AVIA SOLUTIONS GROUP AB

Independent Auditor’s Report,
Separate and Consolidated Financial Statements,
Consolidated Annual Report
For the Year Ended 31 December 2017

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Independent auditor's report

To the shareholders of Avia Solutions Group AB

Report on the audit of the stand-alone and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the stand-alone and consolidated financial position of Avia Solutions Group AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2017, and of their stand-alone and consolidated financial performance and their stand-alone and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

What we have audited
The Company's separate and Group's consolidated financial statements comprise:

- the separate and consolidated balance sheets as at 31 December 2017;
- 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 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 the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the stand-alone and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2017 to 31 December 2017 are disclosed in the consolidated annual report.

Our audit approach

Overview

Materiality

- Overall Company materiality is EUR 380 thousand,
- Overall Group materiality is EUR 1,700 thousand

Audit scope

- We conducted full scope audit work at eight reporting units, six of them are in Lithuania, one in Poland, one in Latvia.
- Our full scope audit addressed 80% of the Group's revenues and 83% of assets.

Key audit matters

- Expected credit loss of trade and other financial receivables
- Net realisable value of inventory

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

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the stand-alone 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 380 thousand (2016: EUR 375 thousand)
Overall Group materiality	EUR 1,700 thousand (2016: EUR 1,530 thousand)

How we determined it	Company materiality was determined as 1% from Company's total assets. Group materiality was determined as 0.5% from total consolidated revenue.
Rationale for the materiality benchmark applied	We have used total 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 and interest income 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 total 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 19 thousand for the Company and EUR 85 thousand for the Group as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss of trade and other financial receivables *Refer to Note 2 'Summary of significant accounting policies'; Note 3.1. 'Financial risk factors'; Note 4 'Critical accounting estimates and significant judgements'; Note 14 "Impairment related expenses"; Note 21 'Trade and other receivables'; Note 34 'Adoption of IFRS 9' for further details.* The Group has early adopted IFRS 9 since 1 January 2017 and this had a material impact on the Group's financial statements. The	We analysed the accounting policies and framework methodology developed by the Group in order to evaluate its compliance with IFRS 9. We assessed the methodology developed to calculate expected credit loss under IFRS 9, concentrating on such aspects as: estimating of key provisioning parameters; factors for determining a significant increase in credit risk for assets other than trade receivables and consideration of forward looking information relevant to the expected credit losses

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carrying value of trade and other financial receivables as at 31 December 2017 is EUR 44.9 million, which represents 29% of total assets of the Group (2016: EUR 50.1 million, 34% of total assets of the Group). The Group recognised expected credit loss of EUR 4.5 million in its opening retained earnings as of 1 January 2017 and restatement of expected credit loss of EUR 0.2 million in profit/loss for the year ended 31 December 2017.

We focused on this area because of the magnitude of the balances, risk related to these receivables and uncertainty of the estimation of expected credit loss for these receivables calculated in accordance with IFRS9. The credit risk of the Group's debtors depend on many circumstances, including economic stability and political circumstances of the countries in which they operate. The calculation of expected credit loss requires significant management judgement involved in estimating loss rates for the Group's debtors. These estimates and assumptions are inherently uncertain.

While testing selected accounting estimates and the data, on which they are based, we have verified the appropriateness of the estimation method, completeness and accuracy of the data used, mathematical accuracy of management's model, and the reasonableness of the management assumptions.

In some areas we developed an independent estimate or a range to evaluate management's point estimate and analysed the way the management considered assumptions or outcomes, or how management otherwise addressed estimation uncertainty in making the accounting estimate.

As a result, of our work, we noted no significant exceptions to the management's estimates of recoverable amounts of the Group's trade and other financial receivables.

We assessed also whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk and all key considerations applied in the calculation of expected credit losses.

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 2017 is EUR 29.8 million (2016: EUR 29.1 million), which represents 19% 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 5.0 million (2016: 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

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

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.	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.

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" of the Financial Statements). A full scope audit was performed by PwC Lithuania or other PwC network firms for 7 entities of the Group. For 1 entity full scope audit performed by non-PwC network firm.

At the Group level, we tested the consolidation process and performed testing of selected balances and 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.

Reporting on other information including the consolidated annual report

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

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

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

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

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

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

The Company and the Group presented the social responsibility report as a part of the consolidated annual report.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the 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 the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group in 2010. Our appointment has been renewed annually by tenders and shareholders resolutions representing a total period of uninterrupted engagement appointment of 8 years.

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

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
10 April 2018

(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 ______________________ 2018

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2017	2016	2017	2016
Revenue	5	**348 542**	**305 960**	**2 970**	**2 485**
Other income	5, 6	874	365	909	747
Cost of services and goods	5, 10	(257 558)	(228 929)	(730)	(228)
Employee related expenses	5, 7	(57 868)	(45 876)	(1 871)	(1 578)
Other operating expenses	5, 11	(18 965)	(14 833)	(1 055)	(914)
Depreciation and amortisation	5, 8, 15, 16	(5 288)	(4 959)	(198)	(163)
Impairment-related expenses	5, 14	(1 511)	(1 444)	(396)	(827)
Other gain/(loss) - net	5, 9	(414)	231	(14)	(1)
Operating profit (loss)	5	**7 812**	**10 515**	**(385)**	**(479)**
Finance income	12	66	397	1 500	1 170
Finance costs	12	(2 373)	(1 321)	(1 044)	(8)
Finance costs – net	12	**(2 307)**	**(924)**	**456**	**1 162**
Share of (losses) of associates	18	-	(183)	-	-
Profit before income tax		**5 505**	**9 408**	**71**	**683**
Income tax	13	(510)	(1 314)	175	(16)
Profit for the year		**4 995**	**8 094**	**246**	**667**
Profit attributable to:					
Equity holders of the parent		5 859	8 794	246	667
Non-controlling interests		(864)	(700)	-	-
		4 995	**8 094**	**246**	**667**
Other comprehensive income					
Net gain on cash flow hedges	2.20, 26	19	34	-	-
Income tax effect	2.20, 30	(3)	(5)	-	-
		16	**29**	**-**	**-**
Exchange differences on translation of foreign operations		1	14	-	-
Other comprehensive income (loss) for the year		**17**	**43**	**-**	**-**
Total comprehensive income for the year attributable to:					
Equity holders of the parent		5 747	8 871	246	667
Non-controlling interests		(735)	(734)	-	-
		5 012	**8 137**	**246**	**667**
Basic earnings per share	24	0.753	1.131	0.032	0.086
		0.753	**1.131**	**0.032**	**0.086**

General Manager
Jonas Janukėnas

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 ______________________ 2018

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2017**	**2016**	**2017**	**2016**
ASSETS					
Non-current assets					
Property, plant and equipment	15	31 984	29 812	204	161
Intangible assets	16	6 270	6 056	162	214
Investments in subsidiaries	17	-	-	12 587	10 318
Investments in associates	18, 33	-	-	191	191
Deferred tax assets	30	6 805	5 405	183	129
Non-current trade and other receivables	21	7 318	9 138	15 939	22 490
		52 377	**50 411**	**29 266**	**33 503**
Current assets					
Inventories	20	29 778	29 087	21	5
Trade and other receivables	21	57 238	57 556	8 141	4 441
Amount due from customers for contract work	22	3 886	3 593	-	-
Prepaid income tax		487	265	25	-
Short-term bank deposit		-	61	-	-
Cash and cash equivalents	3.1, 23	8 636	4 732	155	254
		100 025	**95 294**	**8 342**	**4 700**
Total assets	5	**152 402**	**145 705**	**37 608**	**38 203**

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

BALANCE SHEETS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2017	2016	2017	2016
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	225	192	152	119
Merger reserve	26	(457)	(457)	-	-
Fair value reserve	26	-	(16)	-	-
Cumulative translations differences		(217)	(89)	-	-
Retained earnings		26 680	24 705	1 065	1 974
Equity attributable to equity holders of the parent		**61 620**	**59 724**	**36 606**	**37 482**
Non-controlling interests		1 018	(464)	-	-
Total equity		**62 638**	**59 260**	**36 606**	**37 482**
LIABILITIES					
Non-current liabilities					
Borrowings	27	7 544	5 994	-	-
Government grants	19	1 270	1 528	-	-
Security deposits received	29	446	416	-	-
Trade and other payables	28	331	220	-	-
Deferred income tax liabilities	30	350	365	-	-
Derivative financial instruments	2.20	-	19	-	-
Financial guarantees	17, 35	-	-	-	2
		9 941	**8 542**	**-**	**2**
Current liabilities					
Trade and other payables	28	38 874	41 208	591	536
Borrowings	27	24 530	25 638	300	-
Advances received		14 863	10 002	79	3
Security deposits received	29	186	106	-	-
Current income tax liabilities		1 370	949	-	135
Financial guarantees	17, 35	-	-	32	45
		79 823	**77 903**	**1 002**	**719**
Total liabilities	5	**89 764**	**86 445**	**1 002**	**721**
Total equity and liabilities		**152 402**	**145 705**	**37 608**	**38 203**

General Manager
Jonas Janukėnas

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
________________________________ 2018

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 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)

Approved by the Annual General Meeting of Shareholders as at
______________________________ 2018

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-controlling interests	Total equity
Balance at 31 December 2016	**2 256**	**33 133**	**(457)**	**192**	**(16)**	**(89)**	**24 705**	**59 724**	**(464)**	**59 260**
Adjustment on initial application of IFRS 9 (net of tax) (Note 34)	-	-	-	-	-	-	(3 924)	**(3 924)**	(1)	**(3 925)**
Balance at 1 January 2017	**2 256**	**33 133**	**(457)**	**192**	**(16)**	**(89)**	**20 781**	**55 800**	**(465)**	**55 335**
Comprehensive income										
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	16	-	-	**16**	-	**16**
Currency translation difference from continuing operations	-	-	-	-	-	(128)	-	**(128)**	129	**1**
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	5 859	**5 859**	(864)	**4 995**
Total comprehensive income	**-**	**-**	**-**	**-**	**16**	**(128)**	**5 859**	**5 747**	**(735)**	**5 012**
Transactions with owners										
Transfer to legal reserve (Note 26)	-	-	-	33	-	-	(33)	**-**	-	**-**
Increase of shareholding in subsidiary (Notes 17, 33)	-	-	-	-	-	-	(826)	**(826)**	508	**(318)**
Disposal of subsidiary without loss of control (Notes 17, 33)	-	-	-	-	-	-	899	**899**	1 710	**2 609**
Total transactions with owners	**-**	**-**	**-**	**33**	**-**	**-**	**40**	**73**	**2 218**	**2 291**
Balance at 31 December 2017	**2 256**	**33 133**	**(457)**	**225**	**-**	**(217)**	**26 680**	**61 620**	**1 018**	**62 638**

(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 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**
Transaction 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**
Adjustment on initial application of IFRS 9 (net of tax) (Note 34)	-	-	-	(1 122)	**(1 122)**
Balance at 1 January 2017	**2 256**	**33 133**	**119**	**852**	**36 360**
Net profit - total comprehensive income for the year	-	-	-	246	**246**
Transaction with owners					
Transfer to legal reserve	-	-	33	**(33)**	**-**
Total transactions with owners	**-**	**-**	**33**	**(33)**	-
Balance at 31 December 2017	**2 256**	**33 133**	**152**	**1 065**	**36 606**

The notes on pages 19 to 87 form an integral part of these financial statements.

