AVIA SOLUTIONS GROUP AB

Independent Auditor's Report,
Separate and Consolidated Financial Statements,
Consolidated Annual Report
For the Year Ended 31 December 2016

CONTENTS **Pages**

Independent auditor's report

To the shareholders of Avia Solutions Group AB

Our opinion

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

What we have audited

The Company's separate and Group's consolidated financial statements comprise:

- the separate and consolidated balance sheets as at 31 December 2016;
- the separate and consolidated statements of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, which include 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 separate and 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 Company and 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 separate and 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.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
T: +370 (5) 239 2300, F:+370 (5) 239 2301, Email: vilnius@lt.pwc.com, www.pwc.com/lt

Our audit approach

Overview

Materiality

- Overall Company materiality is EUR 375 thousand,
- Overall Group materiality is EUR 1,530 thousand

Audit scope

- We conducted full scope audit work at nine reporting units, six of them are in Lithuania, one in Latvia, one in Estonia, and one in Poland.
- Our full scope audit addressed 88% of the Group's revenues and 91% of assets.

Key audit matters

- Impairment of trade receivables and receivables from related parties (consolidated financial statements)
- Net realisable value of inventory (consolidated financial statements)
- Impairment of investments in and receivables from subsidiaries and associates (separate financial statements)

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

Materiality

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

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

Overall Company materiality	EUR 375 thousand
Overall Group materiality	EUR 1,530 thousand

How we determined it	Company materiality was determined as 1% from Company's net assets. Group materiality was determined as 0.5% from total consolidated revenue.
Rationale for the materiality benchmark applied	We have used net assets as a basis for the Company materiality, as we considered it is a best benchmark for the holding company, which main source of income are dividends from subsidiaries which amount is highly dependent on management's decisions driven by cash flow needs. We have used revenue rather than profit ratio as a basis of our Group materiality because revenue is one of the key performance indicators of the Group which is analysed by the management and is communicated to the shareholders of the Group. Also, revenue has been more stable as compared to profitability ratios: revenue has been constantly growing over the past years whereas the profitability has been fluctuating significantly. We have applied 1% on net assets for Company materiality and 0.5% on revenue for Group materiality which are within the range of acceptable quantitative materiality thresholds for these benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 75 thousand for the Group, and misstatements identified during our audit above EUR 19 thousand for the Company as well as misstatements below these amounts 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 separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and 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*
Impairment of trade receivables and receivables from related parties (consolidated financial statements) *Refer to Note 2 'Summary of significant accounting policies'; Note 3.1. 'Financial risk factors'; Note 4 'Critical accounting estimates and significant judgements'; Note 21 'Trade and other receivables'; Note 35 'Related party transactions' for further details.* The carrying value of trade receivables and receivables from related parties as at 31 December	We obtained the ageing analysis of accounts receivable and tested on a sample basis its reliability and accuracy. Our further testing concentrated on the overdue balances. We have selected individually significant overdue balances based on our assessment of the risk associated with particular client and tested the recoverability of outstanding amounts through reviewing payments after the year-end. In cases when no payment is received by the completion of our audit we

2016 is EUR 50.1 million, which represents 34% of total assets of the Group. We focused on this area because of the magnitude of the balances, risk related to these receivables and uncertainty of the estimation of expected future cash flows and resulting impairment provision. The credit risk of the Group's customers and related parties depend on many circumstances, including economic stability and political circumstances of the countries in which they operate. The management of the Group applies significant judgement in identification of receivables that are deteriorating, assessment of objective evidence for impairment, determining the recoverable amount of receivables and recognising impairment.	have analysed the documents provided by the management to support recoverability of the amounts, including financial statements of debtors, correspondence, confirmations of outstanding amounts, documents on secured assets of customers, business plans and other information. We discussed with management their assumptions regarding the estimates of expected cash for these receivables and resulting calculation of the impairment provision. As a result, of our work, we noted no significant exceptions to the management's estimates of recoverable amounts of Group's trade receivables and receivables from related parties. We assessed also whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.
Net realisable value of inventory (consolidated financial statements) *Refer to Note 2 'Summary of significant accounting policies'; Note 4 'Critical accounting estimates and significant judgements'; Note 20 'Inventories' for further details.* The carrying value of inventory as of 31 December 2016 is EUR 29.1 million, which represents 20% of total assets of the Group. The amount which reduces the carrying amount of inventory due to write off of inventory to its net realisable value amounts to EUR 4.6 million. We focused on this area because the Group possess material inventory balances, mainly aircraft spare parts which are used either for repair and maintenance activities or for trading. Part of the inventories are slow moving. This increases the risk of carrying value of inventory being above its net realisable value. The valuation of inventory involves management judgement over the net realisable value of the inventory. Due to the significance of the inventory balance and uncertainty relating to the estimate of the net realisable value, valuation of inventories is considered a key audit matter.	We obtained the inventory net realisable value analysis performed by the management and tested on a sample basis its reliability and accuracy. We have selected the sample based on our assessment of the risk associated with the particular inventory items and tested it applying the following procedures: - For tradeable items, we have traced the carrying value to the market quotes or sales after the balance sheet date to check whether the carrying value of inventory is not higher than the net realisable value. - For items intended for repair and maintenance activities, we have discussed with responsible employees and inspected whether the items are used in currently performed repair and maintenance projects and whether the operation in which these items are used are profitable. We also obtained inventory ageing analysis to identify slow moving items and discussed with management their assumptions regarding the estimates of the net realisable value of slow moving inventory items.

As a result, of our work, we noted no significant exceptions to the management's estimate of reduction of inventory carrying amount to net realisable value.

Impairment of investments in and receivables from subsidiaries and associates (separate financial statements)

Refer to Note 2 'Summary of significant accounting policies'; Note 3.1. 'Financial risk factors'; Note 4 'Critical accounting estimates and significant judgements'; Note 17 'Investments in subsidiaries'; Note 18 'Investments in associates'; Note 21 'Trade and other receivables'; Note 35 'Related party transactions' for further details.

The carrying value of investments in and receivables from subsidiaries and associates as at 31 December 2016 is EUR 37.2 million, which represents 97% of total assets of the Company. During the year ended 31 December 2016, the Company has recognised an impairment loss of EUR 822 thousand.

We focused on this area because of the magnitude of the balances and risks related to these assets. Some of these subsidiaries and associates are start-up businesses and do not generate stable cash flows yet. These circumstances increase a risk of Company's subsidiaries and associates not being able to generate cash flows sufficient to service loans or generate returns on investments to shareholder, and this may lead to investment and receivable amounts being not recoverable.

The management of the Company applies significant judgment and made significant assumptions in estimating expected future cash flows from subsidiaries and associates and determining the recoverable amounts of investments in and receivables from these entities and recognising impairment.

We analysed and discussed with management the impairment indicators for investments in subsidiaries and associates. We received impairment tests for investments with impairment indicators. We have analysed the major inputs in the calculation of the value in use in these tests, including revenue, profitability, and discount rate assumptions. We have discussed with management the basis for expected future performance of subsidiaries and associates, compared it with historical performance and existing or planned contracts information.

We used the same impairment tests or obtained additional evidence from management for analysis of recoverability of receivables from subsidiaries and associates, considering sufficiency of future cash flows to repay funds lent to these entities by the Company.

As a result, of our work, we noted no significant exceptions to the management's estimates of recoverable amounts of Company's investments in and receivables from subsidiaries and associates.

How we tailored our Group audit scope

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

The Group comprises a number of subsidiaries that operate in Lithuania and other countries (refer to note "General information" on pages 20 - 23 of the Financial Statements). A full scope audit was performed by PwC Lithuania or other PwC network firms for 9 entities of the Group.

At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements. For one entity of the Group where the work was performed by non-PwC component auditors, we determined the level of involvement we needed to have in the audit work at this reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's financial statements as a whole.

Other information

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

Our opinion on the separate and 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 separate and 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 separate and 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 separate and consolidated financial statements

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

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and 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 Company and Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the separate and 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 separate and 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and 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 Company's and 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and 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 separate and 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 certified auditor on the audit resulting in this independent auditor's report is Vytenis Lazauskas.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
General manager

Vytenis Lazauskas
Auditor's Certificate No.000536

Vilnius, Republic of Lithuania
6 April 2017

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Approved by the Annual General Meeting of Shareholders as at ______________________ 2017

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2016	2015	2016	2015
Continuing operations					
Revenue	5	**305 960**	**229 300**	**2 485**	**2 674**
Other income	5, 6	365	1 839	747	809
Cost of services and goods	5, 10	(228 929)	(166 451)	(228)	(431)
Employee related expenses	5, 7	(45 876)	(38 774)	(1 578)	(1 502)
Other operating expenses	5, 11	(14 833)	(13 271)	(914)	(783)
Depreciation and amortisation	5, 8, 15, 16	(4 959)	(5 620)	(163)	(152)
Impairment-related expenses	5	(1 444)	(14 072)	(827)	(5)
Other gain/(loss) - net	5, 9	231	(82)	(1)	(19)
Operating profit (loss)	5	**10 515**	**(7 131)**	**(479)**	**591**
Finance income	12	397	1 073	1 170	1 653
Finance costs	12	(1 321)	(1 301)	(8)	(30)
Finance costs – net	12	**(924)**	**(228)**	**1 162**	**1 623**
Share of (losses) of associates	18	(183)	-	-	-
Profit (loss) before income tax		**9 408**	**(7 359)**	**683**	**2 214**
Income tax	13	(1 314)	414	(16)	(223)
Profit (loss) for the period from continuing operations		**8 094**	**(6 945)**	**667**	**1 991**
Discontinued operations					
Profit (loss) for the year from discontinued operations	34	-	4 112	-	-
Profit (loss) for the year		**8 094**	**(2 833)**	**667**	**1 991**
Profit (loss) attributable to:					
Equity holders of the parent					
Profit (loss) for the year from continuing operations		8 794	(6 651)	667	1 991
Profit (loss) for the year from discontinued operations		-	4 281	-	-
Profit (loss) for the year attributable to equity holders of the parent		**8 794**	**(2 370)**	**667**	**1 991**
Non-controlling interests					
(Loss) for the year from continuing operations		(700)	(294)	-	-
(Loss) for the year from discontinued operations		-	(169)	-	-
Profit (loss) for the year attributable to non-controlling interests of the parent		**(700)**	**(463)**	**-**	**-**
		8 094	**(2 833)**	**667**	**1 991**

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Note	**2016**	**2015**	**2016**	**2015**
Other comprehensive income					
Continuing operations					
Net gain (loss) on cash flow hedges	2.20, 26	34	28	-	-
Income tax effect	2.20, 30	(5)	(4)	-	-
		29	**24**	**-**	**-**
Exchange differences on translation of foreign operations		14	(132)	-	-
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods from continuing operations		**43**	**(108)**	**-**	**-**
Discontinued operations					
Exchange differences on translation of foreign operations from discontinued operations		-	436	-	-
Other comprehensive income (loss) for the year		**43**	**328**	**-**	**-**
Total comprehensive income for the year attributable to:					
Equity holders of the parent					
Total comprehensive income (loss) for the year from continuing operations		8 871	(6 763)	667	1 991
Total comprehensive income (loss) for the year from discontinued operations		-	5 086	-	-
Total comprehensive income (loss) for the year attributable to equity holders of the parent		**8 871**	**(1 677)**	**667**	**1 991**
Non-controlling interests				-	-
Total comprehensive income (loss) for the year from continuing operations		(734)	(290)	-	-
Total comprehensive income (loss) for the year from discontinued operations		-	(538)	-	-
Total comprehensive income (loss) for the year attributable to non-controlling interests of the parent		**(734)**	**(828)**		
		8 137	**(2 505)**	**667**	**1 991**
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year					
Basic earnings per share					
From continuing operations	14	1.131	(0.855)	0.086	0.256
From discontinued operations	14	-	0.550	-	-
From profit (loss) for the year	14	**1.131**	**(0.305)**	**0.086**	**0.256**

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

BALANCE SHEETS

Approved by the Annual General Meeting of
Shareholders as at ________________________ 2017

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2016**	**2015**	**2016**	**2015**
ASSETS					
Non-current assets					
Property, plant and equipment	15	29 812	28 609	161	202
Intangible assets	16	6 056	2 273	214	86
Investments in subsidiaries	17	-	-	10 318	8 347
Investments in associates	18, 33	-	-	191	8
Deferred tax assets	30	5 405	5 233	129	5
Non-current trade and other receivables	21	9 138	8 642	22 490	15 500
		50 411	**44 757**	**33 503**	**24 148**
Current assets					
Inventories	20	29 087	29 128	5	11
Trade and other receivables	21	57 556	34 375	4 441	12 279
Amount due from customers for contract work	22	3 593	5 410	-	-
Prepaid income tax		265	565	-	-
Short-term bank deposit		61	140	-	-
Cash and cash equivalents	3.1, 23	4 732	5 613	254	1 391
		95 294	**75 231**	**4 700**	**13 681**
Total assets	5	**145 705**	**119 988**	**38 203**	**37 829**

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

BALANCE SHEETS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2016**	**2015**	**2016**	**2015**
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	24	2 256	2 256	2 256	2 256
Share premium	25	33 133	33 133	33 133	33 133
Legal reserve	26	192	93	119	20
Merger reserve	26	(457)	(457)	-	-
Fair value reserve	26	(16)	(45)	-	-
Cumulative translations differences		(89)	(137)	-	-
Retained earnings		24 705	16 099	1 974	1 406
Equity attributable to equity holders of the parent		**59 724**	**50 942**	**37 482**	**36 815**
Non-controlling interests		(464)	196	-	-
Total equity		**59 260**	**51 138**	**37 482**	**36 815**
LIABILITIES					
Non-current liabilities					
Borrowings	27	5 994	8 338	-	-
Government grants	19	1 528	1 787	-	-
Security deposits received	29	416	510	-	-
Trade and other payables	28	220	240	-	-
Deferred income tax liabilities	30	365	230	-	-
Derivative financial instruments	2.20	19	53	-	-
Financial guarantees	17, 35	-	-	2	20
		8 542	**11 158**	**2**	**20**
Current liabilities					
Trade and other payables	28	41 208	29 909	536	461
Borrowings	27	25 638	19 390	-	449
Advances received		10 002	7 833	3	3
Security deposits received	29	106	428	-	-
Current income tax liabilities		949	132	135	-
Financial guarantees	17, 35	-	-	45	81
		77 903	**57 692**	**719**	**994**
Total liabilities	5	**86 445**	**68 850**	**721**	**1 014**
Total equity and liabilities		**145 705**	**119 988**	**38 203**	**37 829**

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

Approved by the Annual General Meeting of Shareholders as at
_________________________ 2017

