircraft	63,978	61,205	-	-
	63,978	**61,205**	**-**	**-**

Acquisition of property, plant and equipment through acquisition of subsidiary

In 2012 the Group acquired a 50% of the share capital in Regional Charter Capital Ltd, country of incorporation - Bermuda. The investment in the joint venture was USD 10.0 thousand (EUR 7.8 thousand). The Group’s investments in its joint venture as at 31 December 2015 amounted to USD nil (EUR nil) through post-acquisition changes in the Group’s share of net assets of the joint venture.

In 2016 the Group acquired a remaining 50% stake in Regional Charter Capital Ltd. and effectively holds 100 % of share capital as at 31 December 2016. Regional Charter Capital Ltd. owns one Bombardier CRJ200 aircraft in a business jet configuration and was not engaged in any significant activities as at the date of acquisition. Therefore, the transaction is considered as acquisition of an asset.

	USD	EUR
Aircraft	8,464	8,107
Trade and other receivables	28	27
Loan from the Group (Noted 29)	(7,919)	(7,586)
Trade and other payables	(495)	(474)
Purchase consideration	**78**	**74**

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

15 Investment property

	USD	EUR
Opening net book amount as at 1 January 2015	**-**	**-**
Additions	1,137	1,024
Revaluation surplus	403	363
Exchange differences	-	23
Closing net book amount as at 31 December 2015	**1,540**	**1,410**
At 31 December 2015		
Cost or valuation	1,540	1,410
Accumulated depreciation	-	-
Net book amount	**1,540**	**1,410**

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

Investment property was pledged to the bank as collateral for borrowings (Note 23) as at 31 December 2016. 2016 additions comprises capitalised assets related to reconstruction of buildings.

16 Available-for-sale financial assets

		2016		2015
	USD	EUR	USD	EUR
Opening amount as at 1 January	**1,012**	**926**	**881**	724
Exchange differences	-	50	-	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**	**2,019**	**1,012**	**926**
Less non-current portion	2,125	2,019	1,012	926
Current portion	**-**	**-**	**-**	**-**

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

16 Available-for-sale financial assets (continued)

Available-for sale financial assets include the following:

		2016		2015
	USD	EUR	USD	EUR
Listed securities:				
Equity securities - Lithuania	2,125	2,019	1,012	926
	2,125	**2,019**	**1,012**	**926**

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

		2016		2015
	USD	EUR	USD	EUR
PLN	2,125	2,019	1,012	926
	2,125	**2,019**	**1,012**	**926**

None of these financial assets are impaired.

17 Inventories

		2016		2015
	USD	EUR	USD	EUR
Aircraft components	1,463	1,401	1,747	1,598
	1,463	**1,401**	**1,747**	**1,598**

Acquisition of inventory through acquisition of subsidiary

In March 2016 The Group acquired 100% of the issued shares in Dikkys Investment Limited, country of incorporation - the Republic of Cyprus. Dikkys Investment Limited owned one Boeing 737-500 aircraft and was not engaged in any activities as at the date of acquisition. Therefore, the transaction is considered as acquisition of an asset, not a business.

The relative fair values of assets acquired and liabilities assumed at the date of acquisition are as follows:

	USD	EUR
Aircraft	1,356	1,212
Cash and cash equivalents	2	2
Payables	(6)	(5)
Purchase consideration	**1,352**	**1,209**

The aforementioned aircraft was subsequently sold in 2016.

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

18 Loans granted

	31 December 2016		31 December 2015	
	USD	EUR	USD	EUR
Non-current loans				
Loans granted to related parties (weighted average interest rate 5.5%) (Note 29)	661	632	4,798	4,391
Loans granted to third parties (weighted average interest rate 6.6%)	1,751	1,675	4,823	4,415
Bonds acquired from related parties	2,355	2,254	-	-
	4,767	**4,561**	**9,621**	**8,806**
Current loans				
Loans granted to related parties (weighted average interest rate 5.5%) (Note 29)	12,576	12,032	11,780	10,783
Less: provision for impairment of loans granted to related parties	(112)	(107)	(112)	(103)
Loans granted to third parties (weighted average interest rate 6.6%)	11,906	11,389	7,504	6,867
Bonds acquired from related parties (interest rate 5.2%) (Note 29)	-	-	2,247	2,056
	24,370	**23,314**	**21,419**	**19,603**
Total loans granted	**29,137**	**27,875**	**31,040**	**28,409**