General Manager
Jonas Janukėnas

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 _________________ 2018

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2017**	**2016**	**2017**	**2016**
Operating activities					
Profit for the year		4 995	8 094	246	667
Income tax	13	510	1 314	(175)	16
Adjustments for:					
Depreciation and amortisation	5, 8, 15, 16	5 288	4 959	198	163
Impairment-related expenses	5	1 511	1 444	396	827
Interest expenses	12	982	783	5	8
Currency translations differences (Notes 6, 7)		959	(9)	1 050	1
Discounting effect on financial assets	12	12	(1)	-	-
Accruals of hangar lease payments, PBH contracts		(10)	116	-	-
Fair value (profit) on derivative financial instruments	2.20	(16)	(29)	-	-
(Profit) of PPE disposals		(239)	(388)	-	-
Amortisation of government grants	2.21, 6, 19	(259)	(259)	-	-
Interest income	6	(385)	(82)	(804)	(613)
Share of loss from associates	18	-	183	-	-
Amortisation of intra-group financial guarantees	6, 35	-	-	(105)	(134)
Changes in working capital:					
- Inventories		(2 043)	(206)	(16)	1
- Trade and other receivables		(1 867)	(24 285)	(1 068)	(5 512)
- Short-term bank deposits		61	79	-	-
- Trade and other payables, advances received		2 192	12 180	(117)	4 043
- Security deposits received		124	58	78	-
Cash generated from (used in) operating activities		**11 815**	**3 951**	**(312)**	**(533)**
Interest received		1	13	599	175
Interest paid		(937)	(773)	-	-
Income tax paid		(938)	(542)	(25)	(22)
Net cash generated from (used in) operating activities		**9 941**	**2 649**	**262**	**(380)**

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

STATEMENTS OF CASH FLOWS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2017**	**2016**	**2017**	**2016**
Investing activities					
Purchase of PPE and intangible assets		(5 910)	(3 737)	(235)	(253)
Proceeds from PPE and intangible assets disposal		580	1 144	46	4
Loans granted		(554)	(1 038)	(562)	(2 093)
Repayments of loans granted		44	54	915	1 600
Deposits placed		(1 029)	(863)	(82)	-
Repayments of deposits placed		441	307	-	-
Acquisition of interest in a subsidiary (Note 33)		-	(15)	(129)	(15)
Share capital increase of subsidiaries (Note 33)		-	-	(555)	-
Establishment of subsidiaries	17	-	-	(59)	-
Net cash (from) used in investing activities		**(6 428)**	**(4 148)**	**(661)**	**(757)**
Financing activities					
Disposal of interest in a subsidiary (without loss of control) (Note 33)		2 609	-	-	-
Acquisition of interest in a subsidiary (without loss of control) (Note 33)		(318)	-	-	-
Bank borrowings received		11 704	10 961	-	-
Repayments of bank borrowings		(11 797)	(13 466)	-	-
Borrowings from related parties received		1 900	12	300	-
Repayments of borrowings from related parties		(1 900)	-	-	-
Other borrowings received		474	-	-	-
Repayments of other borrowings		(474)	-	-	-
Repayments of lease liabilities		(2 133)	(2 668)	-	-
Net cash (used in) financing activities		**65**	**(5 161)**	**300**	**-**
Increase in cash and cash equivalents		**3 578**	**(6 660)**	**(99)**	**(1 137)**
At beginning of year		(15 094)	(8 434)	254	1 391
Increase (decrease) in cash and cash equivalents		3 578	(6 660)	(99)	(1 137)
At end of year	23	**(11 516)**	**(15 094)**	**155**	**254**

General Manager
Jonas Janukėnas

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.

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:

	2017		2016	
	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%	832 666	10.71%
VGE Investments Limited	730 216	9.39%	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%
Anatolij Legenzov (the Member of the Board until 29 March 2018)	73 255	0.94%	73 255	0.94%
Aurimas Sanikovas (the Member of the Board)	69 377	0.89%	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 until 8 September 2017)	8 240	0.11%	8 240	0.11%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	-	-	390 000	5.01%
Other free float	2 436 676	31.33%	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 2017 amounted to 2 297 (2016: 1 954). The number of full time staff employed by the Company at the end of 2017 amounted to 72 (2016: 60).

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

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2017	Share of equity, % 31-12-2016	Date of acquiring/establishment and activity
AviationCV.com UAB	Republic of Lithuania	Crew Training and Staffing	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
BAA Training UAB	Republic of Lithuania	Crew Training and Staffing	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
BAA Simulators UAB	Republic of Lithuania	Crew Training and Staffing	100	-	The subsidiary was established on 24 October 2017 (Note 33). The company will provide lease of full flight simulators.

(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, % 31-12-2017	31-12-2016	Date of acquiring/establishment and activity
FLT Trading House UAB	Republic of 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. On 19 January 2018, the liquidator for subsidiary has been approved (Note 37).
FL Technics Ulyanovsk OOO	Russian Federation	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	99.99	99.99	The subsidiary was established in summer of 2011. The subsidiary does not conduct active operations. 14 March 2018 the subsidiary has been liquidated (Note 37).
Helisota UAB	Republic of 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	Republic of 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	Republic of 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	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	100	100	The subsidiary was established on 3 December 2015. The company provides tour operator services.
KIDY Tour OÜ	Republic of Estonia	Private Jet Charter, Flight and Tour Operations	100	100	The subsidiary was acquired on 16 September 2016 (Note 33). The company provides tour operator services.
KIDY Tour OOO	Russian Federation	Private Jet Charter, Flight and Tour Operations	100	-	The subsidiary was established on 6 March 2017 (Note 33). The company is providing tour operator services.
KIDY Tour SIA	Republic of Latvia	Private Jet Charter, Flight and Tour Operations	100	-	The subsidiary was established on 9 October 2017 (Note 33). The company will provide tour operator services.
KlasJet UAB	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	100	100	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 (Note 33). From April 2017 it is a direct subsidiary of Jet Maintenance Solutions UAB.
Laserpas UAB	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	50	90	The subsidiary was established in summer of 2011. The subsidiary started unmanned aerial flight operations. On 8 August 2017 the Company sold 50 per cent shareholding in the subsidiary to third party while retaining the control (Note 33).
Locatory.com UAB	Republic of 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.

(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, % 31-12-2017	31-12-2016	Date of acquiring/establishment and activity
Baltic Ground Services UAB	Republic of 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.	Republic of 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.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	50	50	The subsidiary was established in summer of 2011. On 29 September 2015, 50% of share capital was sold to a third party. The subsidiary provides fuelling services in Ukraine. The Group has a control over an investee.
Baltic Ground Services RU OOO	Russian Federation	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established on 23 March 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Russia.
Baltic Ground Services EE OÜ	Republic of Estonia	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established on 31 July 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Estonia.
Baltic Ground Services LV SIA	Republic of Latvia	Aircraft Ground Handling and Fuelling	51	51	The subsidiary was acquired on 1 October 2015. 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. It is a direct subsidiary of Baltic Ground Services UAB. The company is providing fuelling services in Czech Republic.
BGS Trans UA LLC	Ukraine	Aircraft Ground Handling and Fuelling	100	-	The subsidiary was established on 3 July 2017. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
FL Technics UAB	Republic of Lithuania	Aircraft and Helicopter 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.	Republic of Indonesia	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	49	25	An investee of FL Technics UAB was established on 5 August 2014. The company provides line and base maintenance services in Jakarta. The Group has a control over an investee. On 7 December 2017 the Company additionally acquired 24 per cent shareholding in the subsidiary from third party (Note 33).
FL Technics Asia Co. Ltd.	Kingdom of Thailand	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	99.997	99.997	The subsidiary was established on 4 January 2016 (Note 33). It is a direct subsidiary of FL Technics UAB. The subsidiary is planning to provide aircraft maintenance services in Thailand.

(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, % 31-12-2017	31-12-2016	Date of acquiring/establishment and activity
FL Technics Line OOO	Russian Federation	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	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.
Storm Aviation (Germany) GmbH	Federal Republic of Germany	Aircraft and Helicopter Maintenance, Repair and Overhaul (MRO)	100	-	The subsidiary was established on 29 March 2017 (Note 33). It is a direct subsidiary of Storm Aviation Ltd. The company is providing aircraft line station services in Germany.
Avia Solutions Group B.V.	Netherlands	The associate	30	30	The associate was acquired in the third quarter of 2014.
Avia Solutions Group Airports Management LLC	Russian Federation	Airport Infrastructure Management	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.
RAMPORT AERO JSC	Russian Federation	Airport Infrastructure Management	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.
RAMPORT SECURITY LLC	Russian Federation	Airport Infrastructure Management	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.
RAMPORT Aviation Commerce JSC	Russian Federation	Airport Infrastructure Management	22.5*	16.88*	It is a direct subsidiary of RAMPORT AERO OAO. It was established in 2016 and provides services in the Zhukovsky International airport.
ZIA CARGO JSC	Russian Federation	Airport Infrastructure Management	11.47*	11.47*	It is a direct subsidiary of RAMPORT AERO OAO. It was established in 2016 and provides services in the Zhukovsky International airport.

** - 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 2017.

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.

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

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018). The Group and the Company have early adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2017.

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 (FVTPL).
- 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 FVTPL (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.

2.1 Basis of preparation (continued)

- 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 have early adopted IFRS 9 Financial Instruments with the date of initial application of 1 January 2017, as the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. See Note 34 for further details on the impact of the change in accounting policy on the Company's and the Group's 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. Application of these amendments does not affect the financial position or results of the Group and the Company.

Disclosure Initiative - Amendments to IAS 7. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. Application of these amendments does not affect the financial position or results of the Group and the Company; however, movement of liabilities related to financial activity is disclosed in the 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 2017 that would be expected to have a material impact to the Group.

(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. Management has assessed the influence of the Standard when applied and considers that it will not have significant influence on the Company's and the Group's financial statements.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

2.1 Basis of preparation (continued)

Amendments to IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group and the Company are currently assessing the impact of the amendments on its financial statements.

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

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.

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.

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.

2.1 Basis of preparation (continued)

IFRIC 23, Uncertainty over Income Tax Treatments. IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group and the Company are currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2015-2017 cycle. The narrow scope amendments impact four standards:

- IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business.
- Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa.
- The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits.
- The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

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;
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28;
- IFRS 17, Insurance Contracts;
- Prepayment Features with Negative Compensation - Amendments to IFRS 9;
- 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.

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.

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.

2.2 Consolidation (continued)

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.

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.

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.

2.3 Foreign currency translation (continued)

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".

In the consolidated financial statements, when the foreign operation is a subsidiary, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

2.5 Property, plant and equipment (continued)

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.

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.

2.6 Intangible assets (continued)

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

Accounting policies applied before 1 January 2017

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 4 and Note 34.

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.

2.8 Financial assets (continued)

Accounting policies applied from 1 January 2017

From 1 January 2017, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
During the current period the Group and the Company did not hold any financial assets at fair value through profit or loss.

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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:

2.10 Share-based payments (continued)

- 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. Before 1 January 2017 a provision for impairment of trade receivables was established when there was 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 were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. From 1 January 2017 the Group and the Company changed the accounting policy. See Note 34 and Note 4 for accounting policy of impairment of trade receivables.

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.

2.19 Provisions (continued)

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 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.

2.23 Accounting for leases (continued)

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.

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.

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.

2.24 Current and deferred income tax (continued)

Profit for 2017 is taxable at a rate of 15% (2016: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 19% (2016: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 18% (2016: 18%) in accordance with Ukrainian regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 20% (2016: 20%) in accordance with United Kingdom regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 30% (2016: 30%) in accordance with German regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 20% (2016: 20%) in accordance with Russian regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 15% (2016: 15%) in accordance with Latvian regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 25% (2016: 25%) in accordance with Indonesian regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 13.44% (2016: 12.5%) in accordance with Cypriot regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 30% in accordance with Nigerian regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 20% in accordance with Thai regulatory legislation on taxation. Profit for 2017 is taxable at a rate of 19% (2016: 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.