STATEMENTS OF CHANGES IN EQUITY

THE GROUP

	Equity attributable to equity holders of the Group									
	Share capital	Share premium	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	Non-control-ling interests	Total equity
Balance at 31 December 2014 / Balance at 1 January 2015	**2 253**	**33 133**	**(457)**	**79**	**(69)**	**1 099**	**18 490**	**54 528**	**5 849**	**60 377**
Comprehensive income										
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	24	-	-	**24**	-	**24**
Currency translation difference from continuing operations	-	-	-	-	-	(136)	-	**(136)**	4	**(132)**
Currency translation difference from discontinued operations	-	-	-	-	-	805	-	**805**	(369)	**436**
(Loss) for the period from continuing operations	-	-	-	-	-	-	(6 651)	**(6 651)**	(294)	**(6 945)**
Profit (loss) for the period from discontinued operations	-	-	-	-	-	-	4 281	**4 281**	(169)	**4 112**
Total comprehensive income	**-**	**-**	**-**	**-**	**24**	**669**	**(2 370)**	**(1 677)**	**(828)**	**(2 505)**
Transactions with owners										
Transfer to legal reserve (Note 26)	-	-	-	14	-	-	(14)	**-**	-	**-**
Purchase of a subsidiary (Notes 17, 33)	-	-	-	-	-	-	-	**-**	329	**329**
Control gain over an investee	-	-	-	-	-	-	-	**-**	207	**207**
Disposal of interest in subsidiary with loss of control (Note 33)	-	-	-	-	-	(1 907)	-	**(1 907)**	(5 401)	**(7 308)**
Disposal of subsidiaries without loss of control (Notes 17, 33)	-	-	-	-	-	2	(4)	**(2)**	40	**38**
Result of share capital conversion to euros (Note 24)	3	-	-	-	-	-	(3)	**-**	-	**-**
Total transactions with owners	**3**	**-**	**-**	**14**	**-**	**(1 905)**	**(21)**	**(1 909)**	**(4 825)**	**(6 734)**
Balance at 31 December 2015	**2 256**	**33 133**	**(457)**	**93**	**(45)**	**(137)**	**16 099**	**50 942**	**196**	**51 138**

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Approved by the Annual General Meeting of Shareholders as at
_______________________________ 2017

THE GROUP

	Equity attributable to equity holders of the Group									
	Share capital	**Share premium**	**Merger reserve**	**Legal reserve**	**Fair value reserve**	**Currency translation differences**	**Retained earnings**	**Total**	**Non-control-ling interests**	**Total equity**
Balance at 31 December 2015 / Balance at 1 January 2016	**2 256**	**33 133**	**(457)**	**93**	**(45)**	**(137)**	**16 099**	**50 942**	**196**	**51 138**
Comprehensive income										
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	29	-	-	**29**	-	**29**
Currency translation difference from continuing operations	-	-	-	-	-	48	-	**48**	(34)	**14**
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	8 794	**8 794**	(700)	**8 094**
Total comprehensive income	**-**	**-**	**-**	**-**	**29**	**48**	**8 794**	**8 871**	**(734)**	**8 137**
Transactions with owners										
Transfer to legal reserve (Note 26)	-	-	-	99	-	-	(99)	**-**	-	**-**
Increase of shareholding in subsidiary (Notes 17, 33)	-	-	-	-	-	-	(89)	**(89)**	74	**(15)**
Total transactions with owners	**-**	**-**	**-**	**99**	**-**	**-**	**(188)**	**(89)**	**74**	**(15)**
Balance at 31 December 2016	**2 256**	**33 133**	**(457)**	**192**	**(16)**	**(89)**	**24 705**	**59 724**	**(464)**	**59 260**

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

THE COMPANY	**Share capital**	**Share premium**	**Legal reserve**	**Retained earnings**	**Total equity**
Balance at 31 December 2014 / Balance at 1 January 2015	**2 253**	**33 133**	**20**	**(582)**	**34 824**
Net profit - total comprehensive income for the year	-	-	-	1 991	**1 991**
Transaction with owners					
Result of share capital conversion to euros (Note 24)	3	-	-	(3)	**-**
Total transactions with owners	**3**	**-**	**-**	**(3)**	**-**
Balance at 31 December 2015 / Balance at 1 January 2016	**2 256**	**33 133**	**20**	**1 406**	**36 815**
Net profit - total comprehensive income for the year	-	-	-	667	**667**
Transactions with owners					
Transfer to legal reserve	-	-	99	(99)	**-**
Total transactions with owners	**-**	**-**	**99**	**(99)**	**-**
Balance at 31 December 2016	**2 256**	**33 133**	**119**	**1 974**	**37 482**

The notes on pages 20 to 79 form an integral part of these financial statements.

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

STATEMENTS OF CASH FLOWS

Approved by the Annual General Meeting of Shareholders as at ________________ 2017

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2016	2015	2016	2015
Operating activities					
Profit for the year		8 094	(2 833)	667	1 991
Income tax	13	1 314	(414)	16	223
Adjustments for:					
Depreciation and amortisation	5, 8, 15, 16	4 959	5 620	163	152
Impairment-related expenses	5	1 444	14 072	827	5
Interest expenses	12	783	902	8	27
Share of loss from associates	18	183	-	-	-
Accruals of hangar lease payments, PBH contracts		116	(115)	-	-
Write-off assets due to company liquidation		-	133	-	-
Gain on disposal in Group's financial statements (discontinued operations) / Net result of subsidiaries disposal	9, 34	-	(4 112)	-	6
(Profit) of PPE disposals		(388)	(169)	-	-
Amortisation of government grants	2.21, 6, 19	(259)	(455)	-	-
Interest income	6	(82)	(709)	(613)	(638)
Fair value (profit) loss on derivative financial instruments	2.20	(29)	(24)	-	-
Currency translations differences		(9)	317	1	4
Discounting effect on financial assets	12	(1)	37	-	-
Amortisation of intra-group financial guarantees	6, 35	-	-	(134)	(171)
Changes in working capital:					
- Inventories		(206)	(1 373)	1	3
- Trade and other receivables		(24 285)	(9 180)	(5 512)	(8 912)
- Short-term bank deposits		79	(125)		-
- Trade and other payables, advances received		12 180	1 999	4 043	5 473
- Security deposits received		58	(52)	-	-
Cash generated from (used in) operating activities from continuing operations		**3 951**	**3 519**	**(533)**	**(1 837)**
Interest received		13	120	175	268
Interest paid		(773)	(956)	-	-
Income tax paid		(542)	(523)	(22)	-
Net cash generated from (used in) operating activities from continuing operations		**2 649**	**2 160**	**(380)**	**(1 569)**
Net cash generated from discontinued operations		-	-	-	-
Net cash generated from (used in) operating activities		**2 649**	**2 160**	**(380)**	**(1 569)**

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

STATEMENTS OF CASH FLOWS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2016**	**2015**	**2016**	**2015**
Investing activities					
Purchase of PPE and intangible assets		(3 737)	(4 686)	(253)	(125)
Proceeds from PPE and intangible assets disposal		1 144	958	4	14
Purchase of subsidiaries (net of cash acquired)	17, 33	(15)	(594)	(15)	(3)
Proceeds from sale of subsidiaries	17, 33	-	14	-	14
Loans granted		(1 038)	(442)	(2 093)	(5 938)
Repayments of loans granted		54	5 778	1 600	5 661
Deposits placed		(863)	(923)	-	(2)
Repayments of deposits placed		307	132	-	-
Government grants received	19	-	1 433	-	-
Establishment of subsidiaries	17	-	-	-	(3)
Net cash (from) used in investing activities from continuing operations		**(4 148)**	**1 670**	**(757)**	**(382)**
Net cash used in investing activities from discontinued operations		-	-	-	-
Net cash (from) used in investing activities		**(4 148)**	**1 670**	**(757)**	**(382)**
Financing activities					
Increase of non-controlling interests		-	25	-	-
Bank borrowings received		10 961	10 497	-	-
Repayments of bank borrowings		(13 466)	(12 030)	-	-
Borrowings from related parties received		12	4 420	-	-
Repayments of borrowings from related parties		-	(5 534)	-	-
Other borrowings received		-	801	-	-
Repayments of other borrowings		-	(9)	-	-
Repayments of lease liabilities		(2 668)	(2 147)	-	-
Net cash (used in) financing activities from continuing operations		**(5 161)**	**(3 977)**	**-**	**-**
Net cash generated from financing activities from discontinued operations		-	-	-	-
Net cash (used in) financing activities		**(5 161)**	**(3 977)**	**-**	**-**
Increase in cash and cash equivalents		**(6 660)**	**(147)**	**(1 137)**	**(1 951)**
At beginning of year		(8 434)	(8 287)	1 391	3 342
Increase (decrease) in cash and cash equivalents		(6 660)	(147)	(1 137)	(1 951)
At end of year	23	**(15 094)**	**(8 434)**	**254**	**1 391**

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Avia Solutions Group AB (referred to as *the Company*) is a public limited liability company incorporated at State Enterprise Centre of Registers of the Republic of Lithuania as at 31 August 2010 (Company code – 302541648). The Company is domiciled in Vilnius, the capital of Lithuania. The address of its registered office is as follows: Smolensko St. 10, LT-03201, Vilnius.

1 January 2015 was the day of introduction of EUR in the Republic of Lithuania, therefore as at this day the functional currency of the Company changed accordingly. The exchange rate of LTL 3.45280 for 1 EUR which was irrevocably set by the Council of Europe is applied while converting LTL to EUR.

The Company's shares are traded on the Warsaw stock exchange as from 3 March 2011.

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

	2016		2015	
	Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
ZIA Valda Cyprus Ltd.	2 290 045	29.44%	2 290 045	29.44%
Indeco: Investment and Development UAB	832 666	10.71%	-	-
VGE Investments Limited	785 216	10.10%	785 216	10.10%
Mesotania Holdings Ltd.	699 115	8.99%	699 115	8.99%
Harberin Enterprises Limited	605 227	7.78%	605 227	7.78%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	390 000	5.01%	390 000	5.01%
Anatolij Legenzov (the Member of the Board)	73 255	0.94%	73 255	0.94%
Aurimas Sanikovas (the Member of the Board)	60 775	0.78%	60 775	0.78%
Žilvinas Lapinskas (the Member of the Board)	32 960	0.42%	32 960	0.42%
Daumantas Lapinskas (the Member of the Board)	8 240	0.11%	8 240	0.11%
Vaidas Barakauskas	-	-	832 666	10.71%
Other free float	2 000 278	25.72%	2 000 278	25.72%
Total	**7 777 777**	**100.00%**	**7 777 777**	**100.00%**

The Company's principal activity is the management of its subsidiaries. Companies of the Group operate in the following activity areas: aircraft and helicopter maintenance, repair and overhaul; aircraft ground handling and fuelling; crew training and staffing; private jet charter, flight and tour operations.

The number of full time staff from continuing operations employed by the Group at the end of 2016 amounted to 1 954 (2015: 1 674). The number of full time staff employed by the Company at the end of 2016 amounted to 60 (2015: 61).

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

			Share of equity, %		
The Group's companies	**Country of establishment**	**Operating segment**	**2016**	**2015**	**Date of acquiring/establishment and activity**
AviationCV.com UAB	Lithuania	Crew Training and Staffing	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
BAA Training UAB	Lithuania	Crew Training and Staffing	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 2016	Share of equity, % 2015	Date of acquiring/establishment and activity
FLT Trading House UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
FL Technics Ulyanovsk OOO	Russia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. The subsidiary does not conduct active operations.
Helisota UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters.
Kauno aviacijos gamykla UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	The subsidiary was acquired on 16 December 2013. It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct any significant active operations.
Jet Maintenance Solutions UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
KIDY Tour UAB	Lithuania	Private Jet Charter, Flight and Tour Operations	100	100	The subsidiary was established on 3 December 2015 (Notes 17, 33). The company provides tour operator services.
KIDY Tour OÜ	Estonia	Private Jet Charter, Flight and Tour Operations	100	-	The subsidiary was acquired on 16 September 2016 (Notes 17, 33). The company is engaged in providing its clients with tour operator as well as other related services.
KlasJet UAB	Lithuania	Private Jet Charter, Flight and Tour Operations	100	75	The subsidiary was established on 9 October 2013. The subsidiary has started business charter activity in summer 2014. On 24 January 2014 the Company sold 25 per cent shareholding in the subsidiary and on 27 September 2016 those shares were bought back (Notes 17, 33).
Laserpas UAB	Lithuania	Private Jet Charter, Flight and Tour Operations	90	90	The subsidiary was established in summer of 2011. It was a direct subsidiary of Baltic Ground Services UAB. On 28 April 2015, 90% of share capital was sold to Avia Solutions Group AB and the remaining part is held by the general director of Laserpas UAB (Notes 17, 33). The subsidiary started unmanned aerial flight operations.
Locatory.com UAB	Lithuania	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	95	95	The subsidiary was established on 7 December 2010. Starting summer 2012, the company is acting as an aircraft parts locator and offers innovative IT solution for MRO business segment.
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fuelling services in Lithuania.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fuelling services in Poland.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 2016	2015	Date of acquiring/establishment and activity
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	50	50	The subsidiary was established in summer of 2011. It was a direct subsidiary of Laserpas UAB till August 2015 when it was sold to Baltic Ground Services UAB. On 29 September 2015, 50% of share capital was sold to a third party (Note 33) The subsidiary provides fuelling services in Ukraine.
Baltic Ground Services RU OOO	Russia	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established on 23 March 2015 (Note 33). It is a direct subsidiary of Baltic Ground Services UAB. The company will provide aircraft ground handling services in Russia.
Baltic Ground Services EE OÜ	Estonia	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established on 31 July 2015 (Note 33). It is a direct subsidiary of Baltic Ground Services UAB. The company will provide fuelling services in Estonia.
Baltic Ground Services LV SIA	Latvia	Aircraft Ground Handling and Fuelling	51	51	The subsidiary was acquired on 1 October 2015 (Note 33). It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Latvia.
Baltic Ground Services CZ s.r.o.	Czech Republic	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established on 18 December 2015 (Note 33). It is a direct subsidiary of Baltic Ground Services UAB. The company will provide fuelling services in Czech Republic.
FL Technics UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the company started aircraft maintenance, repair and overhaul (MRO) services.
Avia Technics Dirgantara PT.	Indonesia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	25	25	An investee of FL Technics UAB was established on 5 August 2014. The company provides line maintenance services in Jakarta. The Group has a control over an investee.
FL Technics Asia Co. Ltd.	Bangkok	Aircraft maintenance, repair and overhaul (MRO)	99,997	-	The subsidiary was established on 4 January 2016 (Note 33). It is a direct subsidiary of FL Technics UAB. The subsidiary will provide aircraft maintenance services in Thailand.
FL Technics Line OOO	Russia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics UAB.
Storm Aviation Ltd.	The United Kingdom	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics UAB. The company provides aircraft line station services.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.
Storm Aviation (Nigeria) Ltd.	Federal Republic of Nigeria	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	-	The subsidiary was established on 26 August 2016 (Note 33). It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Nigeria.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 2016	2015	Date of acquiring/establishment and activity
Avia Solutions Group B.V.	Netherlands	The associate	30	30	The associate was acquired in the third quarter 2014.
Avia Solutions Group - Airports Management OOO	Russia	Airport Infrastructure Management (classified as discontinued)	30*	30*	The company was established on 14 March 2014. The company's portfolio includes the development of the Moscow's fourth airport – Zhukovsky International. On 30 September 2015 it was sold to the associate (Notes 33, 34)
RAMPORT AERO OAO	Russia	Airport Infrastructure Management (classified as discontinued)	22.5*	22.5*	It is a direct subsidiary of Avia Solutions Group – Airports Management OOO. It was established on 30 July 2014. Starting autumn 2014 it is engaged in construction and development of the Moscow's fourth airport – Zhukovsky International. On 30 September 2015, Avia Solutions Group – Airports Management OOO and its' subsidiaries were sold to the associate (Notes 33, 34).
International Airport Ramenskoye AO	Russia	Airport Infrastructure Management (discontinued)	22.5*	-	It is a direct subsidiary of RAMPORT AERO OAO. It was established in 2016 and provides services in the Zhukovsky International airport.
RAMPORT SECURITY OOO	Russia	Airport Infrastructure Management (classified as discontinued)	22.5*	22.5*	It is a direct subsidiary of RAMPORT AERO OAO. The subsidiary was established on 6 May 2015 and will provide services in the Zhukovsky International airport. On 30 September 2015 Avia Solutions Group – Airports Management OOO and its' subsidiaries were sold to the associate (Notes 33, 34).