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

		2016		2015
	USD	EUR	USD	EUR
USD	14,717	14,079	18,897	17,295
EUR	14,420	13,796	12,143	11,114
	29,137	**27,875**	**31,040**	**28,409**

19 Trade and other receivables

		2016		2015
	USD	EUR	USD	EUR
Trade receivables from third parties	25,414	24,307	6,614	6,052
Less: provision for impairment of trade receivables	(2,163)	(2,069)	(2,163)	(1,980)
Trade receivables from third parties – net	**23,251**	**22,238**	**4,451**	**4,072**
Receivables from related parties	1,693	1,619	1,728	1,582
Less: provision for impairment of trade receivables from related parties	(1,048)	(1,003)	(1,048)	(959)
Receivables from related parties - net (Note 29)	**645**	**616**	**680**	**623**
Other receivables	29	28	29	27
Less: provision for impairment of other receivables	(29)	(28)	(29)	(27)
Other receivables - net	**-**	**-**	**-**	**-**
Deferred charges	364	348	206	188
VAT receivables	185	177	216	198
Prepayments	1,217	1,165	919	842
	25,662	**24,544**	**6,472**	**5,923**
Non-current portion :	558	534	-	-
Current portion:	**25,104**	**24,010**	**6,472**	**5,923**

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

19 Trade and other receivables (continued)

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
USD	23,200	22,189	3,889	3,559
EUR	2,462	2,355	2,549	2,333
GBP	-	-	34	31
	25,662	**24,544**	**6,472**	**5,923**

20 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of investment of USD 11,298 thousand (EUR 10,808 thousand) in closed contractual fund (2015: USD 1,526 thousand (EUR 1,396 thousand)).

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Mutual funds - Europe	11,298	10,808	1,526	1,396
	11,298	**10,808**	**1,526**	**1,396**

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

		2016		2015
	USD	**EUR**	**USD**	**EUR**
EUR	11,298	10,808	1,526	1,396
	11,298	**10,808**	**1,526**	**1,396**

21 Cash and cash equivalents

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Cash at bank	28,916	27,663	26,961	24,676
Cash in transit	-	-	132	121
	28,916	**27,663**	**27,093**	**24,797**

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

21 Cash and cash equivalents (continued)

Cash and cash equivalents are dominated in following currencies:

		2016		2015
	USD	**EUR**	**USD**	**EUR**
USD	24,574	23,509	14,869	13,609
EUR	4,342	4,154	12,209	11,174
GBP	-	-	15	14
	28,916	**27,663**	**27,093**	**24,797**

22 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. As at 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 (LTL 75,930 thousand). On 28 June 2013 shares of the Company were introduced to trading at Warsaw Stock Exchange.

	USD	**EUR**
The balance of share premium as at 31 December 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.

Revaluation reserve (deficit) of financial assets

Revaluation reserve comprises increase (decrease) in the value of financial assets available for sale (Note 16) net of deferred income tax (Note 26).

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

22 Share capital and reserves (continued)

Cumulative translation reserve

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

Dividends

On 29 April 2016 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of EUR 0.02 per share. The dividends in the total amount of USD 988 thousand (EUR 866 thousand) were 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 29) or paid out on 28 May 2015.

23 Borrowings

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Non-current				
Bank borrowings	45,466	43,496	619	566
Finance lease liabilities	5,393	5,159	4,861	4,449
	50,859	**48,655**	**5,480**	**5,015**
Current				
Bank borrowings	6,213	5,943	6	5
Finance lease liabilities	2,429	2,324	5,921	5,420
	8,642	**8,267**	**5,927**	**5,425**
Total borrowings	**59,501**	**56,922**	**11,407**	**10,440**

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
USD	58,908	56,355	10,783	9,868
EUR	593	567	624	572
	59,501	**56,922**	**11,407**	**10,440**

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

23 Borrowings (continued)

Borrowings are secured by the aircraft (Note 14).