According to Lithuanian, Latvian, Ukrainian, British, Russian and Nigerian legislation, tax losses accumulated as of 31 December 2017 are carried forward indefinitely; according to Polish, Czech, Cypriot, Indonesian and Thai legislation, tax losses accumulated as of 31 December 2017 are carried forward during 5 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 is recognized as earned, - upon completion of the air transportation or upon delivery of services to the customer.

2.25 Revenue recognition (continued)

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 and additional services provided to date bear to the estimated total man hours and total additional services per contract.

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.

Accounting policies applied from 1 January 2017

Interest income is recognized on a time-proportion basis using the effective interest method to the gross carrying amount of a financial asset except for credit-impaired financial assets. Interest revenue for credit-impaired financial assets is calculated by applying the effective interest rate to the amortised cost of the financial asset from initial recognition.

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 11 million for the Group and EUR 0.4 million for the Company (2016: EUR 9 million for the Group and EUR 0.4 million for the Company) are recognized as an expense on an accrual basis and are included within employee related expenses.

2.26 Employee benefits

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.

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

Accounting policies applied before 1 January 2017

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.

Accounting policies applied from 1 January 2017

From 1 January 2017, 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 loss allowance for that guarantee measured in accordance with IFRS9 or amount initially recognised less any cumulative amortisation.

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

2.27 Financial guarantee contracts (continued)

The Company, issuer of an intra-group financial guarantee, recognizes the guarantee liability at an amount equal to a loss allowance for expected credit losses. 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 loss allowance for expected credit losses of the liability are recognised in profit or loss.

The loss allowance for expected credit losses on the financial guarantee is determined the estimated amount of expected credit losses (or credit risk) 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:

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Reasonably possible change of EUR to US dollars	12%	5%	12%	5%
Reasonably possible change of EUR to Polish Zloty	6%	4%	6%	4%
Reasonably possible change of EUR to Russian Ruble	7%	26%	7%	26%

As at 31 December 2017 the Group's post-tax profit for the year would have been: EUR 821 thousand (2016: EUR 349 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 139 thousand (2016: EUR 145 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 32 thousand (2016: EUR 113 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.

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

3.1 Financial risk factors (continued)

(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 2012-2017, 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 were 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 2017 and 2016 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 or LIBOR plus fixed margin were denominated in EUR and PLN respectively.

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 260 thousand in 2017 (2016: EUR 292 thousand) impact on profit or loss.

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.

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

3.1 *Financial risk factors (continued)*

(a) Maximum exposure of credit risk

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

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Trade receivables (Note 21)	34 802	40 631	132	84
Receivable from investment in bonds (Notes 21, 35)	5 469	7 175	5 469	7 175
Cash and cash equivalents (Note 23)	8 636	4 732	155	254
Other financial receivables	1 061	1 060	2	1
Trade receivables from related parties (Notes 21, 35)	1 191	991	2 369	2 111
Other financial receivables from related parties (Notes 21, 35)	795	677	1 956	1 886
Loans granted to related parties (Note 21)	872	636	13 905	15 502
Loans granted (Note 21)	399	250	31	31
Deposits with bank	-	61	-	-
Financial guaranties (Note 35) (off-balance)	-	-	21 401	20 233
	53 225	**56 213**	**45 420**	**47 277**

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

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Russia	6 427	2 547	-	-
United Kingdom	4 330	5 201	-	-
Germany	3 007	521	-	-
Lithuania	2 387	2 803	132	83
Belgium	1 949	1 467	-	-
Ukraine	1 458	1 034	-	-
United Arab Emirates	1 376	1 624	-	-
Hungary	1 372	1 306	-	-
Republic of Congo	-	7 831	-	-
Other	12 496	16 297	-	1
Total trade receivables	**34 802**	**40 631**	**132**	**84**

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

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Customer AE	2 426	1 849	-	-
Customer AF	1 595	3 451	-	-
Customer AG	1 439	486	-	-
Customer T	1 368	1 289	-	-
Customer AJ	-	7 831	-	-
Other	27 974	25 725	132	84
Total trade receivables	**34 802**	**40 631**	**132**	**84**

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

3.1 Financial risk factors (continued)

(b) Financial assets neither past due nor impaired

Trade receivables and trade receivables from related parties

Accounting policies applied before 1 January 2017

The Group's customers did not have external credit ratings, however the management of the Group measured credit quality of trade receivables and trade receivables from related parties based on the period of relationship with certain debtor. Two groups were 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	
	2017	**2016**	**2017**	**2016**
Group 1: new customers/related parties (less than 6 months)	2 797	507	-	-
Group 2: old customers/related parties (more than 6 months)	15 369	14 615	469	536
	18 166	**15 122**	**469**	**536**

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	
	2017	**2016**	**2017**	**2016**
Group 1: customers with no overdue receivables	7 750	6 748	-	298
Group 2: customers with overdue receivables	10 416	8 374	469	238
	18 166	**15 122**	**469**	**536**

Accounting policies applied after 1 January 2017

As described in Note 2.1 above, the Group and the Company have early adopted IFRS 9 Financial Instruments with the date of initial application of 1 January 2017. See Note 34 for further details on the impact of the change in accounting policy on the Company's and the Group's credit risk valuation.

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).

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

3.1 Financial risk factors (continued)

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
AA-	166	1 060	-	1
A+	278	2 367	-	209
A	(97)	80	-	-
A-	7 191	16	131	16
BBB+	356	5	-	-
BBB	-	466	-	-
BBB-	257	94	-	-
BB+	12	102	-	-
BB	108	41	24	-
B+	-	29	-	28
B	32	54	-	-
B-	-	298	-	-
other	162	-	-	-
Cash on hand	171	120	-	-
	8 636	**4 732**	**155**	**254**

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

<u>Security deposit with lessor, loans granted and loans granted to related parties</u>

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.

Accounting policies applied before 1 January 2017

(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	
	2017	**2016**	**2017**	**2016**
Overdue up to 3 months	11 230	19 183	360	343
overdue from 4 to 6 months	1 932	1 738	103	373
overdue over 6 months	8 727	5 579	2 127	943
	21 889	**26 500**	**2 590**	**1 659**

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.

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

3.1 Financial risk factors (continued)

Movements on the provision for impairment of receivable

GROUP	Trade receivables*	Other receivables*	Prepayments	Loans granted*
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 / At 1 January 2017 (Note 21)	**10 418**	**18**	**-**	**25**

** - including receivables from related parties*

COMPANY	Trade receivables*	Other receivables*	Prepay-ments	Loans granted*
At 31 December 2015 / At 1 January 2016 (Note 21)	**412**	**67**	**-**	**25**
Provision for receivables impairment	109	-	-	631
Reclassification during the period	67	(67)	-	-
At 31 December 2016 / At 1 January 2017 (Note 21)	**588**	**-**	**-**	**656**

** - including receivables from related parties*

Accounting policies applied after 1 January 2017

As described in Note 2.1 above, the Group and the Company have early adopted IFRS 9 Financial Instruments with the date of initial application of 1 January 2017. See Note 34 for movements on the provision for impairment of receivable and the Group's credit risk valuation.

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 2017 current liabilities in eleven 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.

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

3.1 Financial risk factors (continued)

GROUP	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2017			
Trade and other payables	24 126	119	-
Bank overdraft (Notes 23, 27)	20 152	-	-
Bank borrowings	2 263	686	2 774
Finance lease liabilities (Notes 27)	2 218	4 747	21
Accruals for PBH contracts	1 370	-	-
Security deposits received (Note 29)	186	446	-
Other borrowings	126	-	-
	50 441	**5 998**	**2 795**
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**

COMPANY	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2017			
Financial guaranties (Note 35)	21 401	-	-
Borrowings from related parties	300	-	-
Trade and other financial payables	589	-	-
	22 290	**-**	**-**
31 December 2016			
Financial guaranties (Note 35)	18 561	1 672	-
Trade and other financial payables	208	-	-
	18 769	**1 672**	**-**

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%.

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

3.2 Capital risk management (continued)

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Total borrowings (Note 27)	32 074	31 632	300	-
Less: cash and cash equivalents (Note 23)	(8 636)	(4 732)	(155)	(254)
Net debt	23 438	26 900	145	(254)
Total equity	62 638	59 260	36 606	37 482
Total capital	**86 076**	**86 160**	**36 751**	**37 228**
Gearing ratio	27%	31%	-	-

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 2017 three Group companies established in Lithuania 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.

Receivables from investment in bonds were issued at the interest rate of 5.20% (Note 21), therefore, their fair value approximate its carrying value which was calculated using market interest rate of 5.36%.

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

4 Critical Accounting Estimates and Significant Judgments

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:

4 Critical Accounting Estimates and Significant Judgments (continued)

(a) Provision for impairment of accounts receivable

Accounting policies applied before 1 January 2017

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.

Accounting policies applied from 1 January 2017

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost: trade receivable, loans, other receivable, bonds, and accrued revenue.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL, all other financial assets with no significant increase in credit risk are measured as 12-month ECL, with significant increase in credit risk – lifetime ECL:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument;
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

For more detailed information about ECL modules used by the Group and the Company and significant increase in credit risk details see Note 34.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The loss allowance is charged to profit or loss and is recognised in operating expenses as impairment-related expenses.

(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.

4 Critical Accounting Estimates and Significant Judgements (continued)

(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.

(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

Accounting policies applied before 1 January 2017

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.

Accounting policies applied after 1 January 2017

As described in Note 2.1 above, the Group and the Company have early adopted IFRS 9 Financial Instruments with the date of initial application of 1 January 2017. See Note 34 for accounting policy used for valuation of loans from subsidiaries from 1 January 2017.

4 Critical Accounting Estimates and Significant Judgements (continued)

(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 and recruitment 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.

5 Segment information (continued)

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, Latvia, Estonia, Poland, Ukraine, Germany, Check Republic, Russia, the United Kingdom, Cyprus, Nigeria 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 2017:

	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 2017							
Continuing operations							
Sales to external customers	147 090	156 421	17 861	26 317	853	-	**348 542**
Inter-segment sales	6 133	3 404	300	82	2 116	(12 035)	**-**
Total revenue	**153 223**	**159 825**	**18 161**	**26 399**	**2 969**	**(12 035)**	348 542
Other income (Note 6)	514	337	90	8	909	(984)	**874**
Cost of services and goods purchased (Note 10)	(88 208)	(144 312)	(9 208)	(23 346)	(730)	8 246	**(257 558)**
Employee related expenses (Note 7)	(41 490)	(8 948)	(3 840)	(1 719)	(1 871)	-	**(57 868)**
Impairment-related expenses	(1 014)	30	(181)	(14)	(513)	181	**(1 511)**
Other operating expenses (Note 11)	(14 942)	(2 678)	(2 782)	(822)	(1 055)	3 314	**(18 965)**
Depreciation and amortisation (Note 8)	(2 323)	(1 962)	(721)	(87)	(198)	3	**(5 288)**
Other gain/(loss) – net (Note 9)	(399)	82	52	(14)	(14)	(121)	**(414)**
Segment operating profit from continuing operations	**5 361**	**2 374**	**1 571**	**405**	**(503)**	**(1 396)**	7 812
Finance costs - net (Note 12)							(2 307)
Share of profit (losses) of associates (Note 18)							-
Profit before income tax from continuing operations							**5 505**
Income tax (Note 13)							(510)
Net profit for the period from continuing operations							**4 995**
As at 31 December 2017							
Segment assets	91 378	31 720	10 576	7 522	11 206	-	**152 402**
Segment liabilities	59 047	19 802	8 028	2 226	661	-	**89 764**
Acquisition of non-current assets (Notes 15, 16)	4 938	2 407	367	184	228	-	**8 124**
Depreciation and amortization (only continuing operations, Notes 8, 15, 16)	(2 322)	(1 960)	(721)	(87)	(198)	-	**(5 288)**