** - in case of indirect associates the percentages represent economic interests*

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.

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 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by European Union. The financial statements have been prepared on a going concern basis and under the historical cost convention.

These financial statements include the consolidated financial statements of the Group and stand-alone financial statement of the Company for the year ended 31 December 2016.

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 Basis of preparation (continued)

(a) New and amended standards and interpretations adopted by the Group and the Company

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (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. The implementation of this standard had no effect on the Company's and the Group's financial statements.

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. The implementation of this standard had no effect on the Company's and the Group's financial statements.

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. The Company and the Group are currently assessing the impact of the amendments on its financial statements.

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. The implementation of this amendment will have no impact on the financial statements of the Company and the Group, as the Company and the Group do not use revenue-based depreciation and amortisation methods.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015). 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.

2.1 Basis of preparation (continued)

- 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.

The Company and the Group are currently assessing the impact of the amendments on their financial statements.

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. The amendments did not have any effect on the Company's and the Group's financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016). 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. The Company is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016). 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 ore distribution, and does not have to be accounted for as such.
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.
- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

The Company and the Group are currently assessing the impact of the amendments on its financial statements.

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. The amendment did not have any effect on the Company's and the Group's financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 2016 that would be expected to have a material impact to the Group.

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are adopted by EU but are not yet effective and have not been early adopted by the Group and the Company:

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group and the Company are currently assessing the impact of the new standard on its financial statements.

2.1 Basis of preparation (continued)

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

IFRS 16, Leases. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12. The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative - Amendments to IAS 7. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2014–2016 Cycle. The improvements impact three standards:

- The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.
- IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose.
- The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method.

The Group and the Company are currently assessing the impact of the new standard on its financial statements.

Revenue from Contracts with Customers - Amendments to IFRS 15. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

2.1 Basis of preparation (continued)

Share-based Payments - Amendments to IFRS 2. The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

Other standards, interpretations and amendments that have not been endorsed by European Union and that have not been early adopted by the Group/Company:

- Transfers of Investment Property - Amendments to IAS 40;
- IFRS 14, Regulatory Deferral Accounts;
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28.

The Company and the Group are currently assessing the impact of these amendments on their 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/Company.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting 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 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2.2 Consolidation (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and deviously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between entities included within the consolidated financial statements have been eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured 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.

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.

Associates

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

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The income statement reflects the share of the results of operations of the associate.

2.2 Consolidation (continued)

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Non-controlling interest

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Transactions with non-controlling interest

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between 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.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro (EUR), which is the functional currency of the Company and the Group. 1 January 2015 was the day of introduction of EUR in the Republic of Lithuania, therefore as at this day the functional currency of the Company changed accordingly.

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 statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains / (loss) – net".

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

2.3 Foreign currency translation (continued)

Group companies

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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each 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 rates prevailing at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity.

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company that makes strategic decisions.

2.5 Property, plant and equipment

Property, plant and equipment consist of buildings and structures, construction in progress, vehicles, machinery, aircraft, aircraft engines and other non-current tangible assets. Property, plant and equipment are carried at their historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that are 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 profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated on the straight-line basis to write off the cost of assets to their residual values over their estimated useful life as follows:

Buildings and structures	6 – 30 years
Vehicles	4 – 12 years
Machinery	5 – 15 years
Aircraft	4 – 5 years
Aircraft engines	24 – 39 months
Other non-current tangible assets	3 – 15 years

During 2016 the Group changed estimated useful life for several items in property plant and equipment. Table above shows updated estimated useful life. Major additions, modifications and improvements expenditure relating to flight equipment for aircraft leased are capitalized and depreciated over the remaining lease period of the aircraft. Major improvements performed for leased aircraft are capitalized leasehold improvements and depreciated over the period till the next improvement or during the useful life of certain asset. Leasehold improvements are classified as other non-current tangible assets. The assets' residual value and useful lives are reviewed periodically and adjusted if appropriate.

The residual value of aircraft represents the amount the Management believes the aircraft can be sold or traded for at the end of its useful life, before aircraft heavy maintenance. The residual value of aircraft engines represents the amount the Management believes the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components.

2.5 Property, plant and equipment (continued)

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

2.6 Intangible assets

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

Licenses	3 - 20 years
Software	3 - 20 years
Web-site costs	5 years
Other non-current intangible assets	1 - 4 years

During 2016 the Group changed estimated benefit period for several items of intangible assets. Table above shows updated estimated benefit periods. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Line maintenance approvals and basic licences for B1/B2 courses are recognised by the Group on the acquisition date of the entity on the basis of the costs, and classified as part of commercial license. The cost related to acquiring a basic licence for is based on an estimate provided by Group's Quality Manager of the cost of reaching the status of B1/B2 engineer, including relevant college courses, exams, preparation of application and cost of submission. The cost related to acquiring line maintenance approvals is based on an estimate of the direct costs, including internal audit, application to the authority, travel and external audit and interview costs.

The costs incurred at each stage in development and operation of Group's own web-sites that meet definition of intangible assets (i.e. identifiability, control over a resource and existence of future economic benefits) is recognised as part of intangible assets. Such expenses include expenses on purchasing or creating content for a web-site, expenses to enable use of the content on the web-site and directly attributable employee related expenses, that have been incurred during the stage of the development of the web-site and additional development of the web-site expenses, that have been incurred during the stage of the operation of the web-site after initial recognition of the intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.
Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on a disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation 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

The Group classifies its financial assets into one of four measurement categories: loans and receivables, financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the current period the Group did not hold any financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet. The Group assesses at each balance sheet date whether there is objective evidence that a financial assets is impaired. Impairment testing of trade receivables is described in Note 3.1.

Recognition and measurement

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

2.9 Investments in subsidiaries and associates in the separate financial statements of the Company

Investments in subsidiaries and associates that are included in the separate financial statements of the Company are accounted at cost less impairment provision. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

2.10 Share-based payments

The Company operates a number of share-based compensation plans, under which the Company receives services from employees, and employees have a choice of settlement, i.e. of receiving share options or cash-settled share appreciation rights. This type of share-based payment is recognised as:

- the fair value of the debt component, accounted for as a cash-settled liability and classified as a „obligations under share-based payments";
- the fair value of the equity component, taking into account that the employee would have to give up the cash element in order to receive the equity shares. The fair value of the equity component is classified as a „share-based payment reserve".

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to liability.

2.11 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Where a disposal group is still operating, transactions may occur between the disposal group and other companies within the Group. All intra-group balances, intra-group interest income, expenses and other intra-group transactions where goods are sold / purchased between the disposal group and the continuing business are eliminated in full. The principle of elimination of intra-group sales transactions is based on the guidance in IFRS 5 which only allowed expenses to be attributed to the discontinuing operation if they would be eliminated when the operation is disposed of. If the arrangement is expected to continue, the sales and costs are recorded in continuing operations and, therefore, the elimination entries are recorded in discontinued operations.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realizable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. Inventories that are no longer appropriate for sale are written off.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against in the profit or loss.

2.14 Cash and cash equivalents

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.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts are subtracted from the cash and cash equivalents in the consolidated statements of cash flows.

2.15 Share capital

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

Where the Company or its subsidiaries purchase the Company's equity share capital (treasury shares), in the Company's and the Group's financial statements the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction cost and the related income tax effects, is included in equity attributable to the Company's equity holders. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 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 profit or loss 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.

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed. The capitalising of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

2.18 Borrowings 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.

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

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.20 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its cash flow interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The portion of the gain or loss on the hedging instrument designated as a cash flow hedge is recognised directly as other comprehensive income in the cash flow hedge reserve.

Fair value of derivatives in the balance sheet are segregated to long-term and short-term parts:
- long-term part of the financial instrument represent discounted cash flows arising from the financial instrument after 1 year, and
- short-term part of the financial instrument represents discounted cash flows arising from the financial instrument within 1 year.

2.21 Government grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants less any accumulated amortisation. Amortisation is calculated on a straight-line basis over the expected lives of the related assets and is included in "other income"

Grants relating to the expenses are included in non-current liabilities and are credited to the profit or loss on basis to match the appropriate expenses.

2.22 Merger reserve

Merger reserve was formed during business combination (upon pre-IPO Reorganization) in 2010. The merger reserve consists of the difference between the Company purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired.

Recycling of merger reserve arises on disposal of interest in subsidiaries, acquired during above mentioned business combination (upon pre-IPO Reorganization). Recycling or derecognition of merger reserve is recognised directly in profit or loss in the period in which the disposal is recorded.

2.23 Accounting for leases

(a) Accounting for leases where the Group is the lessee

Operating leases

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.

Finance leases

Leases of property, plant and equipment where the Group 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.

2.23 Accounting for leases (continued)

Finance leasebacks

Transactions, when the Group sells the property, plant and equipment and immediately re-acquires the use of asset by entering into a lease with the buyer, herewith, never disposes of the risks and rewards of ownership of the asset, are classified as finance leasebacks. Any apparent profit, that is the difference between the sale price and the previous carrying value, should be deferred, amortised over the lease term and included as "net losses on sales of non-current assets" in "other gains / (losses) – net".

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

(b) Accounting for leases where the Group is the sub - lessor

Rental income from operating sub – lease is recognized on a straight-line basis over the period of the lease.

(c) Accounting for leases where the Group is the lessor

Operating leases

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar assets. Lease income is recognised over the term of the lease on a straight-line basis.

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a leasehold-receivable. The difference between the gross receivable and the present value of the receivable is recognised as part of finance income (as *unwinding of discounted leasehold-receivable*).

2.24 Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the profit or loss, 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.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Profit for 2016 is taxable at a rate of 15% (2015: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 19% (2015: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 18% (2015: 18%) in accordance with Ukrainian regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 20% (2015: 20%) in accordance with United Kingdom regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 20% (2015: 20%) in accordance with Russian regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 15% (2015: 15%) in accordance with Latvian regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 25% (2015: 25%) in accordance with Indonesian regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 12.5% (2015: 20%) in accordance with Cypriot regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 30% in accordance with Nigerian regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 20% in accordance with Thai regulatory legislation on taxation. Profit for 2016 is taxable at a rate of 19% (2015: 19%) in accordance with Czech Republic regulatory legislation on taxation. Corporate income tax in Estonia is shifted from the moment of earning the profits to the moment of their distribution, i.e. until dividends pay out.

2.24 Current and deferred income tax (continued)

The current income tax charge is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements and estimates of income tax performed by the management in accordance with legislation on taxation in the country where the Group operates.

According to Lithuanian, Latvian, Ukrainian, British and Nigerian legislation, tax losses accumulated as of 31 December 2016 are carried forward indefinitely; according to Polish, Czech, Cypriot, Indonesian and Thai legislation, tax losses accumulated as of 31 December 2016 are carried forward during 5 years; according to Russian legislation tax losses accumulated as of 31 December 2016 are carried forward during 10 years. According to Lithuanian legislation starting from 1 January 2014 the tax loss carry forward that is deductible cannot exceed 70% of the current financial year taxable profit.

Tax losses can be carried forward for indefinite period in Lithuania, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself.

The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue of the Group is shown net of value-added tax, returns, rebates and discounts, sales taxes. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services

Revenue of the Group consists of aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, and aircraft ground handling services, into-plane fuelling and web-site subscription services, providing private and corporate charter flights, comprehensive aircraft management and RPAS (Remotely Piloted Aircraft Systems) solutions as well as tour operator and other related services.

Business charter operations revenue, aircraft ground handling and into-plane fuelling revenue, tour operator revenue is recognized as earned, - upon completion of the air transportation or upon delivery of services to the customer.

Aircraft and aircraft components maintenance, training and technical consulting, web-site subscription services are provided to the customers on time and material basis or as a fixed-price contract, with contract generally ranging from less than one year (single contract) to the long-term contract. Revenue from fixed-price contracts is recognized under the service period. Under this method, revenue is generally recognized in proportion to each service month. Revenue from fixed-price contracts is recognised under the percentage-of-completion method. Under this method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. Stage of completion is determined with a reference to the proportion that man hours worked to date bear to the estimated total man hours per contract.

2.25 Revenue recognition (continued)

Sales of goods

Sales of goods are recognised when goods are delivered to the customer, the customer has full discretion over the use of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group have objective evidence that all criteria for acceptance have been satisfied.

Agency arrangements

The Group acts as an agent for a number of clients in order to find and on the Client's behalf to engage an airline company undertaking to render to the Client line training service. The Group earns a fee or commission in return for arranging the provision of services on behalf of principal. The amounts collected on behalf of the principal are not recognised as revenue. Instead, the commission fees received are recognised as revenue.

Interest income

Interest income is recognized 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 investments in bonds and loans granted are classified as „other income", while interest income on cash and cash equivalents are classified as „finance income" in the consolidated statement of comprehensive income.

2.26 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 amounting to EUR 9 million for the Group and EUR 0.4 million for the Company (2015: EUR 7.5 million for the Group and EUR 0.3 million for the Company) are recognized as an expense on an accrual basis and are included within employee related expenses.

Bonus plans

The Group recognises a liability and an expense for bonuses based on predefined targets. The Group recognises related liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Supplementary health insurance

The Group paid supplementary health insurance contributions to the insurance company on behalf of its employees. Supplementary health insurance for employees is the possibility to get health care and health improvement services in a selected health care institution. The supplementary health insurance contributions are recognized as an expense when incurred.

2.26 Employee benefits (continued)

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.27 Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the expected liability under the guarantee and the amount initially recognised less any cumulative amortisation.

The Company, issuer of an intra-group financial guarantee, recognizes the guarantee liability at its fair value. Where parent entity guarantees the debt of its subsidiary then that transaction is accounted for as an investment in subsidiary as the guarantee is given for the benefit of the subsidiary. Subsequent amortisation and any change in the carrying amount of the liability are recognised in profit or loss.

The fair value of the financial guarantee is determined the estimated amount that would be payable to a third party for assuming the obligation.

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, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

Risk management is carried out by Group's top management close cooperation with the Board of the Company. Top management meetings are held to discuss overall risk management and analyse each case, as well as actions to cover specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD), Polish Zloty and Russian Ruble. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

For calculation of foreign exchange risk's sensitivity trade and other receivables and trade and other payables, denominated at US-dollars, Polish Zloty and Russian Ruble are multiplied by reasonably possible change of EUR to US dollars, EUR to Polish Zloty and EUR to Russian Ruble respectively. Reasonable possible change is provided in the table below:

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

3.1 Financial risk factors (continued)

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Reasonably possible change of EUR to US dollars	5%	11%	-	-
Reasonably possible change of EUR to Polish Zloty	4%	2%	-	-
Reasonably possible change of EUR to Russian Ruble	26%	7%	-	-

As at 31 December 2016 the Group's post-tax profit for the year would have been: EUR 349 thousand (2015: EUR 648 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade and other receivables, receivables from investment in bonds and trade and other payables, EUR 145 thousand (2015: EUR 23 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Polish Zloty-denominated trade and other receivables and trade and other payables, EUR 113 thousand (2015: EUR 1 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Russian Ruble-denominated trade and other receivables and trade and other payables.

Foreign exchange risk is controlled by monitoring the foreign currency exposure of its purchase contracts and lease commitments. The Group seeks to reduce its foreign rate exchange exposure through a policy of matching possible receipts and payments in each individual currency.

(b) Price risk

The Group is not exposed to price risk of financial instruments since it does not possess any material financial instruments that could be sensitive to such risk.

(c) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term bank borrowings and finance lease liabilities at floating interest rates. The Group is not exposed to fair value interest rate risk as loans granted to related parties and interest free deposit placed as a guarantee for lease of aircraft are accounted at amortized cost and are with fixed interest rate.