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

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Less than 1 year	6,044	5,782	6	5
Between 1 and 5 years	27,035	25,863	275	252
Over 5 years	18,600	17,794	344	314
	51,679	**49,439**	**625**	**571**

In addition, as at 31 December 2016 the Group possessed an unutilised available credit amount of USD 9,000 thousand (EUR 8,538 thousand) committed by one of the banks under the borrowing facility. The committed amount could be utilised by the Group to co-finance the certain future maintenance costs in relation to aircraft financed by that certain borrowing facility.

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

	2016	**2015**
Bank borrowings	4,74%	2.10%
Finance lease liabilities	8,34%	7.79%

Finance lease liabilities – minimum lease payments:

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Not later than 1 year	3,022	2,891	6,675	6,110
After 1 year but not later than 5 years	5,289	5,060	5,073	4,643
After 5 years	696	665	-	-
Less: future finance lease charges	(1,185)	(1,133)	(966)	(884)
Present value of finance lease liabilities	**7,822**	**7,483**	**10,782**	**9,869**

Present value of finance lease liabilities:

		2016		**2015**
	USD	**EUR**	**USD**	**EUR**
Not later than 1 year	2,429	2,324	5,921	5,419
After 1 year but not later than 5 years	4,723	4,518	4,861	4,449
After 5 years	670	641	-	-
Present value of finance lease liabilities	**7,822**	**7,483**	**10,782**	**9,868**

During 2016 and 2015 the Group has not acquired aircraft as non-cash transactions based on finance lease agreements.

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

24 Trade and other payables and advances received

	2016		2015	
	USD	EUR	USD	EUR
Trade and other payables – financial liabilities				
Trade payables to third parties	19,665	18,812	280	256
Trade payables to related parties (Note 29)	841	805	263	241
Salaries and social security payable, including vacation accrual	103	99	81	74
Accruals	4,495	4,300	3,034	2,777
	25,104	**24,016**	**3,658**	**3,348**

	2016		2015	
	USD	EUR	USD	EUR
Advance payments received – non-financial liabilities				
Advance payments from customers	291	280	159	145
	291	**280**	**159**	**145**

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

	2016		2015	
	USD	EUR	USD	EUR
EUR	1,442	1,380	2,937	2,688
USD	23,953	22,916	880	805
	25,395	**24,296**	**3,817**	**3,493**

25 Security deposits received

	2016		2015	
	USD	EUR	USD	EUR
Security deposits repayable after one year at nominal value	6,209	5,940	5,462	4,999
Less: discounting effect	(999)	(956)	(812)	(743)
Security deposits repayable after one year	**5,210**	**4,984**	**4,650**	**4,256**
Security deposits repayable within one year	-	-	630	577
Less: discounting effect	-	-	(110)	(101)
Security deposits repayable within one year	**-**	**-**	**520**	**476**
Security deposits	**5,210**	**4,984**	**5,170**	**4,732**

Average rates used for security deposits discounting are as follows: 2016: 3.78% 2015: 4.59%.

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

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

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

26 Deferred income taxes

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

		2016		2015 (restated)
	USD	EUR	USD	EUR
Deferred tax assets				
At beginning of the period	575	527	746	613
Recognised through profit (loss)	37	33	(197)	(178)
Recognised through other comprehensive income	(147)	(141)	26	38
Exchange rate differences	-	26	-	54
At the end of the year	**465**	**445**	**575**	**527**
Deferred tax liabilities				
At beginning of the period	(2,452)	(2,242)	(1,576)	(1,295)
Recognised through profit (loss)	(722)	(661)	(876)	(749)
Exchange rate differences	-	(134)	-	(201)
At the end of the year	**(3,174)**	**(3,037)**	**(2,452)**	**(2,245)**

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

		2016		2015 (restated)
	USD	EUR	USD	EUR
Deferred tax assets				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	465	445	575	527
	465	445	**575**	**527**
Deferred tax liabilities				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	(3,174)	(3,037)	(2,452)	(2,245)
	(3,174)	**(3,037)**	**(2,452)**	**(2,245)**

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)