(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 Group's revenue from external customers by geographical location of subsidiaries on 31 December 2017 and 31 December 2016 detailed below:

	2017	2016
Lithuania	237 502	218 437
Poland	44 902	53 075
Latvia	15 670	9 021
United Kingdom	15 604	11 594
Estonia	13 582	1 172
Ukraine	12 753	10 921
Russia	3 251	743
Czech Republic	2 615	
Indonesia	2 091	260
Cyprus	572	737
	348 542	**305 960**

The Group's revenue from external customers by geographical location of customers on 31 December 2017 and 31 December 2016 detailed below:

	2017	2016
Russia	37 816	28 469
Lithuania	30 591	25 895
Ukraine	25 841	22 456
Hungary	24 577	29 399
United Kingdom	24 283	31 564
Poland	20 523	22 020
Latvia	19 852	12 744
Germany	16 579	8 283
Republic of Congo	785	15 121
Other countries	147 695	110 009
	348 542	**305 960**

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	
	2017	**2016**
The aircraft maintenance, repair and overhaul (MRO) segment		
Customer AJ	785	15 102
Other customers	146 305	128 113
	147 090	**143 215**
The aircraft ground handling and fuelling segment		
Customer T	18 332	27 890
Other customers	138 089	111 828
	156 421	**139 718**
The crew training and staffing segment		
Other customers	17 861	12 126
	17 861	**12 126**

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

5 Segment information (continued)

	GROUP	
The private jet charter, flight and tour operations segment	**2017**	**2016**
Customer AL (new)	3 166	-
Customer AH	1 119	4 654
Other customers	22 032	5 565
	26 317	**10 219**

In 2017 and 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).

6 Other income	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Interest income on loans	385	82	804	613
Amortisation of government grants (Note 19)	258	259	-	-
Penalty due for late payments	231	24	-	-
Amortisation of financial guarantees	-	-	105	134
	874	**365**	**909**	**747**

7 Employee related expenses

Wages and salaries (Note 5)	46 581	36 908	1 456	1 225
Social insurance expenses (Note 5)	11 287	8 968	415	353
	57 868	**45 876**	**1 871**	**1 578**
Number of full time employees at the end of year (Note 1)	**2 297**	**1 954**	**72**	**60**

8 Depreciation and amortisation

Depreciation of tangible assets (Note 15)	4 544	4 641	67	81
Amortisation of intangible assets (Note 16)	744	318	131	82
	5 288	**4 959**	**198**	**163**

9 Other gain / (losses) – net

Net gain/(loss) on sales of non-current assets	240	(74)	2	1
Net gain/(loss) on sales of inventory and other current assets	2	(39)	-	-
Net foreign exchange gain/(loss) on operating activities	(656)	344	(12)	(2)
Net gain/(loss) on sales of interests in subsidiaries (Note 17)	-	-	(4)	-
	(414)	**231**	**(14)**	**(1)**

10 Cost of goods and services

Aircraft fuel expenses	135 085	120 599	-	-
Cost of goods purchased	60 556	51 080	-	-
Cost of purchased services	48 505	47 083	403	11
Rent of aircraft and equipment	7 071	4 426	-	-
Rent and maintenance of premises	6 341	5 741	327	217
	257 558	**228 929**	**730**	**228**

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

11 Other operating expenses

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Transportation and related expenses	5 814	4 716	94	91
Business travel expenses	3 154	2 724	108	62
Consultation expenses	2 371	1 828	370	309
Marketing and sales expenses	2 140	1 204	290	246
Office administrative, communications and IT expenses	1 887	1 134	141	122
Insurance expenses	1 222	1 024	6	7
Other expenses	2 377	2 203	46	77
	18 965	**14 833**	**1 055**	**914**

12 Finance income and costs

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Interest income on cash and cash equivalents	7	14	-	-
Dividend income	-	-	1 500	631
Foreign exchange gain on financing activities	-	-	-	344
Other finance income	59	383	-	195
Finance income	**66**	**397**	**1 500**	**1 170**
Foreign exchange loss on financing activities	(1 153)	(143)	(1 038)	-
Interest expenses on borrowings	(982)	(783)	(5)	(8)
Other finance costs	(238)	(395)	(1)	-
Finance costs	**(2 373)**	**(1 321)**	**(1 044)**	**(8)**
Finance costs – net	**(2 307)**	**(924)**	**(456)**	**1 162**

13 Income tax and deferred income tax

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Current income tax	(1 371)	(1 461)	10	(140)
Deferred income tax (Note 30)	861	147	165	124
Total income tax expenses	**(510)**	**(1 314)**	**175**	**(16)**

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

13 Income tax and deferred income tax (continued)

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:

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Profit (loss) before tax from continuing operations	**5 505**	**9 408**	**71**	**684**
Tax calculated at a tax rate 15 % in Lithuania	(1 113)	(1 518)	(11)	(103)
Tax calculated at a tax rate 19 % in Poland	25	(8)	-	-
Tax calculated at a tax rate 18 % in Ukraine	(11)	(33)	-	-
Tax calculated at a tax rate 20 % in Russia	345	129	-	-
Tax calculated at a tax rate 20 % in United Kingdom	(319)	(159)	-	-
Tax calculated at a tax rate 30 % in Germany	(21)	-		
Tax calculated at a tax rate 30% in Nigeria	-	19	-	-
Tax calculated at a tax rate 13.44 % in Cyprus	(7)	(14)	-	-
Tax calculated at a tax rate 20% in Estonia	-	16	-	-
Tax calculated at a tax rate 15% in Latvia	(31)	(12)	-	-
Tax calculated at a tax rate 25% in Indonesia	457	259	-	-
Tax calculated at a tax rate 19% in Czech Republic	18	1	-	-
Tax calculated at a tax rate 20% in Thailand	(10)	46	-	-
Tax effects of:				
- Expenses non-deductible for tax purposes	(265)	(133)	(65)	(34)
- Write off of previously recognised deferred tax assets	(65)	41	-	-
- Deferred tax assets not recognised on tax losses previously	244	(313)	-	-
- Non-taxable income	243	141	241	115
- Transfer of accumulated tax losses between Group companies	-	-	10	6
- Unused tax relief on investment (valid 4 years)	-	180	-	-
- Adjustment in respect of prior year	-	44	-	-
Total income tax expenses	**(510)**	**(1 314)**	**175**	**(16)**

14 Impairment-related expenses

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Impairment of inventories	(1 351)	(183)	-	(5)
Impairment of other financial assets (Note 34, table 34.4 and 34.8)	(362)	-	(285)	(713)
Impairment of other assets	(286)	(64)	-	-
Impairment of non-current assets	(91)	-	(181)	-
Impairment of trade receivables and other contract assets (Note 34, table 34.4) *	579	(1 196)	70	(109)
Total impairment-related expenses	**(1 511)**	**(1 444)**	**(396)**	**(827)**

* During 2017 the impairment related expenses for trade and other contract assets receivables is positive mainly due to positive change of credit risk in MRO business segment. Positive change for amount of EUR 351 thousand is due to change in receivable from Customer AJ (Note 3.1), additionally there was significant positive change in credit losses calculated applying the simplified approach.

(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 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 (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	15	(2)	(24)	(20)	-	(6)	-	(1)	5	**(33)**
Depreciation charge (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/ Opening net book amount as at 1 January 2017	**10 820**	**5 738**	**5 640**	**5 396**	**322**	**136**	**1 329**	**219**	**213**	**29 812**
Additions	419	1 288	2 205	3 029	25	-	79	-	182	**7 227**
Disposals	(18)	(187)	(62)	(13)	-	-	-	-	-	**(280)**
Reclassifications	-	(33)	6	92	129	-	-		(194)	**-**
Write-offs	(88)	-	-	(2)	-	-	-	-	-	**(90)**
Cumulative currency differences	12	(228)	197	(115)	(8)	8	-	-	(8)	**(141)**
Depreciation charge (Notes 5, 8)	(490)	(1 123)	(1 211)	(1 468)	(68)	-	(184)	-	-	**(4 544)**
Closing net book amount as at 31 December 2017	**10 655**	**5 455**	**6 775**	**6 919**	**400**	**144**	**1 224**	**219**	**193**	**31 984**
At 31 December 2017										
Cost	16 537	13 524	10 993	14 449	519	144	2 004	774	280	59 224
Accumulated depreciation	(5 882)	(8 069)	(4 218)	(7 530)	(119)	-	(780)	(555)	(87)	(27 240)
Net book amount at 31 December 2017	**10 655**	**5 455**	**6 775**	**6 919**	**400**	**144**	**1 224**	**219**	**193**	**31 984**

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

15 Property, plant and equipment (continued)

As at 31 December 2017 buildings of the Group with the carrying amounts of EUR 9.6 million (as at 31 December 2016: EUR 10.4 million), machinery, vehicles and aircraft of the Group with the carrying amounts of EUR 1.7 million (as at 31 December 2016: 3.5 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 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**
Opening net book amount as at 1 January 2017	**51**	**110**	**161**
Additions (Note 5)	41	111	**152**
Disposals	(34)	(8)	**(42)**
Depreciation charge (Note 8)	(12)	(55)	**(67)**
Closing net book amount as at 31 December 2017	**46**	**158**	**204**
At 31 December 2017			
Cost	122	529	**651**
Accumulated depreciation	(76)	(371)	**(447)**
Net book amount	**46**	**158**	**204**

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

	GROUP		**COMPANY**	
	2017	**2016**	**2017**	**2016**
Cost – capitalised finance lease				
Machinery	720	686	-	-
Vehicles	5 203	1 808	-	-
Aircraft	1 631	1 559	-	-
Other tangible fixed assets	-	1	-	-
	7 554	**4 054**	**-**	**-**
Accumulated depreciation				
Machinery	(206)	(11)	-	-
Vehicles	(1 603)	(539)	-	-
Aircraft	(571)	(407)	-	-
Other tangible fixed assets	-	-	-	-
	(2 380)	**(957)**	**-**	**-**
Net book value	**5 174**	**3 097**	**-**	**-**

(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 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**
Opening net book amount as at 1 January 2017	**592**	**3 909**	**947**	**225**	**-**	**383**	**6 056**
Additions (Note 5)	130	-	376	64	-	327	**897**
Cumulative currency differences	1	-	11	13	-	36	**61**
Amortisation charge (Note 8)	(241)	-	(396)	(107)	-	-	**(744)**
Closing net book amount as at 31 December 2017	**482**	**3 909**	**938**	**195**	**-**	**746**	**6 270**
At 31 December 2017							
Cost	1 096	3 909	2 273	527	-	746	**8 551**
Accumulated amortisation and impairments losses	(614)	-	(1 335)	(332)	-	-	**(2 281)**
Net book amount	**482**	**3 909**	**938**	**195**	**-**	**746**	**6 270**

The goodwill was tested for impairment as of 31 December 2017. For the purpose of impairment testing, goodwill is allocated to group's cash-generating unit (CGU). As of 31 December 2017, there were four cash-generating units identified, which comprise goodwill from Storm Aviation Ltd. acquisition (amounted to EUR 703 thousand; 2016: EUR 703 thousand), Baltic Ground Services LV SIA acquisition (amounted to EUR 299 thousand; 2016: EUR 299 thousand), goodwill from Avia Technics Dirgantara PT (amounted to EUR 2 thousand, 2016: EUR 2 thousand) and goodwill from KIDY Tour OÜ acquisition (amounted to EUR 2 905 thousand; 2016: EUR 2 905 thousand).