To manage the interest rate risk the Group's company entered into interest rate swap in 2012, in which it agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amounts. These swaps are designated to hedge the bank loan.

Borrowings received at variable interest rates and denominated in the EUR and PLN currencies expose the Group to cash flow interest rate risk. As at 31 December 2016 and 2015 Group's borrowings at variable rate of 3 or 6 months EURIBOR plus fixed margin were denominated in EUR and finance lease liabilities at variable rate of 3 or 6 months EURIBOR plus fixed margin were denominated in EUR and PLN.

For calculation of interest rate risk sensitivity interest expenses on borrowings, received at variable interest rates, are multiplied by possible interest rate change (hereinafter „reasonable shift"), which are prescribed by the Group. Possible interest rate changes are provided in the table below:

Currency of borrowings	**Reasonable shift**
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes EUR 292 thousand in 2016 (2015: EUR 297 thousand) impact on profit or loss.

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

3.1 Financial risk factors (continued)

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, financial institutions, shareholders and their related parties, lessor as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risks are controlled by the application of credit terms and monitoring procedures.

The Group's 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.

(a) 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:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Trade receivables (Note 21)	40 631	23 930	84	32
Receivable from investment in bonds (Notes 21, 35)	7 175	6 864	7 175	6 864
Cash and cash equivalents (Note 23)	4 732	5 613	254	1 391
Other financial receivables	1 060	380	1	-
Trade receivables from related parties (Notes 21, 35)	991	361	2 111	4 130
Other financial receivables from related parties (Notes 21, 35)	677	505	1 886	835
Loans granted to related parties (Note 21)	636	640	15 502	15 811
Loans granted (Note 21)	250	219	31	31
Deposits with bank	61	140	-	-
Financial guaranties (Note 35)	-	-	20 233	20 062
	56 213	**38 652**	**47 277**	**49 156**

The maximum exposure to credit risk for trade receivables by geographic region based on customer's incorporation can be specified as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Republic of Congo	7 831	-	-	-
United Kingdom	5 201	1 194	-	-
Lithuania	2 803	2 136	83	9
Russia	2 547	6 023	-	13
United Arab Emirates	1 624	1 448	-	-
Hungary	1 306	1 272	-	-
Czech Republic	165	1 249	-	-
Other	19 154	10 608	1	10
Total trade receivables	**40 631**	**23 930**	**84**	**32**

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

3.1 Financial risk factors (continued)

The maximum exposure to credit risk for trade receivables by customer can be specified as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Customer AJ (new)	7 831	-	-	-
Customer AF	3 451	1 868	-	-
Customer AE	1 849	926	-	-
Customer T	1 289	1 272	-	-
Customer AD	-	1 743	-	-
Other	26 211	18 121	84	32
Total trade receivables	**40 631**	**23 930**	**84**	**32**

(b) Financial assets neither past due nor impaired

Trade receivables and trade receivables from related parties

The Group's customers do not have external credit ratings, however the management of the Group measures credit quality of trade receivables and trade receivables from related parties based on the period of relationship with certain debtor. Two groups are distinguished: new customers/related parties (period of relationship less than 6 months) and old customers/related parties (more than 6 months).

For analysis of credit quality of neither past due nor impaired trade receivables and trade receivables from related parties see the table below:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Group 1: new customers/related parties (less than 6 months)	507	818	-	-
Group 2: old customers/related parties (more than 6 months)	14 615	15 282	536	268
	15 122	**16 100**	**536**	**268**

Additionally the Group measures credit quality of neither past due nor impaired trade receivables and trade receivables from related parties based on full receivables amount from those clients (if any receivable amount from that client is due at least one day, that customer is assigned to Group 2 below):

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Group 1: customers with no overdue receivables	6 748	5 522	298	39
Group 2: customers with overdue receivables	8 374	10 578	238	229
	15 122	**16 100**	**536**	**268**

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

3.1 Financial risk factors (continued)

Cash and cash equivalents (assessed in accordance with long-term borrowings ratings*)

All cash and cash equivalents held by the Group as of the periods presented are neither past due, nor impaired. The Group chooses the banks and financial institutions with a Standards & Poor's rating not lower than B.

See the table below for analysis of the Group's cash and cash equivalents according to the credit quality (Note 23).

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
AA-	1 060	1 502	1	545
A+	2 367	2 972	209	826
A	80	161	-	-
A-	16	17	16	-
BBB+	5	64	-	16
BBB	466	-	-	-
BBB-	94	764	-	-
BB+	102	-	-	-
BB	41	12	-	-
BB-	-	4	-	4
B+	29	-	28	-
B	54	-	-	-
B-	298	20	-	-
other	-	-	-	-
Cash on hand	120	97	-	-
	4 732	**5 613**	**254**	**1 391**

** - external long term credit ratings set by international agencies Standards & Poor's as at 2016/2017 and Moody's Ratings as at 2016/2017.*

Security deposit with lessor, loans granted and loans granted to related parties

Security deposit with lessor, loans granted, loans granted to related parties, other receivables and other receivables from related parties held by the Group as of the periods presented are neither past due nor impaired. The Group does not analyse these financial assets according to credit quality.

(c) Financial assets past due but not impaired

Trade receivables that are past due up to 6 months and for which no evident impairment indicator is identified by the Group are classified as past due but not impaired. Trade receivables overdue more than 6 months may be considered as not impaired if the Group has evidence that the amounts due will be repaid. The ageing of past due, but not impaired trade receivables is as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Overdue up to 3 months	19 183	4 637	343	763
overdue from 4 to 6 months	1 738	2 255	373	632
overdue over 6 months	5 579	1 299	943	2 499
	26 500	**8 191**	**1 659**	**3 894**

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

3.1 Financial risk factors (continued)

d) Impaired financial assets

Trade and other receivables for which the Group has identified evident impairment indicator irrespective of the payment delay period are considered as impaired receivables. Evident impairment indicators include significant financial difficulties of the debtor or other events that significantly increase the risk of default on a receivable amount. The impairment of trade and other receivables is performed going individually through the customers list and assessing the expectation of recovery.

Movements on the provision for impairment of receivable

GROUP	Trade receivables*	Other receivables*	Prepayments	Loans granted*
At 31 December 2014 / At 1 January 2015	**2 480**	**140**	**58**	**25**
Provision for trade receivables impairment (continuing operations)	8 080	-	-	-
Unused amount reversed	(42)	(42)	-	-
Reclassification during the period	(719)	(9)	-	-
Receivables written off during the year as uncollectible	(172)	-	(58)	-
Currency translation differences	14	-	-	-
At 31 December 2015 / At 1 January 2016 (Note 21)	**9 641**	**89**	**-**	**25**
Provision for trade receivables impairment (continuing operations)	721	-	-	-
Reclassification during the period	67	(67)	-	-
Receivables written off during the year as uncollectible	-	(4)	-	-
Currency translation differences	(11)	-		-
At 31 December 2016 (Note 21)	**10 418**	**18**	**-**	**25**

** - including receivables from related parties*

In 2016 the Group recognised allowance for impairment of trade and other receivables in the total amount of EUR 1.2 million (EUR 0.721 million recognised as provision for trade receivables impairment, EUR 0.5 million was charged directly to profit (loss) statement; 2015: EUR 8.1 million) for several clients due to their insolvency.

COMPANY	Trade receivables*	Other receivables*	Prepayments	Loans granted*
At 31 December 2014/ At 1 January 2015	**412**	**67**	**-**	**25**
Provision for receivables impairment (continuing operations)	-	-	-	-
At 31 December 2015 / At 1 January 2016	**412**	**67**	**-**	**25**
Provision for receivables impairment	109	-	-	631
Reclassification during the period	67	(67)	-	-
At 31 December 2016 (Note 21)	**588**	**-**	**-**	**656**

** - including receivables from related parties*

In 2016 the Company recognised allowance for impairment of trade receivables and loans granted in the total amount of EUR 740 thousand (2015: EUR 0 thousand) related to Company's subsidiary.

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

3.1 Financial risk factors (continued)

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through other group companies. Liquidity risk is managed by the General Managers of entities of the Group in close cooperation with the Company to maintain a minimum required liquidity position.

As at 31 December 2016 current liabilities in thirteen subsidiaries of the Group exceeded the current assets. Management of the Group believes that this will not have any impact on the ability of subsidiaries of the Group to continue as going concern. In addition the parent company – *Avia Solutions Group AB* – is able to provide financial support to enable subsidiaries to continue operations for at least twelve months from the date of approval of the financial statements, if needed.

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below allocates 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 are the contractual undiscounted cash flows. Trade and other payables and deposits received due within/after 12 months equal their carrying balances as the impact of discounting is not significant.

GROUP	**Less than 1 year**	**Between 1 - 5 years**	**Over 5 years**
31 December 2016			
Trade and other payables	25 434	-	-
Bank overdraft (Notes 23, 27)	19 826	-	-
Bank borrowings	3 962	1 679	-
Finance lease liabilities (Notes 27)	2 257	4 742	22
Accruals for PBH contracts	1 372	-	-
Security deposits received (Note 29)	106	416	-
Other borrowings	5	21	-
	52 962	**6 858**	**22**
31 December 2015			
Trade and other payables	20 071	-	-
Bank overdraft (Notes 23, 27)	14 047	-	-
Bank borrowings	3 589	4 754	-
Finance lease liabilities	2 042	3 974	9
Accruals for PBH contracts	1 186	-	-
Borrowings from related parties	166	-	-
Security deposits received (Note 29)	428	510	-
Other borrowings	3	24	-
Derivative financial instruments	-	53	-
	41 532	**9 315**	**9**

COMPANY			
31 December 2016			
Financial guaranties (Note 35)	18 561	1 672	-
Trade and other financial payables	208	-	-
	18 769	**1 672**	**-**

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

3.1 Financial risk factors (continued)

COMPANY	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2015			
Borrowings from related parties	449	-	-
Financial guarantees	15 366	4 696	-
Trade and other financial payables	200	-	-
	16 015	**4 696**	**-**

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. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

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 gearing ratio within 25% to 40%.

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Total borrowings (Note 27)	31 632	27 728	-	449
Less: cash and cash equivalents (Note 23)	(4 732)	(5 613)	(254)	(1 391)
Net debt	26 900	22 115	(254)	(942)
Total equity	59 260	51 138	37 482	36 815
Total capital	**86 160**	**73 253**	**37 228**	**35 873**
Gearing ratio	31%	30%	-	-

Pursuant to the Lithuanian Law on Companies and Polish Commercial Companies Code 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 shareholders' equity should not be lower than 50 per cent of the entity's registered share capital. As at 31 December 2016 five Group companies established in Lithuania and one company in Poland did not comply with these requirements.

According to the Lithuanian Law on Companies, a general meeting of shareholders to rectify the situation must be convened. In the case, if the general meeting of shareholders did not rectify the situation within six months, an application to the court to reduce the authorised capital must be filed.

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.

Fair value of interest free security deposit with the client approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate (at 3.41%, Note 29). Loans to third and related parties were granted at market interest rates, therefore, their carrying value approximate fair value.

The fair value of bank borrowings and finance lease with variable rates approximates their carrying amount.

4 Critical Accounting Estimates and Significant Judgements

Estimates and judgments 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 judgments 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 judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments 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) Provision for impairment of accounts receivable

Impairment loss of accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the management could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable. For further details, see Note 3.

(b) Allowances for inventories

The Group has a material inventory balance and performs testing whether inventory balance is properly accounted for at the lower of cost and net realisable value by estimating allowance for slow moving or obsolete inventory. For this estimation the Group reviews major inventory items and establishes net realisable values based on the best estimate of the selling prices of each inventory item, taking into account management's experience and market conditions. Deviations of management estimated selling prices from actual prices at which inventory items may be sold may lead to a material impact on the Group's profit or loss.

(c) Accruals for "power-by-the hour" aircraft maintenance contracts

Under the terms of "power by the hour" (PBH) aircraft maintenance contracts, the Group (supplier) has the obligation at its expense to repair and administer the Components' Pool for the Customer's aircraft fleet. For this estimation the Group reviews accruals for PBH contracts based on best estimates of the repair or/and maintenance of each component item, taking into account management's experience and market conditions. Deviations of management estimated components' repair and maintenance expenses from actual expenses at which component item may be repaired or/and maintained should not lead to any material impact on the Group's profit or loss.

4 Critical Accounting Estimates and Significant Judgements (continued)

(d) Income taxes

Tax authorities have a right to examine accounting records of the Group at any time during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances that might result in a potential material liability in this respect to the Group. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(e) Impairment losses on investments and loans provided to subsidiaries

The Company tests investments and loans provided to finance its subsidiaries for impairment when impairment indicators are identified. The Company establishes recoverable amount of investments and loans provided to subsidiary companies based on discounted future estimated net cash flows to be earned by a subsidiary. Future net cash flows to be earned by subsidiaries in start-up phase that do not have sufficient historical performance information are based on best estimate of cash-flows to be generated by a subsidiary in implementing the development strategy approved by the management. Discount rates are based on current cost of capital used for investments in these subsidiaries. The Company's management applies judgement in estimating cash flows and discount rates used in impairment testing. If actual performance of subsidiaries would be worse than estimated by the management this may lead to a material impairment amount to be recognised for investments and loans provided to subsidiary companies.

(f) Property, plant and equipment and intangible assets

Estimates concerning useful lives of property, plant and equipment may change due to constant technology advancement. Useful lives of property, plant and equipment are disclosed Note 2.5 and depreciation charge for the year is disclosed in Note 15. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by the management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Most of property, plant and equipment of the Group comprise machinery, buildings and vehicles. During 2016 the Group changed estimated useful life for several items in property plant and equipment (increased useful life for several buildings, aircraft racks and workbenches, furniture). In addition to that the Group changed estimated benefit period for several items of intangible assets (flight data analysis licences, website). If there were no changes made to useful life and benefit period for these items, the depreciation and amortization expenses would have been EUR 1 264 thousand higher and government grant income EUR 144 thousand higher. The residual value of aircraft represents the amount the Management believes, based on historical experience, the aircraft can be sold or traded for at the end of its useful life, before aircraft heavy maintenance. The residual value of aircraft engines represents the amount the Management believes, based on historical experience, the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components (Note 2.5).

(g) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

5 Segment information

For management purposes, the Group is organised into business units based on the services provided, and has five reportable operating segments:

Aircraft Maintenance, Repair and Overhaul (MRO)
The aircraft maintenance, repair and overhaul (MRO) segment is involved in aircraft and aircraft components' maintenance, repair, overhaul, engineering, spare parts and consumable sale, technical personnel training.

Aircraft Ground Handling and Fuelling
The aircraft ground handling and fuelling segment is involved aircraft handling, passengers servicing, tickets sale and into-plane fuelling.

Crew Training and Staffing
The crew training and staffing segment is involved in full scope of integrated flight training solutions.

Private Jet Charter, Flight and Tour Operations
The private jet charter, flight and tour operations segment includes carriage of passengers by private and corporate charter flights, operating remotely piloted airborne system and developing control and image processing systems and aerial monitoring. In addition to that, starting from year 2015 the Group provides tour operator and other related services.

Unallocated Sales
The Unallocated sales include sales of management services, which cannot be attributed to the other segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment performance is analysed on monthly basis based on internal reports provided to the chief operating decision maker of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue, cost and operating expenses, other income, other gain/loss and segment operating profit include transfers between business segments. Those transfers are eliminated in consolidation.