26 Deferred income taxes (continued)

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

USD **Deferred tax assets**	Exchange rate differences for tax purposes (depreciation	Difference between tax basis and accounting basis (fair value) of aircraft (restated)	Accu-mulated taxable losses	Discounting effect	Revaluation of financial assets available for sale	**Total**
At 31 December 2014	**(12)**	**562**	**15**	**35**	**146**	**746**
Charged / (credited) to the profit or loss	12	(267)	1	57	-	(197)
Charged / (credited) to the other comprehensive income	-	-	-	-	26	26
At 31 December 2015	**-**	**295**	**16**	**92**	**172**	**575**
Charged / (credited) to the profit or loss	-	71	(15)	(20)	-	37
Charged / (credited) to the other comprehensive income	-	-	-	-	(147)	(147)
At 31 December 2016	**-**	**367**	**1**	**72**	**25**	**465**

USD **Deferred tax liabilities**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft (restated)	Supple-mental rent	Discounting effect	Other accrued expenses	**Total**
At 31 December 2014	**(400)**	**234**	**(1,458)**	**51**	**(3)**	**(1,576)**
Charged / (credited) to the profit or loss	(156)	(94)	(578)	(51)	3	**(876)**
At 31 December 2015	**(556)**	**140**	**(2,036)**	**-**	**-**	**(2,452)**
Charged / (credited) to the profit or loss	(136)	3	(589)	-	-	(722)
At 31 December 2016	**(692)**	**143**	**(2,625)**	**-**	**-**	**(3,174)**

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

26 Deferred income taxes (continued)

EUR **Deferred tax assets**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Accumu-lated taxable losses	Discoun-ting effect	Revaluation of financial assets available for sale	Other accru-ed expen-ses	**Total**
At 31 December 2014	**(11)**	**462**	**12**	**29**	**120**	**1**	**613**
Charged / (credited) to the profit or loss	11	(241)	1	51	-	-	(178)
Charged / (credited) to the other comprehensive income	-	-	-	-	38	-	38
Exchange rate difference	-	49	2	4	-	(1)	54
At 31 December 2015	**-**	**270**	**15**	**84**	**158**	**-**	**527**
Charged / (credited) to the profit or loss	-	65	(14)	(18)	-	-	33
Charged / (credited) to the other comprehensive income	-	-	-	-	(141)	-	(141)
Exchange rate difference	-	17	-	3	7	-	26
At 31 December 2016	**-**	**351**	**1**	**69**	**24**	**-**	**445**

EUR **Deferred tax liabilities**	Difference between tax basis and accounting basis (fair value) of aircraft	Exchange rate differences for tax purposes (depreciation)	Supple-mental rent	Discounting effect	Other accrued expenses	**Total**
At 31 December 2014	**(223)**	**89**	**(1,199)**	**41**	**(3)**	**(1,295)**
Charged / (credited) to the profit or loss	1,482	(1,667)	(520)	(46)	3	(748)
Exchange rate difference	(1)	(59)	(145)	5	1	(199)
At 31 December 2015	**1,258**	**(1,637)**	**(1,864)**	**-**	**1**	**(2,242)**
Charged / (credited) to the profit or loss	(4)	(125)	(532)	-	-	(661)
Exchange rate difference	(33)	15	(115)	-	(1)	(134)
At 31 December 2016	**1,221**	**(1,747)**	**(2,511)**		**-**	**(3,037)**

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

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

26 Deferred income taxes (continued)

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

		2016		2015
	USD	EUR	USD	EUR
Deferred tax assets	465	445	575	527
Deferred tax liabilities	(3,174)	(3,037)	(2,452)	(2,245)
	(2,709)	**(2,592)**	**(1,877)**	**(1,718)**

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

27 Commitments and contingencies

Capital commitments

There was no non-cancellable capital expenditure contracted as at 31 December 2016 and 31 December 2015.