The recoverable amount of all CGU's 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 performances, available line maintenance approvals (for Storm Aviation Ltd.) and basic licences, valued contracts with customers, and its expectations of market development.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	KIDY Tour OÜ		**Storm Aviation Ltd**	
	2017	**2016**	**2017**	**2016**
Pre-tax discount rate (%)	8%	8%	9%	9%
Average sales annual growth rate %	21%	37%	11%	19%

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

16 Intangible assets (continued)

Based on analysis performed, the Management concluded that goodwill is not impaired as at 31 December 2017 (2016: no impairment loss).

THE COMPANY	Licences	Software	**Total**
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**
Opening net book amount as 1 January 2017	**44**	**170**	**214**
Additions (Note 5)	54	28	**82**
Disposals	(3)	-	**(3)**
Amortisation charge (Note 8)	(46)	(85)	**(131)**
Closing net book amount as at 31 December 2017	**49**	**113**	**162**
At 31 December 2017			
Cost	**188**	**296**	**484**
Accumulated amortisation	**(139)**	**(183)**	**(322)**
Net book amount	**49**	**113**	**162**

17 Investments in subsidiaries

	COMPANY	
	2017	**2016**
At the beginning of the period	**10 318**	**8 347**
Purchase of interest in subsidiary (Note 33)	178	1 324
Disposal of interest in subsidiary (Note 33)	(47)	-
Share capital increase of subsidiaries	2 170	649
Fair value of intra-group financial guarantees (Note 35)	90	80
Impairment provision	(181)	(82)
Subsidiary established (Notes 33)	59	-
At the end of the period	**12 587**	**10 318**

17 Investments in subsidiaries (continued)

Acquisitions in 2017

On 30 May 2017, the Company acquired 10% of the share capital of *Laserpas UAB* from the general director of subsidiary at a consideration of EUR 319 and increased a control in the subsidiary to 100%.

On 29 June 2017, the Company acquired 99.99885% of the share capital of *FL Technics Ulyanovsk* from subsidiaries *FL Technics Line OOO* and *FL Trading House UAB* at a consideration of EUR 177 thousand.

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%.

Disposals in 2017

On 1 April 2017, the Company sold 100% of the share capital of *KlasJet UAB* to subsidiary *Jet Maintenance Solutions UAB* at a consideration of EUR 47 thousand.

Share capital increase of subsidiaries in 2017

In 2017, the Company made additional investments to *KIDY Tour UAB* share capital (in total amount of EUR 285 thousand) and to *Jet Maintenance Solutions UAB* share capital (in total amount of EUR 885 thousand).

On 8 August 2017, the Company sold 50% of the share capital of subsidiary *Laserpas UAB* from a third party. European Union based investor acquired 500 000 newly issued ordinary registered shares of *Laserpas UAB* (50 percent of the total registered share capital) for the total issue price of EUR 2 609 106. The Company committed to invest and invested to *Laserpas UAB* 1 000 000 EUR.

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.

Establishment in 2017

On 6 March 2017, *KIDY Tour OOO* was established. The investment in the subsidiary was RUB 3 million (equivalent to EUR 49 thousand), forming 100% of its share capital.

On 9 October 2017 a new subsidiary of *Avia Solutions Group AB –KIDY Tour SIA* was established. The investment in the subsidiary was EUR 10 thousand, forming 100% of its share capital.

Impairment provision for investments in 2017

In December 2017, the Company recognised allowance for impairment of investments to subsidiaries *FL Technics Ulyanovsk OOO* and *FL Trading House UAB* in the total amount of EUR 181 thousand due to their insolvency (Note 37).

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

18 Investment in associates

The Group's investments in its associate *Avia Solutions Group B.V.* as at 31 December 2017 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 2017:

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 2017**	**31 December 2016**
Non-current assets		
Participation in group company	264	264
Loan to related party	24 301	26 373
Loan to related party-accrued interest	4 655	3 246
	29 220	**29 883**
Current assets		
Other receivables	-	4
Cash at bank	348	519
Total current assets	**348**	**523**
Total assets	**29 568**	**30 406**
LIABILITIES		
Non-current liabilities		
Bonds payable	24 014	27 322
Bonds payable-accrued interest	3 545	2 640
	27 559	**29 962**
Current liabilities		
Other payables	8	53
	8	**53**
Total liabilities	**27 567**	**30 015**
Net assets	**2 001**	**391**

Statement of comprehensive income	**Year ended 31 December**	
	2017	**2016**
Revenue	-	-
Expenses	(75)	(84)
Operating (loss)	**(75)**	**(84)**
Finance (costs) income - net	1 685	4
(Loss) Profit before income tax	**1 610**	**(80)**
Income tax expense	-	-
(Loss) for the period	**1 610**	**(80)**

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

18 Investment in associates (continued)

Financial information disclosed above is from *Avia Solutions Group B.V.* separate financial statements as the company does not prepare consolidated financial statements.

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 2017 and as at 31 December 2016 amounted to EUR 0 thousand through post-acquisition changes in the Group's share of the estimated net assets of the associate's consolidated group (preliminary calculated closing net assets amount of a consolidated group is negative).

	GROUP	
19 Government grants	**2017**	**2016**
Opening net book amount	**1 528**	**1 787**
Government grants received	-	-
Amortisation	(258)	(259)
Closing net book amount	**1 270**	**1 528**
Less non-current portion:	(1 270)	(1 528)
Current portion:	**-**	**-**

Government grants amortisation is recognised in "other income". In 2017, EUR 258 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).

	GROUP		COMPANY	
20 Inventories	**2017**	**2016**	**2017**	**2016**
Spare parts and materials – gross amount	26 238	24 896	-	-
Less: provision for impairment of inventories	(4 981)	(4 633)	-	-
Spare parts and materials	**21 257**	**20 263**	**-**	**-**
Goods for sale – gross amount	5 851	6 367	-	-
Less: provision for impairment of inventories	(983)	(48)	-	-
Goods for sale	**4 868**	**6 319**	**-**	**-**
Aircraft fuel	1 328	1 458	-	-
Work in progress	508	294	-	-
Goods in transit	632	41	-	-
Other inventories	1 185	712	21	5
	29 778	**29 087**	**21**	**5**

The allowance for impairment of inventories in the total amount of EUR 1.3 million was additionally recognised in 2017 to represent their net realisable value (2016: EUR 0.2 million).

As at 31 December 2017 spare parts and materials of the Group with the carrying amounts of EUR 21.2 million (as at 31 December 2016: EUR 20.3 million), aircraft fuel of the Group with the carrying amounts of EUR 1 014 thousand (as at 31 December 2016: EUR 1 001 thousand), goods for sale, goods in transit and other inventories of the Group with carrying amounts of EUR 5.7 million (as at 31 December 2016: EUR 5 million) were pledged to the bank as collateral for borrowings (Note 27).

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

		GROUP		COMPANY	
21	**Trade and other receivables**	**2017**	**2016**	**2017**	**2016**
	Trade receivables	48 297	51 049	621	563
	Less: provision for impairment of trade receivables *	(13 495)	(10 418)	(489)	(479)
	Trade receivables – net	**34 802**	**40 631**	**132**	**84**
	Prepayments	8 154	4 812	68	17
	Less: provision for impairment of prepayments	(85)	-	-	-
	Prepayments - net	**8 069**	**4 812**	**68**	**17**
	Other receivables	1 345	1 334	2	1
	Less: provision for impairment of other receivables *	(18)	(18)	-	-
	Other receivables – net	**1 327**	**1 316**	**2**	**1**
	Trade receivables from related parties	1 424	991	2 918	2 220
	Less: provision for impairment of trade receivables from related parties *	(233)	-	(549)	(109)
	Trade receivables from related parties - net (Note 35)	**1 191**	**991**	**2 369**	**2 111**
	Loans granted to related parties	897	636	14 367	16 133
	Less: provision for impairment of loans granted to related parties *	(25)	-	(462)	(631)
	Loans granted to related parties - net	**872**	**636**	**13 905**	**15 502**
	Loans granted	428	275	56	56
	Less: provision for impairment of loans granted *	(29)	(25)	(25)	(25)
	Loans granted - net	**399**	**250**	**31**	**31**
	Receivables from investment in bonds from other related parties (at 5.20%)	6 253	7 175	6 253	7 175
	Less: provision for impairment of investment in bonds from other related parties *	(784)	-	(784)	-
	Receivables from investment in bonds from other related parties – net (Note 35)	**5 469**	**7 175**	**5 469**	**7 175**
	Other receivables from related parties	957	677	2 118	1 886
	Less: provision for impairment of other receivables from related parties *	(162)	-	(162)	-
	Other receivables from related parties – net (Note 35)	**795**	**677**	**1 956**	**1 886**
	VAT receivables	5 997	5 155	2	18
	Deferred charges	2 199	2 199	20	44
	Security deposit – net	2 532	2 073	110	30
	Accrued revenue	839	759	-	-
	Deferred charges to related parties (Note 35)	20			
	Security deposits from related parties placed – net (Note 35)	25	15	-	-
	Prepayments from related parties (Note 35)	20	5	16	32
		64 556	**66 694**	**24 080**	**26 931**
	Less non-current portion:	(7 318)	(9 138)	(15 939)	(22 490)
	Current portion:	**57 238**	**57 556**	**8 141**	**4 441**

** In the prior year, the impairment of trade receivables was assessed based on the incurred loss model, starting from 1 January 2017 the Group and the Company recognizes loss allowances for expected credit losses based on early adopted IFRS 9. See Note 34 for further details on the impact of the change in accounting policy.*

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 4.07% (2016: 3.3%). The weighted average interest rate of loans granted to related parties was 4.31% (2016: 4.47%).

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

21 Trade and other receivables (continued)

As at 31 December 2017 trade receivables of the Group with the carrying amounts of EUR 8.7 thousand (as at 31 December 2016: EUR 7.1 million) and other receivables of the Group with the carrying amounts of EUR 1 thousand (as at 31 December 2016: EUR 6 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:

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
EUR	28 013	33 681	18 611	19 613
US dollars	17 373	18 886	5 469	7 175
GBP	2 807	1 109	-	-
PLN	98	884	-	-
Other	970	453	-	2
	49 261	**55 013**	**24 080**	**26 790**

22 Contracts in progress

Contract costs incurred and recognised profits (less losses) to date	4 393	9 841	-	-
Advances received on contracts in progress	(507)	(6 248)	-	-
Amounts due from customers on contracts in progress	**3 886**	**3 593**	**-**	**-**

23 Cash and cash equivalents	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Cash in bank	8 485	4 612	155	254
Cash on hand	151	120	-	-
Cash and cash equivalents	**8 636**	**4 732**	**155**	**254**
Bank overdraft (Note 27)	(20 152)	(19 826)	-	-
	(11 516)	**(15 094)**	**155**	**254**

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

EUR	7 216	2 792	114	209
US dollars	839	1 229	-	-
PLN	19	154	17	16
GBP	50	361	-	-
RUB	205	38	24	29
Other	307	158	-	-
	8 636	**4 732**	**155**	**254**

24 Share capital

On 31 December 2017 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 2016 – 7 777 777 ordinary registered shares, share capital amounted to EUR 2 255 555). All shares are fully paid up.

24 Share capital (continued)

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 2017.

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Profit for the year attributable to equity holders of the parent	5 859	8 794	246	667
Weighted average number of ordinary shares (thousand)	7 778	7 778	7 778	7 778
Basic earnings per share	**0.753**	**1.131**	**0.032**	**0.086**

25 Share premium

During 2016 and 2017 there was no movement of share premium.