Management analyses the activities of the Group both from geographic and business perspective. From business perspective the Management used to analyse the Group sales volume and operating profit (loss) based on businesses the Group is involved in (according to the Group companies' activities), referred to as segments. Operating profit (loss) is a measure of segment profit or loss for management analysis purposes.

Management also regularly reviews capital investments on segment basis therefore additions to non-current assets has been separately disclosed according to each operating segment.

Geographically, Management separately considers operations in Lithuania, Poland, Russia, the United Kingdom, Cyprus, Latvia, Thailand, and Indonesia by sales volume depending on where the Group's companies are located.

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2016:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Unallocated	**Inter-segment transactions**	**Total**
Year ended 31 December 2016							
Continuing operations							
Sales to external customers	143 215	139 718	12 126	10 219	682	-	**305 960**
Inter-segment sales	2 624	3 586	105	15	2 097	(8 427)	**-**
Total revenue	**145 839**	**143 304**	**12 231**	**10 234**	**2 779**	**(8 427)**	**305 960**
Other income (Note 6)	441	192	38	1	747	(1 054)	365
Cost of services and goods purchased (Note 10)	(90 264)	(128 494)	(5 856)	(9 864)	(521)	6 070	(228 929)
Employee related expenses (Note 7)	(33 918)	(6 925)	(2 730)	(743)	(1 578)	18	(45 876)
Impairment-related expenses	(1 416)	(11)	(12)	-	(827)	822	(1 444)
Other operating expenses (Note 11)	(11 650)	(1 942)	(2 133)	(725)	(914)	2 531	(14 833)
Depreciation and amortisation (Note 8)	(2 244)	(1 853)	(664)	(49)	(163)	14	(4 959)
Other gain/(loss) – net (Note 9)	501	(166)	22	(6)	(1)	(119)	231
Segment operating profit from continuing operations	**7 289**	**4 105**	**896**	**(1 152)**	**(478)**	**(145)**	**10 515**
Finance costs - net (Note 12)							(924)
Share of profit (losses) of associates (Note 18)							(183)
Profit before income tax from continuing operations							**9 408**
Income tax (Note 13)							(1 314)
Net profit for the period from continuing operations							**8 094**
As at 31 December 2016							
Segment assets	92 099	31 528	7 373	2 239	12 466	-	**145 705**
Segment liabilities	58 921	19 377	5 419	2 077	651	-	**86 445**
Acquisition of non-current assets (Notes 15, 16)	2 415	3 534	1 502	145	254	-	**7 850**
Depreciation and amortization (only continuing operations, Notes 8, 15, 16)	(2 243)	(1 841)	(663)	(49)	(163)	-	**(4 959)**

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2015:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Unallocated	**Inter-segment transactions**	**Total**
Year ended 31 December 2015							
Continuing operations							
Sales to external customers	119 464	94 146	9 948	5 263	479	-	**229 300**
Inter-segment sales	2 778	1 340	74	5	2 278	(6 475)	-
Total revenue	**122 242**	**95 486**	**10 022**	**5 268**	**2 757**	**(6 475)**	**229 300**
Other income (Note 6)	1 827	272	88	1	809	(1 158)	1 839
Cost of services and goods purchased (Note 10)	(76 854)	(83 525)	(4 769)	(4 873)	(431)	4 001	(166 451)
Employee related expenses (Note 7)	(29 390)	(5 574)	(1 924)	(384)	(1 502)	-	(38 774)
Impairment-related expenses	(14 001)	(64)	(1)	(1)	(5)	-	(14 072)
Other operating expenses (Note 11)	(10 747)	(1 800)	(2 024)	(346)	(783)	2 429	(13 271)
Depreciation and amortisation (Note 8)	(3 587)	(1 337)	(546)	(13)	(152)	15	(5 620)
Other gain/(loss) – net (Note 9)	73	(84)	(30)	3	(19)	(25)	(82)
Segment operating profit from continuing operations	**(10 437)**	**3 374**	**816**	**(345)**	**674**	**(1 213)**	**(7 131)**
Finance costs - net (Note 12)							(228)
Profit before income tax from continuing operations							**(7 359)**
Income tax (Note 13)							414
Net profit for the period from continuing operations							**(6 945)**
As at 31 December 2015							
Segment assets	83 323	20 305	5 762	978	9 620	-	**119 988**
Segment liabilities	53 567	10 712	3 758	375	438	-	**68 850**
Acquisition of non-current assets (Notes 15, 16)	4 278	3 649	1 211	89	174	-	**9 401**
Depreciation and amortization (only continuing operations, Notes 8, 15, 16)	(3 586)	(1 325)	(544)	(13)	(152)	-	**(5 620)**

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

5 Segment information (continued)

The Group's revenue from external customers by geographical location of subsidiaries on 31 December 2016 and 31 December 2015 detailed below:

	2016	2015
Lithuania	218 437	166 492
Poland	53 075	50 565
United Kingdom	11 594	10 186
Ukraine	10 921	-
Latvia	9 021	946
Estonia	1 172	-
Russia	743	607
Cyprus	737	504
Indonesia	260	-
	305 960	**229 300**

The Group's revenue from external customers by geographical location of customers on 31 December 2016 and 31 December 2015 detailed below:

	2016	2015
United Kingdom	31 564	19 472
Hungary	29 399	25 304
Russia	28 469	35 765
Lithuania	25 895	22 596
Ukraine	22 456	6 275
Poland	22 020	21 119
Republic of Congo	15 121	-
Other countries	131 036	98 769
	305 960	**229 300**

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):

	GROUP	
	2016	**2015**
The aircraft maintenance, repair and overhaul (MRO) segment		
Customer AJ (new)	15 102	2 448
Customer AG	11 100	15 866
Customer AE	9 684	13 497
Other customers	107 329	87 653
	143 215	**119 464**
The aircraft ground handling and fuelling segment		
Customer T	27 890	24 374
Other customers	111 828	69 772
	139 718	**94 146**
The crew training and staffing segment		
Customer F	224	518
Other customers	11 902	9 430
	12 126	**9 948**

5 Segment information (continued)

The private jet charter, flight and tour operations segment

Customer AH	4 654	3 464
Customer AI	655	924
Other customers	4 910	875
	10 219	**5 263**

In 2016 the Group's sales were not derived from the single customer (the customer whose sales revenue exceeded 10 per cent of total sales revenue). In 2015 the Group's sales to Customer T exceeded 10 per cent of total sales to external customers' revenue.

6 Other income

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Amortisation of government grants (Note 19)	259	431	-	-
Interest income on loans	82	709	613	638
Penalty interest due for late payments	24	699	-	-
Amortisation of financial guarantees	-	-	134	171
	365	**1 839**	**747**	**809**

7 Employee related expenses

Wages and salaries (Note 5)	36 908	31 236	1 225	1 169
Social insurance expenses (Note 5)	8 968	7 538	353	333
	45 876	**38 774**	**1 578**	**1 502**
Number of full time employees at the end of year (Note 1)	**1 954**	**1 674**	**60**	**61**

In 2015 employee related expense from discontinued operations EUR 625 EUR thousand.

8 Depreciation and amortisation

Depreciation of tangible assets (Note 15)	4 641	5 246	81	98
Amortisation of intangible assets (Note 16)	318	374	82	54
	4 959	**5 620**	**163**	**152**

9 Other gain / (losses) – net

Net gain/(loss) on sales of non-current assets	(74)	133	1	7
Net gain/(loss) on sales of inventory and other current assets	(39)	(42)	-	-
Net foreign exchange gain/(loss) on operating activities	344	(173)	(2)	(20)
Net gain/(loss) on sales of interests in subsidiaries (Note 17)	-	-	-	(6)
	231	**(82)**	**(1)**	**(19)**

In 2015 sales proceed from the Company's disposal of interest in *Avia Solutions Group – Airports Management OOO* amounted to EUR 14 thousand while the cost of the investment sold was EUR 20 thousand.

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

10 Cost of goods and services

The total amount of cost of services and goods by nature as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Aircraft fuel expenses	120 599	78 181	-	-
Cost of goods purchased	51 080	42 722	-	-
Cost of purchased services	47 083	36 887	11	242
Rent and maintenance of premises	5 741	4 748	217	189
Rent of aircraft and equipment	4 426	3 913	-	-
	228 929	**166 451**	**228**	**431**

11 Other operating expenses

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Transportation and related expenses	4 716	4 667	91	69
Business travel expenses	2 724	2 078	62	72
Consultation expenses	1 828	1 530	309	243
Marketing and sales expenses	1 204	953	246	248
Office administrative, communications and IT expenses	1 134	1 504	122	118
Insurance expenses	1 024	811	7	6
Other expenses	2 203	1 728	77	27
	14 833	**13 271**	**914**	**783**

12 Finance income and costs

Foreign exchange gain on financing activities	-	514	344	702
Unwinding of discounted financial assets placed	1	22	-	-
Interest income on cash and cash equivalents	14	22	-	-
Other finance income	382	515	826	951
Finance income	**397**	**1 073**	**1 170**	**1 653**
Interest expenses on borrowings	(783)	(902)	(8)	(27)
Unwinding of discounted security deposits received	-	(59)	-	-
Foreign exchange loss on financing activities	(143)	-	-	-
Other finance costs	(395)	(340)	-	(3)
Finance costs	**(1 321)**	**(1 301)**	**(8)**	**(30)**
Finance costs – net	**(924)**	**(228)**	**1 162**	**1 623**

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

13 **Income tax and deferred income tax**	**GROUP**		**COMPANY**	
	2016	**2015**	**2016**	**2015**
Current income tax	(1 461)	(695)	(140)	(70)
Deferred income tax (Note 30)	147	1 109	124	(153)
Total income tax expenses	**(1 314)**	**414**	**(16)**	**(223)**

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit (loss) before tax from continuing operations	**9 408**	**(7 359)**	**684**	**2 214**
Tax calculated at a tax rate 15 % in Lithuania	(1 518)	1 046	(103)	(332)
Tax calculated at a tax rate 19 % in Poland	(8)	(124)	-	-
Tax calculated at a tax rate 18 % in Ukraine	(33)	10	-	-
Tax calculated at a tax rate 20 % in Russia	129	90	-	-
Tax calculated at a tax rate 20 % in United Kingdom	(159)	(94)	-	-
Tax calculated at a tax rate 30% in Nigeria	19	-	-	-
Tax calculated at a tax rate 12.5 % in Cyprus	(14)	(36)	-	-
Tax calculated at a tax rate 20% in Estonia	16	4	-	-
Tax calculated at a tax rate 15% in Latvia	(12)	15	-	-
Tax calculated at a tax rate 25% in Indonesia	259	-	-	-
Tax calculated at a tax rate 19% in Czech Republic	1	-	-	-
Tax calculated at a tax rate 20% in Thailand	46	-	-	-
Tax calculated at a tax rate 27,5 % in Italy	-	(124)	-	-
Tax effects of:				
- Expenses non-deductible for tax purposes	(133)	(856)	(34)	(7)
- Write off of previously recognised deferred tax assets	41	-	-	-
- Deferred tax assets not recognised on tax losses	(313)	(52)	-	-
- Non-taxable incomes	141	347	115	116
- Transfer of accumulated tax loss during the financial year of 2016	-	-	6	-
- Unused tax relief on investment (valid 4 years)	180	163	-	-
- Adjustment in respect of prior year	44	25	-	-
Total income tax expenses	**(1 314)**	**414**	**(16)**	**(223)**

14 Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. There were no dilutive instruments, thus earnings per share equals diluted earnings per share as at 31 December 2016.

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Profit (loss) attributable to:				
Equity holders of the parent				
Profit (loss) for the year from continuing operations	8 794	(6 651)	667	1 991
Profit (loss) for the year from discontinued operations	-	4 281	-	-
Profit (loss) for the year attributable to equity holders of the parent	**8 794**	**(2 370)**	**667**	**1 991**
Weighted average number of ordinary shares (thousand)	**7 778**	**7 778**	**7 778**	**7 778**
Basic earnings per share				
From continuing operations	1.131	(0.855)	0.086	0.256
From discontinued operations	-	0.550	-	-
From profit (loss) for the year	**1.131**	**(0.305)**	**0.086**	**0.256**

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

15 Property, plant and equipment

THE GROUP	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Leasehold improve-ments	Prepayments for tangible assets	Aircraft	Aircraft engines	Construc-tion in progress	Total
Net book amount at 31 December 2014 / Opening net book amount as at 1 January 2015	**11 517**	**4 715**	**2 303**	**3 374**	**133**	**140**	**1 163**	**762**	**104**	**24 211**
Acquisitions of subsidiaries (Note 33)	324	129	-	131	-	-	-	-	-	**584**
Additions (continuing operations, Note 5)	120	1 057	3 318	3 455	286	-	520	23	54	**8 833**
Disposals	-	(78)	(299)	(32)	(133)	-	-	-	-	**(542)**
Reclassifications	-	19	-	-	-	-	-	-	(19)	**-**
Reclassifications related to non-current assets held for sale	-	-	-	-	-	-	-	774	-	**774**
Write-offs	-	(5)	(10)	6	-	-	-	-	-	**(9)**
Cumulative currency differences (continuing operations)	(2)	6	5	(1)	-	2	-	-	(5)	**4**
Depreciation charge (continuing operations, Notes 5, 8)	(838)	(1 129)	(803)	(1 731)	(17)	-	(185)	(543)	-	**(5 246)**
Closing net book amount as at 31 December 2015	**11 121**	**4 714**	**4 514**	**5 202**	**269**	**142**	**1 498**	**1 016**	**134**	**28 609**
At 31 December 2015										
Cost	13 831	11 628	6 751	10 646	286	142	1 941	2 631	516	**48 371**
Accumulated depreciation	(2 710)	(6 914)	(2 237)	(5 444)	(17)	-	(443)	(1 615)	(382)	**(19 762)**
Net book amount at 31 December 2015/ Opening net book amount as at 1 January 2016	**11 121**	**4 714**	**4 514**	**5 202**	**269**	**142**	**1 498**	**1 016**	**134**	**28 609**
Acquisitions of subsidiaries (Notes 17, 33)	-	-	-	27	-	-	-	-	-	**27**
Additions (continuing operations, Note 5)	157	2 187	2 693	1 424	88	-	-	-	106	**6 655**
Disposals	-	(122)	(360)	(28)	-	-	(7)	(288)	-	**(805)**
Reclassifications	(19)	90	(23)	(16)	-	-	-	-	(32)	**-**
Cumulative currency differences (continuing operations)	15	(2)	(24)	(20)	-	(6)	-	(1)	5	**(33)**
Depreciation charge (continuing operations, Notes 5, 8)	(454)	(1 129)	(1 160)	(1 193)	(35)	-	(162)	(508)	-	**(4 641)**
Closing net book amount as at 31 December 2016	**10 820**	**5 738**	**5 640**	**5 396**	**322**	**136**	**1 329**	**219**	**213**	**29 812**
At 31 December 2016										
Cost	16 227	13 414	8 778	12 033	374	136	1 926	774	685	**54 346**
Accumulated depreciation	(5 407)	(7 676)	(3 138)	(6 637)	(52)	-	(597)	(555)	(472)	**(24 534)**
Net book amount at 31 December 2016	**10 820**	**5 738**	**5 640**	**5 396**	**322**	**136**	**1 329**	**219**	**213**	**29 812**

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

15 Property, plant and equipment (continued)

As at 31 December 2016 buildings of the Group with the carrying amounts of EUR 10.4 million (as at 31 December 2015: EUR 9 million), machinery, vehicles and aircraft of the Group with the carrying amounts of EUR 3.5 million (as at 31 December 2015: 7 million) were pledged to the bank as collateral for borrowings (Note 27).