28 Financial instruments by category

Category – loans and receivables

		2016		2015
	USD	EUR	USD	EUR
Loans granted	29,137	27,875	31,040	28,409
Trade receivables – net	23,251	22,238	4,451	4,072
Trade receivables and receivables from related parties – net	645	616	680	623
Cash and cash equivalents	28,916	27,663	27,093	24,797
	81,949	**78,392**	**63,264**	**57,901**

Category – financial liabilities measured at amortised cost

		2016		2015
	USD	EUR	USD	EUR
Bank borrowings	51,679	49,439	625	571
Lease liabilities	7,822	7,483	10,782	9,869
Trade payables	19,665	18,812	280	256
Trade payables to related parties	841	805	263	241
Accruals and other payables	4,495	4,300	3,034	2,777
Security deposits received (Note 24)	5,210	4,984	5,170	4,732
	89,712	**85,823**	**20,154**	**18,446**

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

29 Related party transactions

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

Transactions with related parties

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Sales of services to:				
Entities having significant influence	280	253	254	229
Other related parties	1,436	1,297	1,226	1,104
	1,716	**1,550**	**1,480**	**1,333**

	2016			2015
	USD	**EUR**	**USD**	**EUR**
Purchases of services from:				
Entities having significant influence	2	1	5	5
Other related parties	1,645	1,486	2,393	2,155
	1,647	**1,487**	**2,398**	**2,160**

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

Trade and other receivables from related parties

		2016		2015
	USD	**EUR**	**USD**	**EUR**
Other related parties	1,693	1,619	1,728	1,582
Trade and other receivables at nominal value	**1,693**	**1,619**	**1,728**	**1,582**
Less: provision for impairment of receivables from other related parties	(1,048)	(1,003)	(1,048)	(959)
	645	**616**	**680**	**623**

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

29 Related party transactions (continued)

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	133	125	175	161
Overdue up to 3 months	268	257	37	34
4 to 6 months	244	234	468	428
Overdue more than 6 months	1,048	1,003	1,048	959
Provision for impairment of receivables	(1,048)	(1,003)	(1,048)	(959)
	645	**616**	**680**	**623**

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

Payables to and prepayments from related parties

		2016		2015
	USD	EUR	USD	EUR
Other related parties	841	805	263	241
Total payables to and prepayments from related parties	**841**	**805**	**263**	**241**

*Payables as at 31 December 2016 and 31 December 2015 consist of payables for services and assets purchased.

Loans granted to related parties

		2016		2015
	USD	EUR	USD	EUR
Beginning of the year	**18,713**	**17,127**	**22,560**	**18,548**
Loans advanced during the year as monetary transactions	4,692	4,238	25,020	22,528
Loan repayments received as monetary transactions	(253)	(228)	(24,373)	(21,946)
Loan repayments received as non-monetary transactions	(63)	(57)	(3,559)	(3,205)
Interest charged	959	867	955	860
Interest received	(17)	(15)	(320)	(288)
Impaired loans and interest receivable	-	-	(112)	(101)
Netted loans*	(7,919)	(7,152)	-	-
Exchange rate differences	(632)	31	(1,458)	731
End of the period	**15,480**	**14,811**	**18,713**	**17,127**

*This amount was netted with the Group Companies loans due to acquisition of remaining 50% of Regional Charters Capital Ltd. (Note 14).

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

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

29 Related party transactions (continued)

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

	2016		2015	
	USD	EUR	USD	EUR
EUR	13,125	12,558	12,136	11,108
USD	2,355	2,253	6,577	6,019
	15,480	**14,811**	**18,713**	**17,127**

As at 31 December 2016, weighted average effective interest rate of these loans is 5.5 per cent (2015: 5.1 per cent). The repayments are scheduled in 2017-2019.

30 Remuneration of the Group’s key management personnel

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

	2016		2015	
	USD	EUR	USD	EUR
Salaries	248	224	261	235
Social insurance expenses	78	70	80	72
	326	**294**	**341**	**307**

31 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 14,365 thousand). The Group’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.

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

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

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

31 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**

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**

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

31 Investments into joint ventures (continued)

As at 31 December 2015, the Group effectively held a 50% stake in a joint-venture - Regional Charter Capital Ltd. In 2016 the Group acquired a remaining 50% stake in Regional Charter Capital Ltd. and effectively holds 100 % of share capital as at 31 December 2016 (Note 14).

32 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.