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).

27 Borrowings

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Non-current				
Bank borrowings	3 314	1 672	-	-
Finance lease liabilities	4 230	4 301	-	-
Other non-current borrowings	-	21	-	-
	7 544	**5 994**	**-**	**-**
Current				
Bank overdraft (Note 23)	20 152	19 826	-	-
Bank borrowings	2 176	3 881	-	-
Finance lease liabilities	2 077	1 926	-	-
Borrowings from related parties	99	-	300	-
Other current borrowings	26	5	-	-
	24 530	**25 638**	**300**	**-**
Total borrowings	**32 074**	**31 632**	**300**	**-**

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

27 Borrowings (continued)

As at 31 December 2017 buildings and machinery (Note 15), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 47.9 million were pledged to the bank as collateral for bank borrowings. 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.

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

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
EUR	28 555	29 072	300	-
PLN	1 196	1 475	-	-
RUB	1 050	-	-	-
US dollars	686	923	-	-
GBP	566	162	-	-
Other	21	-	-	-
	32 074	**31 632**	**300**	**-**

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	24 530	25 638	300	-
Between 1 and 5 years	4 749	5 972	-	-
Over 5 years	2 795	22	-	-
	32 074	**31 632**	**300**	**-**

Bank overdraft amounting to EUR 20.2 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:

Finance lease liabilities	7.14%	4.31%	-	-
Other borrowings	-	3.39%	-	-
Bank overdraft	2.02%	2.02%	-	-
Bank borrowings	1.73%	1.87%	-	-
Borrowings from related parties	3.00%	-	2.68%	-

As at 31 December 2017 and 2016 borrowings from related parties are not pledged.

Finance lease liabilities – minimum lease payments:

Not later than 1 year	2 493	2 257	-	-
After 1 year but not later than 5 years	4 747	4 742	-	-
After 5 years	21	22	-	
Less: future finance lease charges	(954)	(794)	-	-
Present value of finance lease liabilities	**6 307**	**6 227**	**-**	**-**
Present value of finance lease liabilities:				
Not later than 1 year	2 077	1 926	-	-
After 1 year but not later than 5 years	4 209	4 279	-	-
After 5 years	21	22	-	-
	6 307	**6 227**	**-**	**-**

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

		GROUP		COMPANY	
28	**Trade and other payables**	**2017**	**2016**	**2017**	**2016**
	Trade payables	23 283	24 176	84	184
	Accruals for hangar lease payments, PBH contracts and other accrued expenses	6 631	9 488	18	13
	Salaries and social security payable	6 586	5 103	359	253
	Deferred revenue	954	261	77	56
	Provisions	321	496	-	-
	Amounts payable to related parties (Note 35)	224	448	15	24
	Payable for PPE	221	328	-	-
	Other payables	985	1 128	38	6
		39 205	**41 428**	**591**	**536**
	Less: non-current portion	(331)	(220)	-	-
	Current portion	**38 874**	**41 208**	**591**	**536**

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	11 324	11 755	4	17
EUR	8 167	7 510	90	187
PLN	2 409	4 515	2	4
GBP	821	713	1	-
RUB	724	525	2	-
Other currencies	799	416	-	-
	24 244	**25 434**	**99**	**208**

29 Security deposits received

Security deposits repayable after one year at nominal value	458	445	-	-
Less: discounting effect (at 3.41%)	(12)	(29)	-	-
Security deposits repayable after one year	446	416	-	-
Security deposits repayable within one year	186	106	-	-
	632	**522**	**-**	**-**

30 Deferred income taxes

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

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Deferred tax assets				
At beginning of the period	**5 405**	**5 233**	**129**	**5**
Effect of IFRS9 adoption (Note 34)	577	-	(111)	
(Charged) credited to the income statement (continuing operations, Note 13)	833	282	165	124
(Charged) credited directly to the equity (Notes 2.20, 26)	(3)	(5)	-	-
Currency translation differences	(7)	(105)	-	-
At end of year	**6 805**	**5 405**	**183**	**129**

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

30 Deferred income taxes (continued)

Deferred tax liabilities				
At beginning of the period	**365**	**230**	**-**	**-**
Charged (credited) to the income statement (continuing operations)	(28)	135	-	-
Currency translation differences	13	-	-	-
At end of year	**350**	**365**	**-**	**-**

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	1 606	726	-	6
Deferred income tax to be recovered after 1 year	5 199	4 679	183	123
	6 805	**5 405**	**183**	**129**
Deferred tax liabilities				
Deferred income tax to be recovered within 1 year	350	365	-	-
	350	**365**	**-**	**-**

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. 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	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)**
Currency translation differences	(105)	-	-	-	-	-	-	-	**(105)**
At 31 December 2016 / At 1 January 2017	**1 836**	**2 611**	**(4)**	**102**	**561**	**110**	**186**	**3**	**5 405**

	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 2016 / At 1 January 2017	**1 836**	**2 611**	**(4)**	**102**	**561**	**110**	**186**	**3**	**5 405**
Effect of IFRS9 adoption (Note 34)	**-**	**577**	**-**	**-**	**-**	**-**	**-**	**-**	**577**
Credited to the income statement (continuing operations, Note 13)	1 337	(19)	2	20	(38)	(382)	(87)	-	**833**
Credited directly to the equity (Notes 2.20, 26)	-	-	-	-	-	-	-	(3)	**(3)**
Currency translation differences	(20)	8	-	2	3	-	-	-	**(7)**
At 31 December 2017	**3 153**	**3 177**	**(2)**	**124**	**526**	**(272)**	**99**	**-**	**6 805**

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

30 Deferred income taxes (continued)

GROUP - deferred tax liabilities	Accelerated tax depreciation	Other accrued expenses	**Total**
At 31 December 2015 / At 01 January 2016	**229**	**1**	**230**
Charged to the income statement (Note 13)	147	(12)	**135**
At 31 December 2016 / At 01 January 2017	**376**	**(11)**	**365**
Charged to the income statement (Note 13)	(81)	53	**(28)**
Currency translation differences	-	13	**13**
At 31 December 2017	**295**	**55**	**350**

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 2015	**5**	**-**	**-**	**5**
Credited (charged) to the profit or loss (Note 13)	-	124	-	124
At 31 December 2016	**5**	**124**	**-**	**129**
Effect of IFRS9 adoption (Note 34)	-	(111)	-	(111)
Credited (charged) to the profit or loss (Note 13)	2	(12)	175	165
At 31 December 2017	**7**	**1**	**175**	**183**

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 (2016: 15% rate), in Poland - at 19% rate (2016: 19% rate), in United Kingdom – at 20% rate (2016: 20% rate), in Russia – at 20% rate (2016: 20% rate), in Ukraine – at 18% rate (2016: 18% rate), in Nigeria – at 30% rate (2016: 30% rate), in Cyprus – at 13.44% rate (2016: 12.5% rate), in Indonesia – at 25% rate (2016: 25% rate), in Germany – at 30% rate (2016: 30% rate).

	GROUP		**COMPANY**	
31 Financial instruments by category	**2017**	**2016**	**2017**	**2016**
Category – Loans and receivables (new classification under IFRS 9 from 1 January 2017 – Amortised costs)				
Trade receivables (Note 21)	34 802	40 631	132	84
Cash and cash equivalents (Note 23)	8 636	4 732	155	254
Receivable from investment in bonds (Notes 21, 35)	5 469	7 175	5 469	7 175
Amount due from customers for contract work (Note 22)	3 886	3 593	-	-
Security deposit with lessor (Note 21)	2 532	2 073	110	30
Trade receivables from related parties (Notes 21, 35)	1 191	991	2 369	2 111
Other financial receivables	1 062	1 060	2	1
Loans granted to related parties (Notes 21, 35)	872	636	13 905	15 502
Other receivables from related parties (Notes 21, 35)	795	677	1 956	1 886
Loans granted (Note 21)	399	250	31	31
Deposits with bank	-	61	-	-
	59 644	**61 879**	**24 129**	**27 074**

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

	GROUP		COMPANY	
31 Financial instruments by category (continued)	**2017**	**2016**	**2017**	**2016**
Category – financial liabilities measured at amortised cost				
Trade payables (Note 28)	23 283	24 176	82	184
Bank overdraft (Notes 23, 27)	20 152	19 826	-	-
Finance lease liabilities (Note 27)	6 307	6 227	-	-
Bank loans (Note 27)	5 490	5 553	-	-
Other financial payables	517	482	-	-
Payables to related parties (Notes 28, 35)	224	448	15	24
Payable for PPE (Note 28)	221	328	-	-
Other borrowings (Note 27)	26	26	-	-
Borrowings from related parties (Note 27, 35)	99	-	300	-
Financial guarantees (Note 35)	-	-	32	46
	56 319	**57 066**	**429**	**254**

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 four aircraft. 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	1 875	2 567	251	104
Aircraft hangars	1 616	1 232	-	-
Aircraft	1 104	1 168	-	-
Commercial vehicles	861	420	-	-
Flight simulator	-	213	-	-
Warehouse	122	57	-	-
	5 578	**5 657**	**251**	**104**

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

Not later than 1 year	3 292	3 615	298	104
Later than 1 year but not later than 5 years	6 238	7 513	584	51
Later than 5 years	1 011	1 487	-	-
	10 541	**12 615**	**882**	**155**

33 Business combination and disposal

Establishment in 2017

On 6 March 2017, KIDY Tour OOO was established by Avia Solutions Group AB. Registered capital RUB 3 million (equivalent to EUR 49 thousand), Avia Solutions Group AB fully paid for share capital.

On 29 March 2017, Storm Aviation (Germany) GmbH. was established by the FL Technics UAB subsidiary Storm Aviation Ltd. Registered capital is EUR 12 500, Storm Aviation Ltd. fully paid for share capital.

On 3 July 2017, BGS Trans (Ukraine) LLC was established by the Baltic Ground Services UAB. Registered capital is UAH 149 100 (equivalent to EUR 5 thousand), Baltic Ground Services UAB fully paid for share capital.

On 9 October 2017, KIDY Tour SIA was established by Avia Solutions Group AB. Registered capital EUR 10 000, Avia Solutions Group AB fully paid for share capital.

33 Business combination and disposal (continued)

On 24 October 2017, BAA Simulators UAB was established by BAA Training UAB. Registered capital EUR 10 000, BAA Training UAB fully paid for share capital.

Acquisitions and disposals in 2017

On 1 April 2017, Avia Solutions Group AB sold 100% of the share capital of KlasJet UAB to subsidiary Jet Maintenance Solutions UAB at a consideration of EUR 47 thousand.

On 29 June 2017, Avia Solutions Group AB acquired 99.99885% of the share capital of FL Technics Ulyanovsk from subsidiaries FL Technics Line OOO and FL Trading House UAB at a consideration of EUR 177 thousand.

On 14 July 2017, Avia Solutions Group AB acquired 10% of the share capital of Laserpas UAB from the general director of Laserpas UAB at a consideration of EUR 319 and increased a control in the subsidiary to 100%.

On 8 August 2017, Avia Solutions Group AB sold 50% of the share capital of Laserpas UAB. European Union based investor acquired 500 000 newly issued ordinary registered shares of Laserpas UAB (50 per cent of the total registered share capital) for the total issue price of EUR 2 609 thousand. Avia Solutions Group AB committed to invest and invested to *Laserpas UAB* EUR 1 000 000. The Group retains the control in Laserpas UAB.

On 7 December 2017, FL Technics UAB additionally acquired 24% of the share capital of Avia Technics Dirgantara PT. from the third party. The investment for shares amounted to USD 374 400 (equivalent to EUR 318 thousand).