THE COMPANY	Vehicles	Other tangible fixed assets	**Total**
Opening net book amount as at 1 January 2015	**41**	**188**	**229**
Additions (Note 5)	48	30	**78**
Disposals	-	(7)	**(7)**
Depreciation charge (Note 8)	(17)	(81)	**(98)**
Closing net book amount as at 31 December 2015	**72**	**130**	**202**
At 31 December 2015			
Cost	129	397	**526**
Accumulated depreciation	(57)	(267)	**(324)**
Net book amount	**72**	**130**	**202**
Opening net book amount as at 1 January 2016	**72**	**130**	**202**
Additions (Note 5)	-	40	**40**
Depreciation charge (Note 8)	(21)	(60)	**(81)**
Closing net book amount as at 31 December 2016	**51**	**110**	**161**
At 31 December 2016			
Cost	129	437	**566**
Accumulated depreciation	(78)	(327)	**(405)**
Net book amount	**51**	**110**	**161**

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

	GROUP		**COMPANY**	
	2016	**2015**	**2016**	**2015**
Cost – capitalised finance lease				
Machinery	686	4 042	-	-
Vehicles	1 808	3 793	-	-
Aircraft	1 559	1 559	-	-
Other tangible fixed assets	1	18	-	-
	4 054	**9 412**	**-**	**-**
Accumulated depreciation				
Machinery	(11)	(1 682)	-	-
Vehicles	(539)	(969)	-	-
Aircraft	(407)	(282)	-	-
Other tangible fixed assets	-	(2)	-	-
	(957)	**(2 935)**	**-**	**-**
Net book value	**3 097**	**6 477**	**-**	**-**

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

16 Intangible assets

THE GROUP	Licences	Goodwill	Software	Website	Other intangible assets	Prepayments relating to intangible assets	**Total**
Opening net book amount as at 1 January 2015	**639**	**703**	**308**	**131**	**-**	**11**	**1 792**
Acquisition of subsidiaries	-	302	-	-	-	-	**302**
Additions (Note 5)	72	-	271	158	-	67	**568**
Disposals	(10)	-	-	-	-	-	**(10)**
Reclassifications	-	-	12	-	-	(12)	**-**
Cumulative currency differences	-	(1)	(1)	(1)	-	(2)	**(5)**
Amortisation charge (Note 8)	(150)	-	(125)	(99)	-	-	**(374)**
Closing net book amount as at 31 December 2015	**551**	**1 004**	**465**	**189**	**-**	**64**	**2 273**
At 31 December 2015							
Cost	1 017	1 004	1 430	370	-	64	**3 885**
Accumulated amortisation and impairments losses	(466)	-	(965)	(181)	-	-	**(1 612)**
Net book amount	**551**	**1 004**	**465**	**189**	**-**	**64**	**2 273**
Opening net book amount as at 1 January 2016	**551**	**1 004**	**465**	**189**	**-**	**64**	**2 273**
Acquisition of subsidiaries	1	2 905	1	-	-	-	**2 907**
Additions (Note 5)	106	-	664	105	-	320	**1 195**
Disposals	-	-	-	-	-	(1)	**(1)**
Cumulative currency differences	(1)	-	1	-	-	-	**-**
Amortisation charge (Note 8)	(65)	-	(184)	(69)	-	-	**(318)**
Closing net book amount as at 31 December 2016	**592**	**3 909**	**947**	**225**	**-**	**383**	**6 056**
At 31 December 2016							
Cost	1 125	3 909	2 091	473	9	383	**7 990**
Accumulated amortisation and impairments losses	(533)	-	(1 144)	(248)	(9)	-	**(1 934)**
Net book amount	**592**	**3 909**	**947**	**225**	**-**	**383**	**6 056**

The goodwill was tested for impairment as of 31 December 2016. For the purpose of impairment testing, goodwill is allocated to group's cash-generating unit (CGU). As of 31 December 2016, there were four cash-generating units identified, which comprise goodwill from Storm Aviation Ltd. acquisition (amounted to EUR 703 thousand; 2015: EUR 703 thousand), Baltic Ground Services LV SIA acquisition (amounted to EUR 299 thousand; 2015: EUR 299 thousand), goodwill from Avia Technics Dirgantara PT (amounted to EUR 2 thousand, 2015: EUR 2 thousand) and goodwill from KIDY Tour OÜ acquisition (amounted to EUR 2 905 thousand; goodwill from this year acquisition). The recoverable amount of CGU has been determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management for the five-year period. Management budgeted profit before tax is based on past performance, available line maintenance approvals and basic licences, valued contracts with customers, and its expectations of market development. Based on analysis performed, the Management concluded that no impairment charge is needed as at 31 December 2016 (2015: no impairment loss).

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

16 Intangible assets (continued)

THE COMPANY	Licences	Software	**Total**
Opening net book amount as 1 January 2015	**36**	**18**	**54**
Additions (Note 5)	48	48	**96**
Disposals	(10)	-	**(10)**
Amortisation charge (Note 8)	(41)	(13)	**(54)**
Closing net book amount as at 31 December 2015	**33**	**53**	**86**
At 31 December 2015			
Cost	94	104	**198**
Accumulated amortisation	(61)	(51)	**(112)**
Net book amount	**33**	**53**	**86**
Opening net book amount as 1 January 2016	**33**	**53**	**86**
Additions (Note 5)	49	164	**213**
Disposals	(3)	-	**(3)**
Amortisation charge (Note 8)	(35)	(47)	**(82)**
Closing net book amount as at 31 December 2016	**44**	**170**	**214**
At 31 December 2016			
Cost	140	268	**408**
Accumulated amortisation	(96)	(98)	**(194)**
Net book amount	**44**	**170**	**214**

17 Investments in subsidiaries	**COMPANY**	
	2016	**2015**
At the beginning of the period	**8 347**	**8 182**
Purchase of interest in subsidiary (Note 33)	1 324	3
Share capital increase of subsidiaries	649	-
Fair value of intra-group financial guarantees (Note 35)	80	159
Impairment	(82)	-
Subsidiary established (Notes 33)	-	3
At the end of the period	**10 318**	**8 347**

Acquisitions in 2016

On 16 September 2016 the Company completed the acquisition of 100 percent of the share capital in GoAdventure OÜ which was renamed to KIDY Tour OÜ following the acquisition. According to the share sale and purchase agreement the purchase price was EUR 746 thousand and USD 1 657 thousand (equivalent to EUR 1 472 thousand) which included remuneration for the share capital as well as the transfer of the claims in respect of the debt (equal to EUR 909 thousand).

On 27 September 2016, the Company acquired 25% of the share capital of *Klasjet UAB* from a third party at a consideration of EUR 14.5 thousand and increased a control in the subsidiary to 100%.

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

17 Investments in subsidiaries (continued)

Share capital increase of subsidiaries in 2016

During 2016 the Company made additional investments to KIDY Tour UAB share capital (in total amount of EUR 258 thousand). Following a share capital increase of Laserpas UAB, the Company invested additional amount of EUR 391 thousand.

Acquisition and establishment in 2015

On 28 April 2015, 90% of Baltic Ground Services UAB subsidiary Laserpas UAB share capital was sold to Avia Solutions Group AB and remaining part in stakes was sold to the general director of Laserpas UAB. The Company acquired 90% of share capital at a consideration of EUR 2.6 thousand.

On 3 December 2015 a new subsidiary of Avia Solutions Group AB – KIDY Tour UAB was established. The investment in the subsidiary was EUR 2.5 thousand, forming 100% of its share capital.

18 Investment in associates

The Group's investments in its associate *Avia Solutions Group B.V.* as at 31 December 2016 amounted to EUR 0 thousand through post-acquisition changes in the Group's share of net assets of the associate.

Nature of investment in associates 2016:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
Avia Solutions Group B.V.	Netherlands	30	Equity

The associate is a private company and there is no quoted market place available for its shares. The associate controls entities that are developing and operating the 4th international airport in Moscow Zhukovsky which has opened in 2016.

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

Set out below is the summarized financial information for *Avia Solutions Group B.V.* which is accounted for using the equity method:

Balance sheet

ASSETS	31 December 2016	31 December 2015
Non-current assets		
Participation in group company	264	264
Loan to related party	26 373	25 535
Loan to related party-accrued interest	3 246	1 792
	29 883	**27 591**
Current assets		
Other receivables	4	-
Cash at bank	519	579
Total current assets	**523**	**579**
Total assets	**30 406**	**28 170**
LIABILITIES		
Non-current liabilities		
Bonds payable	27 322	26 454
Bonds payable-accrued interest	2 640	1 815
	29 962	**28 269**

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

18 Investment in associates (continued)

Current liabilities		
Other payables	53	39
	53	**39**
Total liabilities	**30 015**	**28 308**
Net assets	**391**	**(138)**

Statement of comprehensive income	**Year ended 31 December**	
	2016	**2015**
Revenue	-	-
Expenses	(84)	(59)
Operating (loss)	**(84)**	**(59)**
Finance costs - net	4	(41)
(Loss) before income tax	**(80)**	**(100)**
Income tax expense	-	-
(Loss) for the period	**(80)**	**(100)**

Reconciliation of summarised financial information

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

	31 December 2016	**31 December 2015**
Opening net assets	**(138)**	**(38)**
(Loss) for the period	(80)	(100)
Additional contribution to share premium (EUR 183 thousand - Avia Solutions Group AB, remaining amount – other shareholders)	609	-
Closing net assets	**391**	**(138)**

In 2016 the Company agreed to contribute the accrued interest on bonds issued by its associate as a share premium contribution without issuing any new shares. Contributed amount of accrued interest was in the amount of USD 204 thousand (equivalent to EUR 183 thousand). The Group's investment in its associate as at 31 December 2016 amounted to EUR 0 thousand through post-acquisition changes in the Group's share of net assets of the associate's consolidated group (closing net assets amount of a consolidated group is negative).

	GROUP	
19 Government grants	**2016**	**2015**
Opening net book amount	**1 787**	**809**
Government grants received	-	1 433
Amortisation	(259)	(455)
Closing net book amount	**1 528**	**1 787**
Less non-current portion:	(1 528)	(1 787)
Current portion:	**-**	**-**

Government grants amortisation is recognised in "other income". In 2016, EUR 259 thousand of government grant amortisation was credited to the profit or loss on basis to match the appropriate expenses. The majority of government grants received relates to the purchase of property, plant and equipment. There are several contingencies related to received government grants – not to change assets', which were acquired using the funding, purpose and ownership for at least 5 years, the assets must be insured, a set number of workplaces maintained and not to change main activity for at least 5 years (till 19 December 2018).

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

		GROUP		COMPANY	
20	**Inventories**	**2016**	**2015**	**2016**	**2015**
	Spare parts and materials – gross amount	24 896	29 130	-	-
	Less: provision for impairment of inventories	(4 633)	(7 017)	-	-
	Spare parts and materials	**20 263**	**22 113**	**-**	**-**
	Goods for sale – gross amount	6 367	5 226	-	-
	Less: provision for impairment of inventories	(48)	-	-	-
	Goods for sale	**6 319**	**5 226**	**-**	**-**
	Aircraft fuel	1 458	950	-	-
	Work in progress	294	110	-	-
	Goods in transit	41	68	-	-
	Other inventories	712	661	5	11
		29 087	**29 128**	**5**	**11**

The allowance for impairment of inventories in the total amount of EUR 0.2 million (2015: EUR 5.8 million) was recognised to represent their net realisable value.

As at 31 December 2016 spare parts and materials of the Group with the carrying amounts of EUR 20.3 million (as at 31 December 2015: EUR 17 million), aircraft fuel of the Group with the carrying amounts of EUR 1 001 thousand (as at 31 December 2015: EUR 632 thousand), goods for sale, goods in transit and other inventories of the Group with carrying amounts of EUR 5 million (as at 31 December 2015: EUR 137 thousand) were pledged to the bank as collateral for borrowings (with carrying amounts of EUR 21 thousand as at 31 December 2016 and EUR 11 thousand as at 31 December 2015) and for bank overdraft (with carrying amounts of EUR 26.4 million as at 31 December 2016 and EUR 18 million as at 31 December 2015) (Note 27).

		GROUP		COMPANY	
21	**Trade and other receivables**	**2016**	**2015**	**2016**	**2015**
	Trade receivables	51 049	33 571	563	444
	Less: provision for impairment of trade receivables	(10 418)	(9 641)	(479)	(412)
	Trade receivables – net	**40 631**	**23 930**	**84**	**32**
	Prepayments	4 812	3 550	17	8
	Less: provision for impairment of prepayments	-	-	-	-
	Prepayments - net	**4 812**	**3 550**	**17**	**8**
	Other receivables	1 334	469	1	67
	Less: provision for impairment of other receivables	(18)	(89)	-	(67)
	Other receivables – net	**1 316**	**380**	**1**	**-**
	Trade receivables from related parties	991	361	2 220	4 130
	Less: provision for impairment of trade receivables from related parties	-	-	(109)	-
	Trade receivables from related parties - net (Note 35)	**991**	**361**	**2 111**	**4 130**

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

		GROUP		COMPANY	
21	**Trade and other receivables (continued)**	**2016**	**2015**	**2016**	**2015**
	Loans granted to related parties	636	640	16 133	15 811
	Less: provision for impairment of loans granted to related parties	-	-	(631)	-
	Loans granted to related parties - net	**636**	**640**	**15 502**	**15 811**
	Loans granted	275	244	56	56
	Less: provision for impairment of loans granted	(25)	(25)	(25)	(25)
	Loans granted - net	**250**	**219**	**31**	**31**
	Receivables from investment in bonds from other related parties (Note 35)	7 175	6 864	7 175	6 864
	VAT receivables	5 155	3 150	18	14
	Deferred charges	2 199	1 709	44	16
	Security deposit – net	2 073	1 534	30	30
	Accrued revenue	759	169	-	-
	Other receivables from related parties – net (Note 35)	677	505	1 886	835
	Security deposits from related parties placed – net (Note 35)	15	1	-	-
	Prepayments from related parties (Note 35)	5	5	32	8
		66 694	**43 017**	**26 931**	**27 779**
	Less non-current portion:	(9 138)	(8 642)	(22 490)	(15 500)
	Current portion:	**57 556**	**34 375**	**4 441**	**12 279**

All non-current receivables are due until 2020. The fair values of trade and other receivables are approximate to their carrying values. The weighted average interest rate of loans granted to third parties was 3.3% (2015: 3.49%). The weighted average interest rate of loans granted to related parties was 4.47% (2015: 4.47%).

As at 31 December 2016 trade receivables of the Group with the carrying amounts of EUR 7.1 million (as at 31 December 2015: EUR 2.7 million) and other receivables of the Group with the carrying amounts of EUR 6 thousand (as at 31 December 2015: EUR 0 thousand) were pledged to the bank as collateral for bank borrowings and overdraft (Note 27).