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 THB 10 000 000, FL Technics UAB paid for share capital EUR 65 thousand and THB 7.5 million (equivalent to EUR 191 thousand).

On 26 August 2016, Storm Aviation (Nigeria) Ltd. was established by the FL Technics UAB subsidiary Storm Aviation Ltd. Registered capital is NGN 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 the acquisition are as follows:

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

33 Business combination and disposal (continued)

	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 shareholding in the subsidiary to 100%. *Avia Solutions Group AB* paid EUR 14 509 for the shares.

34 Adoption of IFRS 9

As explained in Note 2.1 above, the Group and the Company have adopted IFRS 9 as issued in July 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The accounting policies were changed to comply with IFRS 9 as issued by the IASB in July 2014. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

The nature and effects of the key changes to the Group's and the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through other comprehensive income and measured at fair value through profit/loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group and the Company classify and measure financial assets and accounts for related gains and losses under IFRS 9, see Note 2.1.

The adoption of IFRS 9 has not had a significant effect on the Group's and the Company's accounting policies for financial liabilities.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, but in accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

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

34 Changes in accounting policies (continued)

The total impact on the Group's retained earnings due to measurement of financial instruments as at 1 January 2017 is as follows:

Table 34.1

Opening retained earnings - IAS 39	**24 705**
Increase in provision for financial instruments	(4 501)
Increase in deferred tax assets relating to impairment provisions	577
Adjustment to retained earnings from adoption of IFRS 9 (statement of changes in equity)	**(3 924)**
Opening retained earnings - IFRS 9	**20 781**

The total impact on the Company's retained earnings due to measurement of financial instruments as at 1 January 2017 is as follows:

Opening retained earnings - IAS 39	**1 974**
Increase in provision for financial instruments	(1 012)
Decrease in deferred tax assets relating to impairment provisions	(110)
Adjustment to retained earnings from adoption of IFRS 9 (statement of changes in equity)	**(1 122)**
Opening retained earnings - IFRS 9	**852**

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's and Company's financial assets and financial liabilities as at 1 January 2017.
The following table reconciles the carrying amounts of the Group's financial assets and liabilities under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2017:

Table 34.2

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Remeasure-ment**	**New carrying amount under IFRS 9**
Trade receivables and other contract assets (previously: trade receivable, amounts due from customers for contract work and trade receivable from related parties)			45 215	(3 889)	41 326
Other financial assets (previously: other receivables, other receivables from related parties, other financial receivables and security deposits with lessors)	Loans and receivables	Amortised cost	3 810	(51)	3 759
Loans granted			886	(20)	866
Cash and cash equivalents *			4 732	-	4 732
Receivable from investment in bonds	Held to maturity		7 175	(541)	6 634
Deposits with banks	Loans and receivables		61		61
Total financial assets			**61 879**	**(4 501)**	**57 378**

* Major amounts of cash is hold in the banks and financial institutions with a Standards & Poor's rating not lower than A-, the impact of adoption of IFRS 9 has not had a significant effect on the remeasurement and valuation of the Group's and the Company's cash and cash equivalents.

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

Changes in accounting policies (continued)

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasure-ment	New carrying amount under IFRS 9
Trade and other payables			25 434	-	25 434
Bank overdrafts		Financial	19 826	-	19 826
Bank borrowings	Other financial	liabilities	5 553	-	5 553
Finance lease	liabilities	measured at			
liabilities		amortised cost	6 227	-	6 227
Other borrowings			26	-	26
Total financial liabilities			**57 066**	**-**	**57 066**

The following table reconciles the carrying amounts of the Company's financial assets and liabilities under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2017:

Table 34.3

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasure-ment	New carrying amount under IFRS 9
Trade receivables and trade receivables from related parties			2 783	(153)	**2 630**
Other receivables and other financial receivables	Loans and receivables	Amortised cost	1 886	(111)	**1 775**
Loans granted			14 976	(207)	**14 769**
Cash and cash equivalents			254	-	**254**
Receivable from investment in bonds	Held to maturity		7 175	(541)	**6 634**
Total financial assets			**27 074**	**(1 012)**	**26 062**

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasure-ment	New carrying amount under IFRS 9
Trade and other payables	Other financial liabilities	Financial liabilities measured at amortised cost	208	-	**208**
Financial guarantees		Financial guarantee contracts	47	-	**47**
Total financial liabilities			**255**	**-**	**255**

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.1. The application of these policies resulted in the reclassifications set out in the table above and explained below:

- trade and other receivables that were classified as loans and receivables under IAS 39 are now classified as financial assets measured at amortised cost. An increase of EUR 3 960 thousand in the allowance for impairment was recognised in opening retained earnings at 1 January 2017 on transition to IFRS 9.
- corporate bonds that were previously classified as held-to-maturity are now classified as financial assets measured at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of EUR 541 thousand in the allowance for impairment was recognised in opening retaining earnings at 1 January 2017 on transition to IFRS 9.

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

Changes in accounting policies (continued)

Impairment

The Group and the Company were required to revise its impairment methodology under IFRS 9 for each class of the assets.
The impact of the change in impairment methodology on the Group's and the Company's equity is disclosed in the table above.

The Group's loss allowance provision for financial assets measured at amortised cost as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

Table 34.4

	Loss allowance provision		
	For trade receivables	**For other financial assets**	**Total**
Closing loss allowance as at 31 December 2016 (calculated under IAS 39) (Note 21)*	**(10 418)**	**(43)**	**(10 461)**
Amounts restated through opening retained earnings	(3 889)	(613)	**(4 502)**
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	**(14 307)**	**(656)**	**(14 963)**
Increase (decrease) in the provision recognised in profit or loss in other expenses during the period (Note 14)	579	(362)	**217**
As at 31 December 2017 (Note 21)	**(13 728)**	**(1 018)**	**(14 746)**

The Company's loss allowance provision for financial assets at amortised cost as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision		
	For trade receivables	**For other financial assets**	**Total**
Closing loss allowance as at 31 December 2016 (calculated under IAS 39) (Note 21)*	**(588)**	**(656)**	**(1 244)**
Reclassification of loss allowance provision	(208)	208	-
Amounts restated through opening retained earnings	(153)	(859)	(1 012)
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	**(949)**	**(1 307)**	**(2 256)**
Increase in the provision recognised in profit or loss in other expenses during the period (Note 14)	(89)	(126)	(215)
As at 31 December 2017 (Note 21)	**(1 038)**	**(1 433)**	**(2 471)**

** In prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Other receivables were assessed individually, to determine whether there objective evidence that an impairment has been incurred. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:*

- *significant financial difficulties for of the debtor*
- *probability that the debtor will enter bankruptcy or financial reorganisation, and*
- *default or delinquency in payments.*

Groups of financial assets for ECL measurement purposes
As at 31 December 2017 the Group and the Company has two groups of financial instruments:

- trade receivables and contract assets for which lifetime ECL is calculated using simplified approach described below in paragraph Measurement of ECL - *Trade receivables*;
- other financial assets measured at amortized cost (includes loans granted, bonds, other receivables). 12-month ECL is calculated for these financial assets if no significant increase in credit risk is identified, or lifetime ECL if significant increase in credit risk is identified. General individual assessment model is applied for ECL calculation, described below in paragraph Measurement of ECL - *other financial assets measured at amortised cost*.

Changes in accounting policies (continued)

Measurement of significant increase in credit risk
The Group and the Company measures the probability of default upon initial recognition of a financial asset and at each balance sheet date considers whether there has been a significant increase in credit risk since the initial recognition. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are assessed when analysing whether significant increase in credit risk has occurred:
- significant changes in internal credit rating (described below in paragraph "Other financial assets measured at amortised cost");
- significant change in external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the client's ability to meet its obligations;
- actual or expected significant changes in the operating results of a client.

A significant increase in credit risk is presumed when the following events are identified:
- for all debtors except for *start-up business companies* - if probability of default calculated based on the individual assessment model (described below) increases by more than 20 per cent;
- for *start-up business companies* (see definition below) – if the budgets are not followed three years in a row.

The presumptions made by the Managements of the Group and the Company and presented above are measured on the basis of the historical experience of the Groups aviation business. According to the overdue debt recovery statistical data of the Group and the Company the Management believes that the credit risk has not increased significantly since initial recognition even if the contractual payments are more than 30 days past due.

Start-up business company – is a subsidiary or associate of the Company and the Group which is typically a newly established or acquired company for developing a viable business model around an innovative product, service, process or a platform.

Definition of default
Based on the Group's and the Company's historical statistical information on debt recovery and experience in aviation business, a default on a financial asset is determined when either of these events take place:
- probability of default calculated based on the internal model is more than 50 percent;
- *start-up business company* does not meet its budgets for 5 years.

Write-off policy
Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan and the Group does not possess any collateral or other means of recovery. After write-off the Group continues to engage in enforcement activity with attempt to recover the receivable due. Any recoveries are recognised as a gain in profit/loss.

Measurement of ECL- trade receivables and other contract assets

The Group and the Company apply the simplified approach for calculation of lifetime expected credit losses using the provision matrix for all trade receivables except for individual exposures above EUR 2 million or exposures from strategic clients, based on Group's management decision. To measure the expected credit losses using provision matrix, trade receivables are split into separate pools, based on shared credit risk characteristics. Receivables in each pool are grouped according to payment delay days and loss rates are applied to each delay group. The loss rates are calculated using statistical recovery information from the last 5 years (when available) and adjusted if considered necessary taking into account forward looking information. The table below shows expected credit loss information calculated for the Group and the Company according to each delay group. As trade receivables usually do not include any collateral or other credit enhancements, expected loss rate equals probability of default.

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

Changes in accounting policies (continued)

Table 34.5

2017	**Not past due and past due up to 30 days**	**31-90 days past due**	**91-180 days past due**	**More than 180 days past due**	**Total**
GROUP					
Expected loss rate	0.99%	4.54%	8.94%	37.20%	**7.08%**
Gross carrying amount	24 540	5 110	2 043	5 271	**36 964**
Loss allowance provision	(242)	(232)	(183)	(1.960)	**(2 618)**
COMPANY					
Expected loss rate	1.30%	4.08%	8.00%	50.00%	**4.85%**
Gross carrying amount	230	98	25	18	**371**
Loss allowance provision	(3)	(4)	(2)	(9)	**(18)**

The Group and the Company uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Group's Management decision. For these exposures, individual assessment model is used as described below in the paragraph *Measurement of ECL - other financial assets at amortised cost*.

Lifetime expected credit loss is calculated for trade receivables applying the simplified approach and they are classified in Stage 2 in line with requirements of IFRS9.

The Group's and the Company's loss allowance provision as at 31 December 2017 for large trade receivables, and receivables from strategic clients is determined as follows:

Table 34.6

Internal credit rating*	**Credit stage**	**Expected credit losses**	**Basis for recognition of expected credit loss provision**	**Gross carrying amount**	**Loss allowance provision**
GROUP					
Category 4	Stage 2	27.13%	Lifetime expected losses	2 116	(574)
Category 5	Stage 3	87.73%		856	(751)
Category 6	Stage 3	100%		9 785	(9 785)
Total:				**12 757**	**(11 110)**
COMPANY					
Category 1	Stage 1	0.94%	12 month expected losses. Where	424	(4)
Category 2	Stage 1	6.31%	the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	111	(7)
Category 4	Stage 2	15.27%		1 100	(168)
Category 5	Stage 2	50.00%		26	(13)
Category 6	Stage 3	100%		479	(479)
Category 3 (for start-up business companies)	Stage 2	12.67%	Lifetime expected losses	442	(56)
Category 7 (for start-up business companies)	Stage 2	50.00%		586	(293)
Total:				**3 168**	**(1 020)**

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

Changes in accounting policies (continued)

Measurement of ECL - other financial assets measured at amortised cost

Other financial assets at amortised cost include corporate bonds, loans to related parties and key management personnel, lease receivables and other receivables.