The carrying amounts of the Group's trade and other financial receivables, trade receivables and other financial receivables from related parties, loans granted, loans granted to related parties, amount due from customers for contract work and receivables from investment in bonds are denominated in the following currencies:

EUR	33 681	19 833	19 613	20 816
US dollars	18 886	17 063	7 175	6 873
PLN	884	116	-	-
Other	1 562	1 297	2	14
	55 013	**38 309**	**26 790**	**27 703**

22 Contracts in progress

Contract costs incurred and recognised profits (less losses) to date	9 841	7 891	-	-
Advances received on contracts in progress	(6 248)	(2 481)	-	-
Amounts due from customers on contracts in progress	**3 593**	**5 410**	**-**	**-**

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

		GROUP		COMPANY	
23	**Cash and cash equivalents**	**2016**	**2015**	**2016**	**2015**
	Cash in bank	4 612	5 521	254	1 391
	Cash on hand	120	92	-	-
	Cash and cash equivalents	**4 732**	**5 613**	**254**	**1 391**
	Bank overdraft (Note 27)	(19 826)	(14 047)	-	-
		(15 094)	**(8 434)**	**254**	**1 391**

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies (Note 3.1):

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
EUR	2 792	3 969	209	1 287
US dollars	1 229	973	-	-
PLN	154	329	16	17
GBP	361	169	-	-
RUB	38	134	29	87
Other	158	39	-	-
	4 732	**5 613**	**254**	**1 391**

24 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 1 LTL per share to 0.29 EUR per share in the Central Securities Depository of Lithuania. On 31 December 2016 the share capital of the Company amounts to EUR 2 255 555 and consists of 7 777 777 ordinary registered shares with a nominal value of 0.29 Euro each (on 31 December 2015 – 7 777 777 ordinary registered shares, share capital amounted to EUR 2 255 555). Result of share capital conversion to euros was accounted through equity. All shares are fully paid up.

25 Share premium

During 2016 there was no movement of share premium.

On 10 December 2014 the Company issued additional 1 719 444 ordinary shares. Following the increase of the capital, share premium amounts to EUR 33 133 thousand. On 30 December 2014 newly issued additional shares of the Company were introduced to trading at Warsaw Stock Exchange.

26 Reserves

The merger reserve consists of the difference between the *Avia Solutions Group AB* purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired (Note 2.22).

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The amount of the legal reserve surplus which exceeds the size of legal reserve required by the legislation can be added to retained earnings for the profit distributing purpose.

Fair value reserves comprise changes in fair value of cash flow hedge (Note 2.20).

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

	GROUP		COMPANY	
27 Borrowings	**2016**	**2015**	**2016**	**2015**
Non-current				
Bank borrowings	1 672	4 696	-	-
Finance lease liabilities	4 301	3 619	-	-
Other non-current borrowings	21	23	-	-
	5 994	**8 338**	**-**	**-**
Current				
Bank overdraft (Note 23)	19 826	14 047	-	-
Bank borrowings	3 881	3 388	-	-
Finance lease liabilities	1 926	1 788	-	-
Borrowings from related parties	-	165	-	449
Other current borrowings	5	2	-	-
	25 638	**19 390**	**-**	**449**
Total borrowings	**31 632**	**27 728**	**-**	**449**

As at 31 December 2016 buildings and machinery (Note 15), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 47.3 million were pledged to the bank as collateral for bank borrowings. As at 31 December 2015 buildings and machinery (Note 15), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 36 million were pledged to the bank as collateral for bank borrowings

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
EUR	29 072	26 564	-	449
PLN	1 475	918	-	-
US dollars	923	165	-	-
GBP	162	81	-	-
	31 632	**27 728**	**-**	**449**

The table below analyses the Group's borrowings into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date:

Less than 1 year	25 638	19 391	-	449
Between 1 and 5 years	5 972	8 337	-	-
Over 5 years	22	-	-	-
	31 632	**27 728**	**-**	**449**

Bank overdraft amounting to EUR 19.8 million is extended every 12 months according to the agreements with the bank.

The weighted average interest rates (%) at the balance sheet date were as follows.

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Finance lease liabilities	4.31%	3.33%	-	-
Other borrowings	3.39%	-	-	-
Bank overdraft	2.02%	2.08%	-	-
Bank borrowings	1.87%	2.55%	-	-
Borrowings from related parties	-	7.06%	-	4.38%

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

27 Borrowings (continued)

As at 31 December 2016 and 2015 borrowings from related parties are not pledged.

Finance lease liabilities – minimum lease payments:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Not later than 1 year	2 257	2 042	-	-
After 1 year but not later than 5 years	4 742	3 974	-	-
After 5 years	22	9	-	
Less: future finance lease charges	(794)	(618)	-	-
Present value of finance lease liabilities	**6 227**	**5 407**	**-**	**-**
Present value of finance lease liabilities:				
Not later than 1 year	1 926	1 788	-	-
After 1 year but not later than 5 years	4 279	3 619	-	-
After 5 years	22	-	-	-
	6 227	**5 407**	**-**	**-**

28 Trade and other payables

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Trade payables	24 176	19 029	184	91
Accruals for hangar lease payments, PBH contracts and other accrued expenses	9 488	6 657	13	156
Salaries and social security payable	5 103	2 059	253	105
Deferred revenue	261	1 134	56	-
Amounts payable to related parties (Note 35)	448	309	24	27
Provisions	496	228	-	-
Payable for PPE	328	88	-	-
Other payables	1 128	645	6	82
	41 428	**30 149**	**536**	**461**
Less: non-current portion	(220)	(240)	-	-
Current portion	**41 208**	**29 909**	**536**	**461**

The carrying amounts of the Group's trade and other financial payables, amounts payable to related parties, payables for property, plant and equipment are denominated in the following currencies:

US dollars	11 755	11 026	17	8
EUR	7 510	7 128	187	184
PLN	4 515	1 262	4	2
GBP	713	534	-	3
RUB	525	91	-	3
Other currencies	416	30	-	-
	25 434	**20 071**	**208**	**200**

29 Security deposits received

Security deposits repayable after one year at nominal value	445	538	-	-
Less: discounting effect (at 3.41%)	(29)	(28)	-	-
Security deposits repayable after one year	416	510	-	-
Security deposits repayable within one year	106	428	-	-
	522	**938**	**-**	**-**

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

30 Deferred income taxes

The gross movement in deferred income tax assets and deferred income tax liabilities accounts is as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Deferred tax assets				
At beginning of the period	**5 233**	**3 971**	**5**	**158**
(Charged) credited to the income statement (continuing operations, Note 13)	282	1 270	124	(153)
(Charged) credited directly to the equity (Notes 2.20, 26)	(5)	(4)	-	-
Currency translation differences	(105)	(4)	-	-
At end of year	**5 405**	**5 233**	**129**	**5**
Deferred tax liabilities				
At beginning of the period	**230**	**69**	**-**	**-**
Charged (credited) to the income statement (continuing operations)	135	161	-	-
At end of year	**365**	**230**	**-**	**-**

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

Deferred tax assets				
Deferred income tax to be recovered within 1 year	726	3 139	6	5
Deferred income tax to be recovered after 1 year	4 679	2 094	123	-
	5 405	**5 233**	**129**	**5**
Deferred tax liabilities				
Deferred income tax to be recovered within 1 year	365	229	-	-
Deferred income tax to be recovered after 1 year	-	1	-	-
	365	**230**	**-**	**-**

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.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. In 2016 the Group did not recognise deferred income tax assets from EUR 1.5 million tax-loss carry-forwards. In 2015 the Group recognised deferred income tax assets from all tax loss carry-forwards. Losses amounting to EUR 1.9 million expire in 2016 – 2019.

The movement in deferred tax assets and deferred tax liabilities of the Group is as follows:

GROUP - deferred tax assets	Accumu-lated taxable losses	Impairment of assets	Discoun-ting effect	Accruals for unused vacation	Other accrued expenses	Accelerated tax depreciation	Tax relief on investment project	Fair value loss	**Total**
At 31 December 2014/ At 1 January 2015	**2 189**	**955**	**(1)**	**82**	**437**	**297**	**-**	**12**	**3 971**
(Charged) credited to the income statement (continuing operations, Note 13)	(296)	1 497	3	1	(112)	14	163	-	**1 270**
Currency translation differences	(2)	-	-	(2)	-	-	-	-	**(4)**
(Charged) credited directly to the equity (Notes 2.20, 26)	-	-	-	-	-	-	-	(4)	**(4)**
At 31 December 2015 / At 1 January 2016	**1 891**	**2 452**	**2**	**81**	**325**	**311**	**163**	**8**	**5 233**

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

30 Deferred income taxes (continued)

	Accumulated taxable losses	Impairment of assets	Discounting effect	Accruals for unused vacation	Other accrued expenses	Accelerated tax depreciation	Tax relief on investment project	Fair value loss	Total
At 31 December 2015 / At 1 January 2016	**1 891**	**2 452**	**2**	**81**	**325**	**311**	**163**	**8**	**5 233**
Credited to the income statement (continuing operations, Note 13)	50	159	(6)	21	236	(201)	23	-	**282**
Credited directly to the equity (Notes 2.20, 26)	-	-	-	-	-	-	-	(5)	**(5)**
	(105)	-	-	-	-	-	-	-	**(105)**
At 31 December 2016	**1 836**	**2 611**	**(4)**	**102**	**561**	**110**	**186**	**3**	**5 405**

GROUP - deferred tax liabilities	Accelerated tax depreciation	Other accrued expenses	**Total**
At 31 December 2014 / At 01 January 2015	**68**	**1**	**69**
Charged to the income statement (continuing operations) (Note 13)	161	-	**161**
At 31 December 2015 / At 01 January 2016	**229**	**1**	**230**
Charged to the income statement (continuing operations) (Note 13)	147	(12)	**135**
At 31 December 2016	**376**	**(11)**	**365**

The movement in deferred tax assets of the Company is as follows:

COMPANY - deferred tax assets	Accruals for unused vacation	Impairment of receivables	Accumulated taxable losses	**Total**
At 31 December 2014	**4**	**69**	**85**	**158**
Credited (charged) to the profit or loss (Note 13)	1	(69)	(85)	**(153)**
At 31 December 2015	**5**	**-**	**-**	**5**
Credited (charged) to the profit or loss (Note 13)	1	123	-	124
At 31 December 2016	**6**	**123**	**-**	**129**

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. Deferred income tax asset and liability related to the entities operating in Lithuania are calculated at 15% rate (2015: 15% rate), in Poland - at 19% rate (2015: 19% rate), in United Kingdom – at 20% rate (2015: 20% rate), in Russia – at 20% rate (2015: 20% rate), in Ukraine – at 18% rate (2015: 18% rate), in Nigeria – at 30% rate (2015: 30% rate), in Cyprus – at 12.5% rate (2015: 20% rate).

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

		GROUP		COMPANY	
31	**Financial instruments by category**	**2016**	**2015**	**2016**	**2015**
	Category – Loans and receivables				
	Trade receivables (Note 21)	40 631	23 930	84	32
	Receivable from investment in bonds (Notes 21, 35)	7 175	6 864	7 175	6 864
	Cash and cash equivalents (Note 23)	4 732	5 613	254	1 391
	Amount due from customers for contract work (Note 22)	3 593	5 410	-	-
	Security deposit with lessor (Note 21)	2 073	1 534	30	30
	Other financial receivables	1 060	380	1	-
	Trade receivables from related parties (Notes 21, 35)	991	361	2 111	4 130
	Other receivables from related parties (Notes 21, 35)	677	505	1 886	835
	Loans granted to related parties (Notes 21, 35)	636	640	15 502	15 811
	Loans granted (Note 21)	250	219	31	31
	Deposits with bank	61	140	-	-
		61 879	**45 596**	**27 074**	**29 124**
	Category – financial liabilities measured at amortised cost				
	Trade payables (Note 28)	24 176	19 029	184	91
	Bank overdraft (Notes 23, 27)	19 826	14 047	-	-
	Finance lease liabilities (Note 27)	6 227	5 407	-	-
	Bank loans (Note 27)	5 553	8 084	-	-
	Other financial payables	482	645	-	82
	Payables to related parties (Notes 28, 35)	448	309	24	27
	Payable for PPE (Note 28)	328	88	-	-
	Other borrowings (Note 27)	26	25	-	-
	Borrowings from related parties (Note 27, 35)	-	165	-	449
	Financial guarantees (Note 35)	-	-	46	101
		56 066	**47 799**	**254**	**750**

32 Operating lease

The Group leases two aircraft hangars, training building, flight simulator, premises and commercial vehicles under operating lease agreements. The lease terms are between one and ten years, and the majority of lease agreements are renewable at the end of this lease period at market value. The Group also leases three aircraft – Bombardier CRJ200, Bombardier Challenger 850 and Hawker 800XP. The lease is valid until one part terminates the contract. The operating lease expenditure charged to the income statement during the year are as follows:

Premises	2 567	2 118	104	101
Aircraft hangars	1 232	1 090	-	-
Aircraft	1 168	811	-	-
Commercial vehicles	420	82	-	-
Flight simulator	213	300	-	-
Warehouse	57	42	-	-
	5 657	**4 443**	**104**	**101**

The future aggregate minimum lease payments under operating leases are as follows:

Not later than 1 year	3 615	2 726	104	111
Later than 1 year but not later than 5 years	7 513	6 300	51	119
Later than 5 years	1 487	1 464	-	-
	12 615	**10 490**	**155**	**230**

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

33 Business combination and disposal

Establishment in 2016

On 4 January 2016, *FL Technics Asia Co Ltd.* was established by the Company's subsidiary *FL Technics UAB*. Registered capital is Baht 10 000 000, *FL Technics UAB* paid for share capital EUR 65 thousand and THB 7.5 million (equivalent to EUR 191 thousand). Remaining 0.003% of share capital is held by 2 private persons.

On 26 August 2016, *Storm Aviation (Nigeria) Ltd.* was established by the *FL Technics UAB* subsidiary *Storm Aviation Ltd.* Registered capital is Naira 10 000 000, *Storm Aviation Ltd.* fully paid for share capital (equivalent to GBP 26 thousand).

Investment in the associate in 2016

On 1 August 2016 *Avia Solutions Group AB* agreed to contribute the accrued interests on bonds issued by its associate *Avia Solutions Group B.V.* as a share premium contribution without issuing any new shares. Contributed amount of accrued interests was in the amount of USD 204 thousand (equivalent to EUR 183 thousand). The Group's investment in its associate as at 31 December 2016 amounted to EUR 0 thousand through post-acquisition changes in the Group's share of net assets of the associate's consolidated group.

Acquisitions in 2016

On 16 September 2016 *Avia Solutions Group AB* completed the acquisition of 100 percent of the share capital in GoAdventure OÜ which was renamed to *KIDY Tour OÜ* following the acquisition. As a result of the acquisition, the Group is expected to increase its presence in the Tour Operation segment. According to the share sale and purchase agreement the purchase price was EUR 746 thousand and USD 1 657 thousand (equivalent to EUR 1 472 thousand) which included remuneration for the share capital as well as the transfer of the claims in respect of the debt (equal to EUR 909 thousand). Details of purchase consideration and assets and liabilities arising from them acquisition are as follows:

	KIDY Tour OÜ - acquiree's fair value
Tangible and intangible long-term assets	29
Security deposits placed	357
Loans granted	60
Receivables	8
Prepayments	59
Cash and cash equivalents	7
Bank overdraft	(8)
Advances received	(143)
Payables	(1 965)
Total identifiable net assets acquired	**(1 596)**
Purchase consideration - setting off against liabilities	1 309
Excess of cost over fair value of acquiree's net assets (recognised as goodwill)	**2 905**

The values included in purchase price allocation are provisional and will be updated within 12 months period after the acquisition date.

On 27 September 2016, the Group acquired 25% of the share capital of *Klasjet UAB* from a third party and increased a control in the subsidiary to 100%. *Avia Solutions Group AB* paid EUR 14 509 for the shares.

Establishments, acquisitions and disposals in 2015

On 23 March 2015, Baltic Ground Services RU OOO was established by the Company's subsidiary Baltic Ground Services UAB. The investment in the subsidiary was RUB 200 thousand (equivalent to EUR 3.7 thousand), forming 100% of its share capital.

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

33 Business combination and disposal (continued)

On 28 April 2015, 90% of Baltic Ground Services UAB subsidiary Laserpas UAB share capital was sold to Avia Solutions Group AB and remaining part in stakes was sold to the general director of Laserpas UAB. Sales proceeds from the disposal of a 10 per cent shareholding amounted to EUR 290.