The Group and the Company uses individual assessment model for determining ECL for other financial assets. The Group uses six categories of internal credit rating (category 1 being least risky and category 6 – defaulted), which reflect credit risk of financial assets. Other financial assets are assigned to a certain category using a combination of these indicators:

- EBITDA margin;
- liquidity ratio;
- equity ratio;
- debt ratio;
- average ageing of receivable;
- default risk of the country where client is running its business (used for government-owned companies)

Expected changes in macroeconomic situation is incorporated as part of the internal rating model. The Group's management reviews key macroeconomic indicators for the markets where Group's debtors are operating and determines if there are expected significant changes that would effect ECL. If management determines that there are no such significant expected changes in macroeconomic variables, ECL based on historical information is used.

The Group's and the Company's loss allowance provision as at 31 December 2017 for other financial assets measured at amortised cost is determined as follows:

Table 34.7

Internal credit rating*	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
GROUP				
Category 1	3.53%	12 months expected losses. Where the	2 693	(95)
Category 3 (for start-up business companies)	12.54%	expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	7 163	(898)
Category 6	100%	Asset is written off through profit or loss to the extent of expected losses	25	(25)
Total:			**9 881**	**(1 018)**
COMPANY				
Category 1	0.53%	12 month expected losses. Where the	13 345	(71)
Category 2	4.24%	expected lifetime of an asset is less than	1 511	(64)
Category 3 (for start-up business companies)	12.54%	12 months, expected losses are measured at its expected lifetime.	7 163	(898)
Category 7 (for start-up business companies)	50.00%	Lifetime expected losses	750	(375)
Category 6	100.00%	Asset is written off through profit or loss to the extent of expected losses	25	(25)
Total:			**22 794**	**(1 433)**

* Financial ratios are not calculated for *start-up business companies*. Nine internal credit rating categories for *start-up business companies* are assigned depending on the term of activity since establishment. Initially start-up businesses are measured based on 12 month ECL. According to the definition of significant increase in credit risk for start-up business companies, if a company does not meet its budgets for three years, it is treated as a significant increase in credit risk and lifetime ECL is calculated. 1-3 categories for *start-up business companies* are measured as 12 month ECL, 4-7 categories - lifetime expected losses and written off if they fall to the 9th category.

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

Changes in accounting policies (continued)

The loss allowance provision for other financial assets at amortised cost as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows:
Table 34.8

	Corporate bonds	Loans	Other receivables	Total
GROUP				
Closing loss allowance as at 31 December 2016 (calculated under IAS 39)	-	(25)	(18)	**(43)**
Amounts restated through opening retained earnings	(541)	-	(72)	**(613)**
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	**(541)**	**(25)**	**(90)**	**(656)**
Increase in the provision recognised in profit or loss in other expenses during the period	(243)	(29)	(90)	**(362)**
As at 31 December 2017	**(784)**	**(54)**	**(180)**	**(1 018)**
COMPANY				
Closing loss allowance as at 31 December 2016 (calculated under IAS 39)	-	(656)	-	**(656)**
Amounts restated through opening retained earnings	(541)	(207)	(111)	**(859)**
Reclassification of loss allowance provision *from other financial assets at amortised cost*		208		**208**
Opening loss allowance as at 1 January 2017 (calculated under IFRS 9)	**(541)**	**(655)**	**(111)**	**(1 307)**
Increase in the provision recognised in profit or loss in other expenses during the period	(243)	168	(51)	**(126)**
As at 31 December 2017	**(784)**	**(487)**	**(162)**	**(1 433)**

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	
	2017	**2016**	**2017**	**2016**
Sales of services to:				
Subsidiaries of the Group	-	-	2 116	2 097
Entities having significant influence	8	9	8	9
Other related parties	8 406	4 448	540	544
	8 414	**4 457**	**2 664**	**2 650**
Sales of assets:				
Subsidiaries of the Group	-	-	12	5
Other related parties	-	-	-	-
	-	**-**	**12**	**5**
Total sales of assets and services	**8 414**	**4 457**	**2 676**	**2 655**

In year 2017 amount of sales of consulting and management services from the Company to its related parties was EUR 2 665 thousand (2016: EUR 2 650 thousand). In year 2017 amount of sales of aircraft maintenance services from the Group to related parties was EUR 5 205 thousand (2016: EUR 2 840 thousand).

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Purchases of assets from:				
Other related parties	63	2	-	-
Subsidiaries of the Group	-	-	7	6
	63	**2**	**7**	**6**
Purchases of services from:				
Subsidiaries of the Group	-	-	27	22
Entities having significant influence	2	1	1	1
Other related parties	4 346	3 175	180	70
	4 348	**3 176**	**208**	**93**
Total purchases of assets and services	**4 411**	**3 178**	**215**	**99**

In year 2017 amount of purchases of premises lease services from related parties was EUR 1 648 thousand (in 2016: 1 663 EUR thousand).

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

35 Related party transactions (continued)

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
Trade receivables from related parties:				
Trade receivables from entities having significant influence	2	1	1	1
Trade receivables from subsidiaries of the Company	-	-	2 318	1 775
Impairment of trade receivables from subsidiaries of the Company	-	-	(489)	(109)
Trade receivables from other related parties	1 422	990	599	444
Impairment of trade receivables from other related parties	(233)		(60)	-
Trade receivables from related parties – net (Note 21)	**1 191**	**991**	**2 369**	**2 111**
Receivables from investment in bonds from related parties	6 253	7 175	6 253	7 175
Impairment of receivables from investment in bonds from related parties	(784)	-	(784)	-
Receivables from investment in bonds from related parties – net (Note 21)	**5 469**	**7 175**	**5 469**	**7 175**
Security deposit with lessor from related parties (Note 21)	25	15	-	-
Other receivables from subsidiaries of the Company (Note 21)	-	-	1 161	1 209
Impairment of other receivables from subsidiaries of the Company	-	-	-	-
Other receivables from subsidiaries of the Company – net	**-**	**-**	**1 161**	**1 209**
Other receivables from other related parties	957	677	957	677
Impairment of other receivables from other related parties	(162)	-	(162)	-
Other receivables from related parties – net (Note 21)	**795**	**677**	**795**	**677**
Prepayments from related parties (Note 21)	20	5	-	-
Deferred charges	20	-	-	-
Prepayment from subsidiaries of the Company (Note 21)	-	-	16	32
	7 520	**8 863**	**9 810**	**11 204**

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

		GROUP		COMPANY	
35	**Related party transactions (continued)**	**2017**	**2016**	**2017**	**2016**
	Payables and advances received from related parties:				
	Amounts payable to subsidiaries of the Company (Note 28)	-	-	8	22
	Amounts payable to other related parties (Note 28)	222	448	6	2
	Advances received from other related parties	620	572	78	-
	Amounts payable to entities having significant influence	1	-	1	-
		843	**1 020**	**93**	**24**
	Loans granted to related parties:				
	Beginning of the period	**756**	**730**	**15 822**	**16 166**
	Reclassification of loans granted to other related parties to loans granted to third parties	-	-	-	-
	Loans granted to subsidiaries of the Group	-	-	770	3 879
	Loans granted to other related parties	260	12	-	12
	Loan repayments received/set-offs from subsidiaries of the Group	-	-	(2 328)	(3 558)
	Loan repayments received from other related parties (set-offs)	-	(15)	-	(12)
	Impairment of loans granted to other related parties	(25)	-	-	-
	Impairment and re-classification of impairment of loans granted to subsidiaries of the Group	-	-	169	(631)
	Interest charged to subsidiaries of the Group	-	-	453	553
	Interest charged to other related parties	28	29	12	12
	Interest received/set-offs from subsidiaries of the Group	-	-	(1 046)	(599)
	Interest received/set-offs from other related parties	-	-	-	-
	Reclassification of interest from other related parties to interest from third parties	-	-	-	-
	End of the period	**1 019**	**756**	**13 852**	**15 822**
	Less non-current portion:	-	(619)	(9 577)	(15 222)
	Current portion (including accrued interest income):	**1 019**	**137**	**4 275**	**600**
	Loans received from related parties:				
	Beginning of the period	**-**	**170**	**-**	**470**
	Loans received from subsidiaries of the Group	-	-	300	-
	Loans received from other related parties	2 004	-	-	-
	Currency translations differences	(5)	-	-	-
	Loans repayments to subsidiaries of the Group / set-offs	-	-	-	(449)
	Loans repayments to other related parties / set-offs	(1 900)	(166)	-	-
	Interest on loans charged (2017 of the Company – at 2.68%; 2016 - at 4.5%)	-	6	5	8
	Interest on loans repaid / set-offs	-	(10)	-	(29)
	End of the period	**99**	**-**	**305**	**-**
	Less: non-current portion	-	-	-	-
	Current portion (including accrued interest expense):	**99**	**-**	**305**	**-**

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

35 Related party transactions (continued)

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 financial assets measured at amortised cost 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.

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 30 May 2017 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. 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 2017.12.31
2011.09.30	The Bank	The Subsidiary	2019.08.31	EUR 1 300 thousand
2013.04.08	The Bank	The Subsidiary	2022.01.20	EUR 3 673 thousand
2014.06.18	The Bank	The Subsidiary	2019.04.30	EUR 10 672 thousand
2013.10.23	The Bank	The Subsidiary	2018.04.30	EUR 5 756 thousand

Over the 2011-2017 period the Company issued four intra-group financial guarantees on behalf of its subsidiaries for bank overdraft and bank loans amounting to EUR 21.4 million as at 31 December 2017 (EUR 20.2 million as at 31 December 2016), 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).

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

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	
	2017	**2016**	**2017**	**2016**
Salaries including termination benefits	4 513	3 861	253	226
Social insurance expenses	1 041	910	42	49
Bonuses	266	200	-	-
	5 820	**4 971**	**295**	**275**
The number of key management at the end of year	118	98	3	3

37 Events after the reporting date

On 8 January 2018, *Avia Solutions Group AB* subsidiary *BAA Training UAB* established new subsidiary *BAA Simulators 2 UAB*. Registered capital is EUR 10 000. *BAA Training UAB* fully paid for share capital. The company is planning to provide lease of full flight simulators.

On 02 February 2018, *Avia Solutions Group AB* subsidiary *BAA Training UAB* established new subsidiary *BAA Training Vietnam LLC*. Registered capital is VND 454 000 000 (equivalent to EUR 16 thousand)). *BAA Training UAB* fully paid for share capital. The company is planning to provide lease of full flight simulators.

On 28 February 2018, *Avia Solutions Group AB* established new subsidiary *Avia Solutions Group (CY) LTD*. Registered capital is EUR 1 000. *Avia Solutions Group AB* fully paid for share capital.

On 11 January 2018, *Avia Solutions Group AB* subsidiary *Baltic Ground Services UAB* established new subsidiary *Baltic Ground Services DE GmbH*. Registered capital is EUR 25 000. The company is planning to provide fuel logistic services in Germany.

On 19 January 2018, *Avia Solutions Group AB* approved liquidator for its subsidiary *FLT Trading House UAB*.

On 14 March 2018, *Avia Solutions Group AB* subsidiary *FL Technics Ulyanovsk OOO* has been liquidated.

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, Jonas Janukėnas, 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 2017 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
Jonas Janukėnas

Chief Financial Officer
Aurimas Sanikovas