On 6 May 2015, RAMPORT SECURITY OOO was established by the Company's subsidiary RAMPORT AERO OAO. The investment in the subsidiary was RUB 250 thousand (equivalent to EUR 4 thousand), forming 100% of the share capital of the subsidiary.

On 15 June 2015 the Group sold its 99.983% stake in Globus Distribution OAO to the other related party. Sales proceeds from the full disposal amounted to RUB 20 million (equivalent to EUR 343 thousand). Details of sale price and assets and liabilities arising from the disposal in Group's financial statements are as follows:

	Globus distribution OAO – disposal's carrying amount
Trade and other receivables	87
Cash and cash equivalents	73
Total identifiable net assets	**160**
NCI based on proportionate share of net assets (0.017%)	-
Group's net assets attributed to equity holders of the parent	**160**
Proceeds from sale of interest in subsidiaries (cash payment)	324
Gain on disposal, directly recognised in disposal's group other gains/(losses)	**164**

On 31 July 2015, *Baltic Ground Services EE OÜ* was established by the Company's subsidiary *Baltic Ground Services UAB.* The investment in the subsidiary was EUR 2.5 thousand, forming 100% of its share capital.

On 11 August 2015, 100% of *Laserpas UAB* subsidiary *Baltic Ground Services UA TOV* share capital was sold to *Baltic Ground Services UAB*. Additional investment of EUR 5.5 thousand into *Baltic Ground Services UA TOV* share capital was made on 21 August 2015. On 29 September 2015, 50 percent minus one share of *Baltic Ground Services UA TOV* was sold to a third party. Sales proceeds from the disposal of a 50 per cent shareholding amounted to EUR 1. On 16 October 2015 share capital of *Baltic Ground Services UA TOV* was increased by EUR 50 thousand by equal contributions of both shareholders.

On 30 September 2015, the Group sold 100 percent shareholding in its subsidiary *Avia Solutions Group – Airports Management OOO* to *Avia Solutions Group B.V.*, an associate of the Company established in the Netherlands, where the Company has 30 percent shareholding, at an acquisition cost amounting to RUB 1 000 000 (equivalent to EUR 13.6 thousand). *Avia Solutions Group – Airports Management OOO* holds 75 percent minus one share of *RAMPORT AERO OAO* engaged in construction and development of the Moscow's fourth airport – Ramenskoye International. *RAMPORT AERO OAO* holds 100% of shares in *RAMPORT SECURITY OOO.*

Details of sale price and assets and liabilities arising from the disposal in Group's financial statements are as follows:

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

33 Business combination and disposal (continued)

	Avia Solutions Group – Airports Management OOO – disposal's carrying amount	*RAMPORT AERO OAO –* disposal's carrying amount	*RAMPORT SECURITY OOO –* disposal's carrying amount	Inter-company transaction of disposal group	**Total disposal's carrying amount**
Property, plant and equipment	-	16 833	-	-	**16 833**
Intangible assets	-	4	-	-	**4**
Investment into subsidiaries	13 610	3	-	(13 613)	**-**
Deferred income tax assets	2 381	145	1	-	**2 527**
Trade and other receivables	273	6 021	-	-	**6 294**
Loans granted	-	681	-	-	**681**
Prepaid income tax	-	48	-	-	**48**
Cash and cash equivalents	714	63	-	-	**777**
Trade and other payables	(1 427)	(2 190)	(3)	-	**(3 620)**
Borrowings	(25 061)	-	-	-	**(25 061)**
Total identifiable net assets	**(9 510)**	**21 608**	**(2)**	**(13 613)**	**(1 517)**
NCI based on proportionate share of net assets (25%)	-	(5 401)	-	-	(5 401)
Group's net assets / (liabilities) attributed to equity holders of the parent	**(9 510)**	**16 207**	**(2)**	**(13 613)**	**(6 918)**
Proceeds from sale of interest in subsidiaries					14
Other items:					
Exchange differences on translation of foreign operations					1 907
Gain on disposal, directly recognised in Group's profit or loss (Note 34)					**8 839**

Details of revenue and expenses of the disposal group (airport infrastructure management business segment) classified as discontinued operations are disclosed in Note 34.

On 1 October 2015, the Group acquired 51% of the share capital of Baltic Ground Services LV SIA from third parties. As a result of the acquisition, the Group is expected to increase its fuelling services in Latvia. Details of purchase consideration and assets and liabilities arising from the acquisition are as follows:

	Baltic Ground Services LV SIA - acquiree's fair value
Property, plant and equipment	584
Inventories	15
Receivables	5
Cash and cash equivalents	119
Deferred income tax liabilities	(2)
Payables	(50)
Total identifiable net assets acquired	**671**
Purchase consideration - paid in cash	641
NCI based on proportionate share of net assets (49%)	329
Excess of fair value of acquiree's net assets over cost (recognised as goodwill)	**299**

On 18 December 2015, *Baltic Ground Services CZ s.r.o.* was established by the Company's subsidiary *Baltic Ground Services UAB*. The investment in the subsidiary was EUR 7.4 thousand, forming 100% of its share capital.

On 3 December 2015 a new subsidiary of the Company – *KIDY Tour UAB* was established. The investment in the subsidiary was EUR 2.5 thousand, forming 100% of its share capital.

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

34 Non-current assets held for sale and discontinued operations

Details of revenue, cost of sales and income tax expenses of disposal group classified as discontinued operations are as follows:

	Year ended 31 December	
	2016	**2015**
Revenue	-	177
Other income	-	83
Cost of services and goods purchased and other operating expenses	-	(1 668)
Other gain/(loss) - net	-	(3 436)
Operating profit (loss) from discontinued operations	**-**	**(4 844)**
Finance costs – net	-	(841)
(Loss) before income tax for the period from discontinued operations	**-**	**(5 685)**
Income tax expense	-	958
(Loss) for the period from discontinued operations	**-**	**(4 727)**
Gain on sale of discontinued operations (Note 33)	-	8 839
Net profit (loss) for the period from discontinued operations	**-**	**4 112**

35 Related party transactions

Related parties of the Company and the Group include entities having significant influence over the Company, key management personnel of the Group and other related parties. Entities having significant influence over the Company and the Group are *ZIA Valda Cyprus Ltd* and *ZIA Valda AB* (the sole shareholder of *ZIA Valda Cyprus Ltd*). Transactions with these companies are presented separately. Related parties also include subsidiaries of *ZIA Valda AB* group. They are presented as other related parties. Related parties of the Company also include subsidiaries of the Group.

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Sales of services to:				
Subsidiaries of the Group	-	-	2 097	2 255
Entities having significant influence	9	12	9	12
Other related parties	4 448	3 697	544	300
	4 457	**3 709**	**2 650**	**2 567**
Sales of assets:				
Subsidiaries of the Group	-	-	5	23
Other related parties	-	11	-	10
	-	**11**	**5**	**33**
Total sales of assets and services	**4 457**	**3 720**	**2 655**	**2 600**

35 Related party transactions (continued)

In year 2016 amount of sales of consulting and management services from the Company to its related parties was EUR 2 650 thousand (2015: EUR 2 567 thousand). In year 2016 amount of sales of aircraft maintenance services from the Group to companies of *AviaAM Leasing AB* Group was EUR 2 840 thousand (2015: EUR 2 665 thousand).

	GROUP		COMPANY	
		2015		2015
Purchases of assets from:				
Other related parties	2	1	-	1
Subsidiaries of the Group	-	-	6	-
	2	**1**	**6**	**1**
Purchases of services from:				
Subsidiaries of the Group	-	-	22	10
Entities having significant influence	1	34	1	17
Other related parties	3 175	2 502	70	27
	3 176	**2 536**	**93**	**54**
Total purchases of assets and services	**3 178**	**2 537**	**99**	**55**

In year 2016 amount of purchases of premises lease services from *VA Reals AB* was EUR 1 663 thousand (in 2015: 1 624 EUR thousand).

	GROUP		COMPANY	
	2016	2015	2016	2015
Trade receivables from related parties:				
Trade receivables from entities having significant influence	1	-	1	-
Trade receivables from subsidiaries of the Company	-	-	1 775	3 977
Impairment of trade receivables from subsidiaries of the Company	-	-	(109)	-
Trade receivables from other related parties	990	361	444	153
Trade receivables from related parties – net (Note 21)	**991**	**361**	**2 111**	**4 130**
Receivables from investment in bonds from related parties (Note 21)	7 175	6 864	7 175	6 864
Security deposit with lessor from related parties (Note 21)	15	1	-	-
Other receivables from subsidiaries of the Company (Note 21)	-	-	1 209	330
Other receivables from related parties (Note 21)	677	505	677	505
Prepayments from related parties (Note 21)	5	5	-	8
Prepayment from subsidiaries of the Company (Note 21)	-	-	32	-
	8 863	**7 736**	**11 204**	**11 837**
Payables and advances received from related parties:				
Amounts payable to subsidiaries of the Company (Note 28)	-	-	22	25
Amounts payable to other related parties (Note 28)	448	309	2	2
Advances received from other related parties	572	-	-	-
Advances received from entities having significant influence	-	-	-	-
	1 020	**309**	**24**	**27**

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

35 Related party transactions (continued)	**GROUP 2016**	**GROUP 2015**	**COMPANY 2016**	**COMPANY 2015**
Loans granted to related parties:				
Beginning of the period	**730**	**729**	**16 166**	**10 033**
Reclassification of loans granted to other related parties to loans granted to third parties	-	(22)	-	(22)
Loans granted to subsidiaries of the Group	-	-	3 879	5 761
Loans granted to other related parties	12	11	12	3
Loan repayments received/set-offs from subsidiaries of the Group	-	-	(3 558)	-
Loan repayments received from other related parties (set-offs)	(15)	(10)	(12)	(6)
Impairment of loans granted to subsidiaries of the Group	-	-	(631)	-
Interest charged to subsidiaries of the Group	-	-	553	529
Interest charged to other related parties	29	29	12	14
Interest received/set-offs from subsidiaries of the Group	-	-	(599)	(141)
Interest received/set-offs from other related parties	-	(5)	-	(3)
Reclassification of interest from other related parties to interest from third parties	-	(2)	-	(2)
End of the period	**756**	**730**	**15 822**	**16 166**
Less non-current portion:	(619)	(619)	(15 222)	(8 966)
Current portion (including accrued interest income):	**137**	**111**	**600**	**7 200**
Loans received from related parties:				
Beginning of the period	**170**	**2 074**	**470**	**880**
Loans received from subsidiaries of the Group	-	-	-	-
Loans received from other related parties	-	4 421	-	-
Currency translations differences	-	(755)	-	-
Loans repayments to subsidiaries of the Group / set-offs	-	-	(449)	(431)
Loans repayments to other related parties / set-offs	(166)	(5 554)	-	-
Interest on loans charged (2016 - at 4.5%)	6	99	8	27
Interest on loans repaid / set-offs	(10)	(115)	(29)	(6)
End of the period	**-**	**170**	**-**	**470**
Less: non-current portion	-	-	-	(470)
Current portion (including accrued interest expense):	**-**	**170**	**-**	**-**

On 15 December 2014 the Group acquired 75 (seventy five) Bonds of its associate Avia Solutions Group B.V. with subscription price EUR 6 166 thousand. The bonds were transferred by the transferee for purchase price equal to USD 7.6 million (equivalent to EUR 6 166 thousand, nominal value of 75 Bonds plus interest accrued). The maturity date of the Bonds is 5 (five) calendar years from the issue date, i.e. 20 August 2014, interest rate – 5.2% per annum. Bonds are classified in trade and other receivables as investment in bonds. On 15 July 2016 Avia Solutions Group AB agreed to contribute the accrued interests on bonds issued by its associate Avia Solutions Group B.V. as a share premium contribution without issuing any new shares and reduce interest rate to 5.1% per annum. Contributed amount of accrued interests was in the amount of USD 204 thousand (equivalent to EUR 183 thousand).

On 20 May 2016 and 1 June 2016 the Company signed two put option agreements with the Group employees, related to the Key Management of the Group, which give the right to put back acquired shares of the Company during the period from 30 April 2019 to 1 June 2019, if subsidiaries, where these employees are acting general managers, achieve appointed profit targets. The above mentioned employees have not yet acquired all agreed Company's shares thus put options are not valid at the moment.

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

35 Related party transactions (continued)

On 30 December 2013 the Company granted a loan to the employee, related to the Key Management of the Group, in amount of EUR 272 thousand (at the interest rate of 4.5%) for purchasing shares of Avia Solutions Group AB. According to this loan agreement the employee has the right to put back the shares to the Company in a period from 31 March 2014 to 31 December 2018, if the Group achieves appointed EBT targets or if the Company's share price declines 10 or more percent compared to their acquisition price. On 28 November 2014 the Company signed additional two put option agreements with the employees, related to the Key Management of the Group, which give a right to put back the newly issued shares of the Company during a period from 1 January 2015 to 31 December 2018 under similar conditions as those outlined above. The management of the Group has evaluated that the above mentioned option agreements made with the members of the Key Management of the Group do not have a material impact on these financial statements.

On 28 April 2015 the Company signed an agreement with an employee, related to the Key Management of the Group, which give a right to put back 10 per cent of Laserpas UAB shares if Laserpas UAB achieves appointed Profit before taxes target. Additionally the Company has a call option to buy back those shares. On 29 September 2015 the Group signed an agreement with other shareholder of newly acquired subsidiary, which give a right for the Group to put back 51 per cent of shares in that subsidiary. Also there are two call options signed – in case of triggering event, the Group can be asked to sell all shares in the subsidiary, also the Group can be asked to sell agreed part of shares for a purchase price plus interest rate. The management of the Group has evaluated that the above mentioned option agreements do not have a material impact on these financial statements.

Intra – group financial guarantees provided on behalf of a Subsidiary of the Company

Date of issue	Issued to	On behalf of	Valid till	Amounts as at 2016.12.31
2011.09.30	The Bank	The Subsidiary	2017.08.31	EUR 2 112 thousand
2013.04.08	The Bank	The Subsidiary	2018.03.20	EUR 2 584 thousand
2014.06.18	The Bank	The Subsidiary	2017.04.30	EUR 10 656 thousand
2013.10.23	The Bank	The Subsidiary	2017.04.30	EUR 4 881 thousand

Over the 2011-2016 period the Company issued four intra-group financial guarantees on behalf of its subsidiaries for bank overdraft and bank loans amounting to EUR 20.2 million as at 31 December 2016 (EUR 20.1 million as at 31 December 2015), related towards financing of working capital, refinancing of existing financial obligations, financing of costs related to the aviation hangar construction. The liabilities secured by these guarantees were also secured by pledge of spare parts, buildings, aviation hangar, hangar's equipment, lease right regarding the land plot, and other fixed assets owned by subsidiaries (Note 27).

36 Remuneration of the Group's and the Company's key management

Key management includes General Directors of the Group companies, Chief Financial Officer, Financial Directors of the Group companies, Directors of main units and departments. Transactions with Group's key management are as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Salaries including termination benefits	3 861	2 741	226	162
Social insurance expenses	910	715	49	48
Bonuses	200	199	-	-
	4 971	**3 655**	**275**	**210**
The number of key management at the end of year	98	80	3	3

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, We, Linas Dovydėnas, General Director of *Avia Solutions Group AB*, and, Aurimas Sanikovas, Chief Financial Officer of *Avia Solutions Group AB*, hereby confirm that, to the best of our knowledge, Audited Separate and Consolidated Financial Statements of *Avia Solutions Group AB* for the year ended 31 December 2016 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of the Company and the Group of undertakings.

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas