

AVIA SOLUTIONS GROUP AB

Independent Auditor's Report,
Separate and Consolidated Financial Statements,
Consolidated Annual Report
For the Year Ended 31 December 2011

CONTENTS	Pages
INDEPENDENT AUDITOR'S REPORT	3 – 4
FINANCIAL STATEMENTS	5 – 55
STATEMENTS OF COMPREHENSIVE INCOME	5 – 6
BALANCE SHEETS	7 – 8
STATEMENTS OF CHANGES IN EQUITY	9 – 10
STATEMENTS OF CASH FLOWS	11 – 12
NOTES TO THE FINANCIAL STATEMENTS	13 – 54
CONSOLIDATED ANNUAL REPORT	55 – 72

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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



STATEMENTS OF COMPREHENSIVE INCOME

Approved by the Annual General Meeting of
Shareholders as at _____ 2012

		Year ended 31 December			
		GROUP		COMPANY	
		2011	2010	2011	Period since incorporation till 31 December 2010
Note					
Revenue	6	476 769	304 263	3 157	289
Other income	7	1 730	7 339	1711	-
Aircraft fuel		(126 304)	(88 452)	-	-
Employee related expenses	8	(65 825)	(39 561)	(2 121)	(184)
Rent of aircrafts and equipment		(58 302)	(54 240)	-	-
Spare parts and consumables expenses		(51 084)	(19 544)	-	-
Aircraft servicing and handling expenses		(46 930)	(27 841)	-	-
Aircraft maintenance expenses		(20 182)	(8 007)	-	-
Cost of services resold		(18 057)	(9 694)	-	-
Training and related expenses		(15 830)	(7 132)	(10)	-
Depreciation and amortization	9, 15, 16	(8 073)	(4 878)	(86)	(10)
Rent and maintenance of premises		(8 005)	(2 777)	(249)	-
Impairment of receivables and inventories	3.1, 18	(3 753)	(1 420)	(12)	-
Other operating expenses	10	(46 086)	(24 224)	(2 296)	(147)
Other gain/(loss) - net	11	3 910	13	(922)	-
Operating profit (loss)		13 913	23 845	(828)	(52)
Finance income		486	814	522	-
Finance cost		(3 535)	(3 989)	(40)	(83)
Finance costs – net	12	(3 049)	(3 175)	482	(83)
Profit (loss) before income tax		10 864	20 670	(346)	(135)
Income tax	13	(2 142)	(2 879)	47	2
Profit (loss) for the year		8 722	17 791	(299)	(133)
Profit (loss) for the year attributable to:					
Equity holders		9 719	18 013	(299)	(133)
Non-controlling interests		(997)	(222)	-	-
		8 722	17 791	(299)	(133)
Other comprehensive income:					
Currency translation differences		661	(16)	-	-
Total comprehensive income for the year		9 383	17 775	(299)	133
Total comprehensive income attributable to:					
Equity holders		10 359	17 997	(299)	(133)
Non-controlling interests		(976)	(222)	-	-
		9 383	17 775	(299)	(133)
Basic and diluted earnings (loss) per share (in LTL)	14	1.53	4.03	(0.05)	(0.03)

The notes on pages 11 to 55 form an integral part of these financial statements. The financial statements on pages 5 to 55 have been approved for issue by the Board of Directors as at 19 April 2011 and signed on their behalf by the General Manager:

General Director
Linās Dovydenas

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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



BALANCE SHEETS

Approved by the Annual General Meeting of
Shareholders as at _____ 2012

		Year ended 31 December			
		GROUP		COMPANY	
	Note	2011	2010	2011	2010
ASSETS					
Non-current assets					
Property, plant and equipment	15	52 615	29 198	653	319
Intangible assets	16	10 044	2 723	11	7
Financial assets	17	-	-	11 487	8 195
Trade and other receivables	19	15 274	1 920	25 812	-
Deferred income tax assets	28	7 533	1 157	49	2
		85 466	34 998	38 012	8 523
Current assets					
Inventories	18	35 619	12 319	94	-
Trade and other receivables	19	97 222	51 366	26 311	1 066
Amount due from customers for contract work	20	6 512	2 937	-	-
Prepaid income tax		299	240	-	-
Short-term bank deposits		268	1 926	-	-
Cash and cash equivalents	21	17 781	10 713	904	4
		157 701	79 501	27 309	1 070
Total assets		243 167	114 499	65 321	9 593
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	1, 22	5 893	4 420	5 893	4 420
Share premium	23	58 770	-	58 770	-
Legal reserve	24	263	44	-	-
Merger reserve	24	(2 746)	(3 517)	-	-
Cumulative translations differences		624	(16)	-	-
Retained earnings		33 531	24 001	(432)	(133)
		96 335	24 932	64 231	4 287
Non-controlling interests		18	119	-	-
Total equity		96 353	25 051	64 231	4 287
LIABILITIES					
Non-current liabilities					
Borrowings	25	28 245	10 580	-	-
Security deposits received	27	10 238	9 380	-	-
Trade and other payables	26	2 109	1 746	-	-
Deferred income tax liabilities	28	289	33	-	-
Intra – group financial guarantees		-	-	289	-
		40 881	21 739	289	-
Current liabilities					
Borrowings	25	24 891	24 716	-	4 698
Trade and other payables	26	60 694	37 080	684	608
Advances received		8 162	2 908	-	-
Current income tax liabilities		4 661	2 058	-	-
Intra – group financial guarantees		-	-	117	-
Security deposits received	27	7 525	947	-	-
		105 933	67 709	801	5 306
Total liabilities		146 814	89 448	1 090	5 306
Total equity and liabilities		243 167	114 499	65 321	9 593

The notes on pages 13 to 59 form an integral part of these financial statements.

General Director
Linas Dovydenas

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

STATEMENTS OF CHANGES IN EQUITY

Approved by the Annual General Meeting of
Shareholders as at _____ 2011

THE GROUP	Equity attributable to equity holders of the Group						Non- control- ling interests	Total equity
	Share capital	Share pre- mium	Reser- ves (Note 24)	Currency translation differences	Retai- ned ear- nings	Invested capital		
Balance at 1 January 2010	-	-	-	-	-	7 015	-	7 015
Comprehensive income								
Currency translation difference	-	-	-	(16)	-	-	-	(16)
Profit for the period	-	-	-	-	18 013	-	(222)	17 791
Total comprehensive income	-	-	-	(16)	18 013	-	(222)	17 775
Transactions with owners								
Share issue pursuant to share acquisition agreements	150	-	-	-	-	-	-	150
Issue of additional shares	4 270	-	-	-	-	-	-	4 270
Reallocation of accumulated invested capital pursuant to the Pre-IPO Reorganisation	-	-	26	-	6 308	(7 015)	341	(340)
Effect of transactions with non-controlling interests	-	-	(3 517)	-	-	-	-	(3 517)
Transfer to legal reserve	-	-	18	-	(18)	-	-	-
Acquisition of subsidiaries	-	-	-	-	(302)	-	-	(302)
Total transactions with owners	4 420	-	(3 473)	-	5 988	-	341	261
Balance at 31 December 2010 / at 1 January 2011	4 420	-	(3 473)	(16)	24 001	(7 015)	119	25 051
Comprehensive income								
Currency translations differences	-	-	-	640	-	-	21	661
Profit (loss) for the year	-	-	-	-	9 719	-	(997)	8 722
Total comprehensive income	-	-	-	640	9 719	-	(976)	9 383
Transactions with owners								
Increase in share capital	1 473	66 282	-	-	-	-	-	67 755
Cost of increase in share capital (Note 23)	-	(7 512)	-	-	-	-	-	(7 512)
Transfer to legal reserve	-	-	219	-	(219)	-	-	-
Decrease of merger reserve and non-controlling interests pursuant to the disposal of subsidiary (Note 24)	-	-	771	-	-	-	140	911
Effect on transactions with non-controlling interests	-	-	-	-	30	-	735	765
Total transactions with owners	1 473	58 770	990	-	(189)	-	875	61 919
Balance at 31 December 2011	5 893	58 770	(2 483)	624	33 531	-	18	96 353

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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



STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

THE COMPANY	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 30 August 2010		-	-	-	-
Transaction with owners					
Share issue pursuant to share acquisition agreements	1	150	-	-	150
Issue of additional shares	1	4 270	-	-	4 270
Total transactions with owners		4 420	-	-	4 420
Net loss - total comprehensive income for the period		-	-	(133)	(133)
Balance at 31 December 2010		4 420	-	(133)	4 287
Increase in share capital	22, 23	1 473	66 282	-	6 7755
Cost of capital increase	23	-	(7 512)	-	(7 512)
Total transactions with owners		1 473	58 770	-	60 243
Net loss - total comprehensive income for the period		-	-	(299)	(299)
Balance at 31 December 2011		5 893	58 770	(432)	64 231

The notes on pages 13 to 59 form an integral part of these financial statements.

General Director
 Linas Dovydėnas

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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



STATEMENTS OF CASH FLOWS

Approved by the Annual General Meeting of
Shareholders as at _____ 2012

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2011	2010	2011	Period since incorporation till 31 December 2010
Operating activities					
Profit (loss) for the year		8 722	17 791	(299)	(133)
Income tax	13	2 142	2 879	(47)	(2)
<i>Adjustments for:</i>		-			
	9, 15,				
Depreciation and amortisation	16	8 073	4 878	86	10
Discounting effect on deposits placed		813	1 517	-	-
Interest expenses	12	1 411	1 435	39	83
Impairment of accounts receivable,	3.1, 18	3 753	1 420	12	-
Accruals of c-check costs, hangar lease payments		1 135	1 419	-	-
Currency translations differences		1 179	1 081	(833)	-
Interest income	7	(410)	(114)	(1 668)	-
Gain on the subsidiary disposed	11	(2 890)	-	-	-
<i>Changes in working capital:</i>					
- Inventories		(23 550)	(3 217)	(94)	-
- Trade and other receivables		(41 103)	(31 002)	(336)	(991)
- Trade and other payables, advances received		29 036	(96)	76	595
- Security deposits received		7 494	8 730	-	-
Cash generated from (used in) operations		(4 195)	6 721	(3 064)	(438)
Interest received		38	14	598	-
Interest paid		(1 271)	(770)	(39)	-
Income tax paid		(2 451)	(1 434)	-	-
Net cash generated from (used in) operating activities		(7 879)	4 531	(2 505)	(438)
Investing activities					
Purchase of PPE and intangible assets		(24 197)	(6 948)	(425)	-
Proceeds from PPE and intangible assets		1	82	-	-
Purchase of subsidiary companies (net of cash acquired)	32	(4 001)	43	(10)	(4 208)
Proceeds from sale of subsidiaries	32	700	-	700	-
Proceeds from sale of interest in subsidiary without loss of control		532	101	532	-
Loans granted		(15 601)	(5 297)	(72 370)	-
Repayments of loans granted		2 053	5 034	19 450	-
Deposits placed		(12 205)	(2 290)	(9)	-
Repayments of deposits placed		150	-	-	-
Net cash used in investing activities		(52 569)	(9 275)	(52 140)	(4 208)

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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



STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2011	2010	2011	Period since incorporation till 31 December 2010
Financing activities					
Contribution to share capital in cash	22, 23	67 755	-	66 282	-
Cost directly related to issue of share capital	23	(7 512)		(7 512)	
Increase of share capital	1, 22	-	4 420	1 473	4 420
Bank borrowings received		40 914	17 805	-	-
Repayments of bank borrowings		(16 851)	(9 948)	-	-
Borrowings from related parties received		1 248	13 504	76	230
Repayments of borrowings from related parties		(17 471)	(14 908)	(4 774)	-
Repayments of lease liabilities		(2 821)	(539)	-	-
Net cash generated from financing activities		65 794	10 334	55 545	4 650
Increase in cash and cash equivalents		4 815	5 590	900	4
At beginning of year	21	10 006	4 416	4	-
Increase (decrease) in cash and cash equivalents		4 815	5 590	900	4
At end of year	21	14 821	10 006	904	4

The notes on pages 13 to 59 form an integral part of these financial statements.

General Director
 Linas Dovydenas

(All tabular amounts are in LTL '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 10, LT-03201, Vilnius.

The Company's shares are traded on the Warsaw stock exchange as from 3 March 2011 (see Notes 22, 23).

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

	2011		2010	
	Number of shares	Percentage owned	Number of shares	Percentage owned
ZIA Valda Cyprus Ltd.	1 939 275	32.906%	1 939 275	43.875%
Indeco: Investment and Development UAB	1 292 850	21.938%	1 292 850	29.250%
Harberin Enterprises Limited	777 375	13.191%	1 077 375	24.375%
ING Otworthy Fundusz Emerytalny	390 000	6.618%	-	-
Hubert Bojdo	100 000	1.697%	-	-
Vytautas Kaikaris	55 250	0.938%	55 250	1.250%
Jonas Butautis	44 200	0.750%	44 200	1.000%
Aurimas Sanikovas	11 050	0.188%	11 050	0.250%
Other	200 000	3.39%	-	-
Other free float	1 083 333	18.38%	-	-
Total	5 893 333	100.00%	4 420 000	100.00%

The Company's principal activity is the management of its subsidiaries. Companies of the Group operate in the following activity areas: passenger carriage by charter flights; aircraft maintenance, repair and overhaul; aircraft ground handling and fuelling; pilot and crew training.

The number of full time staff employed by the Group at the end of 2011 amounted to 1027 (2010: 678). The number of full time staff employed by the Company at the end of 2011 amounted to 17 (2010: 8).

The subsidiaries, 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, %		Date of acquiring/establishment and activity
			2011	2010	
AviationCV.com UAB	Lithuania	Pilot and Crew Training	91	-	The subsidiary was established in spring of 2011. Currently it has started preparations for active sales.
Baltic Aviation Academy UAB	Lithuania	Pilot and Crew Training	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fueling services.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fueling services in Poland.

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, %		Date of acquiring/establishment and activity
			2011	2010	
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Ground Handling CIS UAB. The subsidiary does not conduct active operations.
Ground Handling CIS UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	-	The subsidiary was established on 4 July 2011. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
FL Technics AB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the Company started active sales of aircraft maintenance, repair and overhaul (MRO) services.
FL Technics Jets UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 1 December 2010. In summer of 2011 the Company started active sales of maintenance services for business aircraft.
FL Technics Line OOO		Aircraft maintenance, repair and overhaul (MRO)	100	-	The subsidiary was established on 3 August 2011. It is a direct subsidiary of FL Technics AB. Currently it has started preparations for aircraft line stations activity in Russia and the CIS.
FL Technics Ulyanovsk OOO		Aircraft maintenance, repair and overhaul (MRO)	99	-	The subsidiary was established on 22 July 2011. It is a direct subsidiary of FLT Trading House UAB. Currently it has started preparations for aircraft maintenance activity in Ulyanovsk, Russia.
FLT Trading House UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
Locatory.com UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	95	100	The subsidiary was established on 7 December 2010. Starting summer 2011, the Company provides a platform for the aviation industry to search, buy and sell aviation inventory.
Small Planet Airlines UAB	Lithuania	Charter operations	95.5	95.5	The subsidiary was established on 14 March 2007. In autumn of 2008 the Company started active sales of charter flights.
Small Planet Airlines AS	Estonia	Charter operations	-	95.5	The subsidiary was established on 5 December 2008. On 22 November 2011 the Company was sold (Note 32).
Small Planet Airlines Sp.z.o.o.	Poland	Charter operations	95.5	95.5	The subsidiary was established on 25 November 2009. In spring of 2010 the Company started active sales of charter flights.
Small Planet Airlines s.r.l.	Italy	Charter operations	85.5	95.5	The subsidiary was established on 17 February 2010. In summer of 2011 the Company started active sales of charter flights.
Storm Aviation Ltd.	The United Kingdom	Aircraft maintenance, repair and overhaul (MRO)	100	-	The subsidiary was acquired on 30 September 2011 (Note 32). It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft maintenance, repair and overhaul (MRO)	100	-	The subsidiary was acquired on 30 September 2011. It is a direct subsidiary of Storm Aviation Ltd.. The company provides aircraft line station services in Cyprus.

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

1 General information (continued)

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.

Historical information

Baltic Aviation Academy UAB, Small Planet Airlines UAB, Small Planet Airlines AS Small Planet Airlines Sp. z.o.o., Small Planet Airlines s.r.l, FL Technics AB (referred to as *Avia Solutions Group Companies or the Group*) comprised jointly managed aviation services business under control of Ridota AB (from 2005 till 30 January 2008) and Avia Solutions Group Holdings AB (from 31 January 2008 till 30 September 2010). Both Ridota AB and Avia Solutions Group Holdings AB are referred to as *The Initial Holding Companies*. Baltic Ground Services UAB was acquired on 31 October 2008 and included into the Group. The Initial Holding Companies also held interest in other entities. These other entities together with the Initial Holding Companies are treated as *Other Initial Group Companies*. Avia Solutions Group Companies and Other Initial Group Companies are treated as *the Initial Group*.

The Initial Group was a wholly owned by three shareholders ŽIA valda AB (45%), Indeco: Investment and Development UAB (30%), and SANITEX BĮ UAB (25%) (hereinafter *the Initial Shareholders*). During 2010 the Initial Shareholders conducted a reorganisation, which was completed on 30 September 2010, whereby the companies comprising the aviation services business of Avia Solutions Group Holdings AB were reorganised under newly set up entity Avia Solutions Group AB (hereinafter *the Company*) (hereinafter *the Pre-IPO Reorganisation*) for the purposes of preparing for the Initial Public Offering. As such, prior to 30 September 2010, the Company did not control the entities it acquired pursuant to the Pre-IPO Reorganisation and did not therefore prepare consolidated financial statements. Accordingly, the comparative consolidated financial statements are based on the combined financial statements of the entities acquired by the Company under the Pre-IPO Reorganisation (hereinafter *the Group*).

The immediate and ultimate parent company of the Group is ŽIA Valda AB, which owned 45 per cent of the holding company of Initial Group and exercised the right to appoint the General Director of the holding company which was the only managing body and, therefore, had the power to govern the financial and operating policies of the Group. After pre-IPO Reorganisation ŽIA Valda AB retained the right to appoint the General Director of the holding company and is the ultimate parent company of the Group. The ultimate controlling party is Mr. Gediminas Žiemelis.

During the period from the date of incorporation of the Company until 30 September 2010, significant legal restructuring was undertaken in preparation for the initial offering ("IPO"). The restructuring has been performed in three steps as described below.

The first step – formation of the share capital of Avia Solutions Group AB

	Share capital of the Company
The share issue pursuant to Avia Solutions Group AB share acquisition agreements (as at 31 August 2010). Shares have been subscribed and paid-up by 6 shareholders indicated in the table above.	150
Additional emission of shares of Avia Solutions Group AB (as at 7 September, as cash injection). Shares have been subscribed and paid-up by 6 shareholders indicated in the table above.	4 270
	4 420

The second step (during September 2010) – acquisition of newly issued share capital in the Group companies for nominal value. After this step, the Company held 90 per cent of share capital in Baltic Ground Services UAB, FL Technics UAB, Baltic Aviation Academy UAB and 85.5 per cent of share capital in Small Planet Airlines companies.

	Purchase consideration/ nominal value of share capital issued in Group companies
Avia Solutions Group AB purchase consideration for the newly issued shares of the Group companies (paid-up in cash)	4 165
Non-controlling interest purchase consideration for the newly issued shares of the Group companies (paid-up in cash)	101
	4 266

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

1 General information (continued)

The third step (during September 2010) – acquisition of the remaining 10 per cent of share capital of the Group companies

	Purchase consideration/ nominal value of share capital issued in Group companies
The nominal value of the remaining 10 percent of the share capital of the Group companies	473
Avia Solutions Group AB purchase consideration for the acquisition of remaining 10 percent of the share capital of the Group companies (payment postponed for 2 years)	(3 990)
The difference between the consideration and nominal value of the share capital acquired in the third step of the pre-IPO Reorganisation (Note 24)	(3 517)

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 adopted by the EU. 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 2011.

During the period from the date of incorporation until the 30 September 2010 the Group has not in the past constituted a separate legal group, although all combining entities were controlled by one party and managed as one business. The comparative financial information, i.e. nine-month period ended 30 September 2010, is therefore prepared on a basis that combined/carved out the results, of each of the companies constituting the aviation services business of the Initial Holding Companies by applying the principles underlying the consolidation procedures of IAS 27 *Consolidated and Separate Financial Statements*.

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 emended standards and interpretations adopted by the Group and the Company

a) New and emended standards and interpretations adopted by the Group and the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group and the Company.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group and the Company:

Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This amendment will not have any impact on the Group's and Company's financial statements.

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

2.1 Basis of preparation (continued)

Classification of Rights Issues – Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment did not have any impact on the Group's and Company's financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation did not have any impact on the Group's and Company's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment did not have any impact on the Group's and Company's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. This amendment will not have any impact on the Group's and Company's financial statements.

Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 28, IAS 31, IAS 32, IAS 34, IAS 39 and IFRIC 13. This amendment will not have any impact on the Group's and Company's financial statements.

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

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, (issued in November 2009; not yet adopted by the EU), replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. The Group and the Company do not expect this standard to have any material effect on its financial statements.

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group and the Company are currently assessing the impact of the standard on its financial statements.

IFRS 11, Joint Arrangements, (effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group and the Company are currently assessing the impact of the standard on its financial statements.

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

2.1 Basis of preparation (continued)

IFRS 12, Disclosure of Interest in Other Entities, (effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group and the Company are currently assessing the impact of the standard on its financial statements.

IFRS 13, Fair value measurement, (effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group and the Company are currently assessing the impact of the standard on its financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group and the Company are currently assessing the impact of the standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amendment will not have any impact on the Group's and the Company's financial statements.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2012). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group and the Company do not expect the amendments to have any material effect on its financial statements.

Amendments to IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group and the Company expect the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment*, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The Group and the Company do not expect the amendments to have any material effect on its financial statements.

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

2.1 Basis of preparation (continued)

Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1

(effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The Group and the Company do not expect the amendments to have any material effect on its financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, *Inventories*, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met. The Group and the Company do not expect the amendments to have any material effect on its financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; not yet adopted by the EU). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group and the Company do not expect the amendments to have any material effect on its financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2.2 Consolidation

Subsidiaries

A subsidiary is an entity in which the Group, directly or indirectly, has interest of more than 50% of the shares with voting rights or otherwise has power to govern the operating and financial policies so as to obtain economic benefits. All subsidiaries have been consolidated / combined in the Group's financial statements.

An associate is an entity, in which the Group owns between 20% and 50% of the shares with voting rights and over which the Group has significant influence. As at the balance sheet date, the Group had no associates.

A subsidiary is consolidated / combined from the date on which control is transferred to the Group and is no longer consolidated / combined from the date on which 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.

The excess of the consideration transferred the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. Inter-company transactions, balances and unrealised gains on transactions between entities included within the combined / consolidated financial statements have been eliminated.

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

2.2 Consolidation (continued)

Business combinations involving entities under common control

Business combination involving entities under common control is a transaction in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory.

As business combinations involving entities under common control are excluded from IFRS 3 scope, management uses merger accounting (otherwise known as 'predecessor accounting'). The principles used by the Group are as follows:

- The Group does not restate assets and liabilities to their fair values. Instead, the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies;
- No goodwill arises in predecessor accounting. Differences between the purchase consideration and the nominal value of company's equity acquired are not goodwill, because they are not based on the fair values of both the consideration given and the identifiable assets and liabilities acquired. Instead, the differences are included in equity and presented within the retained earnings (accumulated deficit) in the balance sheet;
- The principles in IAS 27 apply in the application of the predecessor method of accounting and, therefore, results are incorporated from the date the new parent obtains control. The corresponding amounts for the previous year are not restated because the combination did not occur until the current year.

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 Lithuanian Litas (LTL), which is the functional currency of the Company and the Group.

The litas is pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1

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 remeasured.

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 and 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 operating expenses".

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

2.3 Foreign currency translation (continued)

Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity.

2.4 Segment information

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

2.5 Property, plant and equipment

Property, plant and equipment consist of buildings and structures, vehicles, machinery, other non-current tangible assets. Property, plant and equipment is carried at its 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	8 - 15 years
Vehicles	6 – 10 years
Machinery	5 years
Other non-current tangible assets	3 – 6 years

Major additions, modifications and improvements expenditure relating to the 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.

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.

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

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

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.

Directly attributable costs, which are incurred to comply with the requirements of certification authority in order to obtain the Air Operator's Certificate (hereinafter – AOC) are capitalised as part of the commercial license. Such expenses include aircraft basic and supplemental rent expenses, aircraft insurance expenses, preparation of aircraft technical documentation expenses, rent and maintenance of premises expenses, employee related expenses and crew training expenses, that have been incurred during the period of the submission of the application for an initial issue of an AOC and the date of receipt of the AOC.

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, external audit and interviews costs.

The costs incurred at each stage in development and operation of Group's own web-site is recognised as part of intangible assets. Such expenses include expenses on purchasing or creating content for a web-site, expenses to enable use of the content on the web-site and directly attributable employee related expenses, that have been incurred during the stage of the development of the web-site, and additional development of the web-site expenses, that have been incurred during the stage of the operation of the web-site after initial recognition of the intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the 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.

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

The Group classifies its financial assets into one of four measurement categories: loans and receivables, financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

During the current period the Group did not hold any financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets.

Loans and receivables

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

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

Investments in subsidiaries 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 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.

2.11 Trade receivables

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

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

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Provisions

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

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

2.17 Grants relating to expenses and purchase of property, plant and equipment

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 and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets. Grants relating to the expenses are included in non-current liabilities and are credited to the profit or loss on basis to match the appropriate expenses.

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

2.18 Accounting for leases

a) Accounting for leases where the Group is the lessee

Operating leases

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

Finance leases

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

The property, plant and equipment acquired under finance leases is 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.

2.19 Current and deferred income tax

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Profit for 2011 is taxable at a rate of 15% (2010: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2011 is taxable at a rate of 19% (2010: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2011 is taxable at a rate of 27.5% (2010: 27.5%) in accordance with Italian regulatory legislation on taxation. Profit for 2011 is taxable at a rate of 20% in accordance with Russian regulatory legislation on taxation. Profit for 2011 is taxable at a rate of 26% in accordance with United Kingdom regulatory legislation on taxation

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.

2.19 Current and deferred income tax (continued)

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

According to Lithuanian, Polish and the British legislation, tax losses accumulated as of 31 December 2011 are carried forward indefinitely.

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.

2.20 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 passenger's revenue, aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, aircraft ground handling services, into-plane fueling and web-site subscription services.

Passengers' revenue, aircraft ground handling and into-plane fueling revenue is recognized as earned, - upon completion of the air transportation or upon delivery of services to the customer.

Aircraft and aircraft components maintenance, training and technical consulting, web-site subscription services are provided to the customers on time and material basis or as a fixed-price contract, with contract generally ranging from less than one year (single contract) to the long-term contract. Revenue from fixed-price contracts is recognised under the service period. Under this method, revenue is generally recognized in proportion to each service month.

Revenue from fixed-price contracts is recognised under the percentage-of-completion method. Under this method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. Stage of completion is determined with a reference to the proportion that man hours worked to date bear to the estimated total man hours per contract.

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.

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.

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

2.20 Revenue recognition (continued)

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

2.21 Employee benefits

Social security contributions

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

Bonus plans

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

Supplementary health insurance

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

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.

2.22 Financial guarantee contracts

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, 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 analyze 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). 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 are multiplied by reasonably possible change of EUR (to which LTL is pegged) to US dollars. Reasonable possible change is provided in the table below:

	GROUP		Company	
	2011	2010	2011	2010
Reasonably possible change of EUR to US dollars	2 %	9 %	-	-

At 31 December 2011 the Group's post-tax profit for the year would have been LTL 890 thousand (2010: LTL 1 631 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade and other receivables and trade and other payables.

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

(b) Price risk

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

(ci) 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.

Borrowings received at variable interest rates and denominated in the LTL, EUR, GBP currencies expose the Group to cash flow interest rate risk. As at 31 December 2011 and 2010 Group's non-current borrowings at variable rate of 6 month EURIBOR plus fixed margin were denominated in EUR, bank overdraft at variable rate of 6 months VILIBOR plus fixed margin was denominated in LTL and finance lease liabilities at variable rate of 6 months EURIBOR plus fixed margin were denominated in EUR.

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

3.1 Financial risk factors (continued)

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
LTL	4.00 %
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes LTL 311 thousand in 2011 (2010: LTL 170 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.

(a) Maximum exposure of credit risk

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Trade receivables (Note 19)	61 170	29 174	60	-
Security deposit with lessor (Note 19)	14 754	5 296	9	-
Loans provided (Note 19)	14 706	-	13 396	-
Other receivables (Note 19)	1 561	730	146	-
Loans provided to related parties (Notes 19, 33)	750	644	36 323	73
Other receivables from related parties (Note 19)	21	490	930	-
Trade receivables from related parties (Notes 19, 33)	4	180	1 239	347
Cash and cash equivalents (Note 21)	17 781	10 713	904	4
	110 747	46 737	53 007	424

(b) Financial assets neither past due nor impaired

Trade receivables and trade receivables from related parties

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

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

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

3.1 Financial risk factors (continued)

	GROUP		COMPANY	
	2011	2010	2011	2010
Group 1: new customers/related parties (less than 6 months)	4 303	1 083	15	301
Group 2: old customers/related parties (more than 6 months)	18 935	12 981	369	-
	23 238	14 064	384	301

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 Fitch rating not lower than B.

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

AA-	-	1 182	-	-
A+	12 057	4 827	834	4
A	-	2 645	-	-
A-	1 195	107	56	-
BBB+	1 526	-	-	-
BBB	1 540	-	-	-
B+	-	758	-	-
B	165	633	-	-
other	1 298	561	14	-
	17 781	10 713	904	4

* - external long term credit ratings set by international agencies Standarts & Poors as at August 2011 and FitchRatings as at March 2011/2012.

Security deposit with lessor, loans to related parties

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

(c) Financial assets past due but not impaired

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

The ageing of past due, but not impaired trade receivables is as follows:

	GROUP		COMPANY	
	2011	2010	2011	2010
Overdue up to 3 months	27 421	12 853	749	46
overdue from 4 to 6 months	5 638	1 390	110	-
overdue over 6 months	4 877	1 047	57	-
	37 936	15 290	916	46

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

3.1 Financial risk factors (continued)

(d) Impaired financial assets

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

	GROUP		COMPANY	
	2011	2010	2011	2010
<i>Impaired trade receivables – gross amount</i>	3 647	1 420	-	-
<i>Less: provision for impairment of trade receivables (Note 19)</i>	(3 129)	(1 420)	-	-
<i>Impaired trade receivables – net amount</i>	518	-	-	-
<i>Impaired other receivables – gross amount</i>	364	-	-	-
<i>Less: provision for impairment of other receivables (Note 19)</i>	(364)	-	-	-
<i>Impaired other receivables – net amount</i>	-	-	-	-
<i>Impaired loans provided – gross amount</i>	10	-	-	-
<i>Less: provision for impairment of loans provided (Note 19)</i>	(10)	-	-	-
<i>Impaired loans provided – net amount</i>	-	-	-	-

Movements on the Group's provision for impairment of receivables:

<i>At 1 January</i>	1 420	2 855	-	-
<i>Provision for receivables impairment</i>	3 503	1 420	-	-
<i>Receivables written off during the year as uncollectible</i>	(1 420)	(2 855)	-	-
<i>At 31 December (Note 19)</i>	3 503	1 420	-	-

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 2011 current liabilities in seven 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 LTL '000 unless otherwise stated)

3.1 Financial risk factors (continued)

GROUP	Less than 1 year	Between 1 - 2 years	Over 2 years
31 December 2011			
Borrowings from related parties	6	289	-
Bank loans	23 689	7 675	17 462
Other borrowings	3	364	-
Security deposits received	7 525	1 034	9 332
Finance lease liabilities	2 660	3 089	2 292
Trade and other payables	60 694	666	1 443
	94 577	10 028	33 863
31 December 2010			
Borrowings from related parties	13 609	706	5 539
Bank loans	11 769	1 599	3 194
Security deposits received	947	500	9 396
Finance lease liabilities	702	1 360	-
Trade and other payables	37 081	247	1 499
	64 108	4 412	19 628
COMPANY			
31 December 2011			
Trade and other payables	684	-	-
	684	-	-
31 December 2010			
Borrowings from related parties	4 911	-	-
Trade and other payables	608	-	-
	5 519	-	-

3.2 Capital risk management

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

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

The Group's strategy is to reduce the gearing ratio and to maintain it within 25% to 35%.

	GROUP		COMPANY	
	2011	2010	2011	2010
Total borrowings (Note 25)	53 136	35 296	-	4 698
Less: cash and cash equivalents (Note 21)	(17 781)	(10 713)	(904)	(4)
Net debt	35 355	24 583	(904)	4 694
Total equity	96 353	25 051	64 231	4 287
Total capital	131 708	49 634	93 327	8 982
Gearing ratio	27%	50%	-	52%

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

3.2 Capital risk management (continued)

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company and private limited liability company must be not less than LTL 150,000 and LTL 10,000, respectively, and the shareholders' equity should not be lower than 50 per cent of the entity's registered share capital. As at 31 December 2011 six Group companies 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 lessor approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate. Loans to related parties were granted at market interest rates, therefore, their carrying value approximate fair value.

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

4 Critical Accounting Estimates and Significant Judgements

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

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

(a) C-check costs accruals

During the aircraft lease term and until the lease contract termination date, the Group (lessee) has the obligation, at its expense, to maintain and repair the aircraft in accordance with the maintenance program. C-check expenses are incurred once in 18 – 24 months. Accruals for such expenses is based on an average cost of all C-Check per flight hour and recognised in the profit or loss on straight-line basis.

(b) Premises lease payments accruals

Under the terms of two aircraft hangars and training building operating lease agreement, various rentals were payable during the lease term and until the lease contract termination date. Lease payments have been apportioned to ensure that they are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

(c) Related-party transactions

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

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

4 Critical Accounting Estimates and Significant Judgements (continued)

(d) Income taxes

Tax authorities have a right to examine accounting records of the Group at anytime 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.

(e) Earnings per Share

While calculating Earnings per Share in these financial statements the Group has assumed that the equity ownership structure which was established after the Pre-IPO Reorganisation as at 30 September 2010 and the share capital issued by the Company during the Pre-IPO Reorganisation process has been in place during the whole period presented in these consolidated financial statements. Such assumptions have been made with the aim to present comparable and consistent historical Earnings per Share ratios for the periods presented.

(f) Intangible assets

Costs that are directly attributable to obtain the AOC are recognized as intangible assets (Note 2.6). The AOC expected to provide economic benefits to the Group in future periods are measured at acquisition cost, which includes directly attributable expenses, as described in Note 2.6, less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over estimated economic benefit period of 5 years.

As at acquisition date of the subsidiary (Note 32) line maintenance approvals and basic licenses with carrying amount LTL 3,528 thousand were recognised as intangible assets (Note 2.6) The licences expected to provide economic benefits to the Group in future periods are measured at acquisition cost, which includes directly attributable expenses, as described in Note 2.6, less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over estimated economic benefit period of 5 years.

(g) Property, plant and equipment

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 buildings and vehicles.

5 Segment information

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

Charter Operations

The charter operations segment includes carriage of passengers by charter flights.

5 Segment information (continued)

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.

Pilot and Crew Training

The pilot and crew training segment is involved in full scope of integrated flight training solutions

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.

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 gross profit (loss) based on businesses the Group is involved in (according to the Group companies' activities), referred to as segments. Gross profit (loss) is a measure of segment profit or loss for management analysis purposes.

Operating expenses, which are directly related to the operating segments (including administration employee related expenses, rent and maintenance of administration premises, depreciation and amortization of non-current assets, used for administrative purposes, business travel expenses, related to sales, consultation expenses, office administrative expenses and other), and the amount of impairment losses, recognised in profit or loss during the period, are allocated to the particular segments. Other operating expenses, indirectly related to the operating segments, are not allocated to the operating segments.

Financial activities and income taxes are managed on a Group level and are not allocated to the operating segments as well. 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, Estonia, Italy, Poland and the Great Britain by sales volume depending on where the Group's companies are located.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

5 Segment information (continued)

The following table presents revenues and profit (loss) and assets and liabilities information according to the Group's business segments for the year ended 31 December 2011:

	Charter operations	Aircraft maintenan ce, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continui ng operatio ns
Year ended 31 December 2011							
Revenue							
Sales to external customers	214 835	155 252	83 041	23 203	438	-	476 769
Other income	1 415	108	-	11	196	-	1 730
Inter-segment sales	21 140	10 006	31 033	910	4 192	(67 281)	-
Total revenue	237 390	165 366	114 074	24 124	4 826	(67 281)	478 499
Cost of sales	(233 737)	(114 461)	(110 025)	(15 007)	(1 340)	60 264	(414 306)
Segment gross profit	3 653	50 905	4 049	9 117	3 486	(7 017)	64 193
Impairment of receivables, inventories	(3 574)	(127)	(40)	-	(12)	-	(3 753)
Other operating expenses (see details in the table below)							(46 527)
Operating profit							13 913
Finance costs - net							(3 049)
Profit before income tax							10 864
Income tax							(2 142)
Net profit for the period							8 722
As at 31 December 2011							
Segment assets	49 480	122 314	44 666	10 700	16 007		243 167
Segment liabilities	42 859	72 260	22 373	8 640	682		146 814
Acquisition of non-current assets	2 708	9 796	14 415	4 570	425		31 914
Depreciation and amortization	456	5 265	1 804	462	86		8 073

The following table presents revenues and profit (loss) and assets and liabilities information according to the Group's business segments for the year ended 31 December 2010:

	Charter operation s	Aircraft maintena nce, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segmen t elimina -tions	Total continuing operations
Year ended 31 December 2010							
Revenue							
Sales to external customers	157 360	76 788	57 621	12 494	-	-	304 263
Other income	7 173	140	-	26	-	-	7 339
Inter-segment sales	4 620	8 627	17 660	404	289	(31 600)	-
Total revenue	169 153	85 555	75 281	12 924	289	(31 600)	311 602
Cost of sales	(159 289)	(58 322)	(67 074)	(8 553)	(177)	29 875	(263 540)
Segment gross profit	9 864	27 233	8 207	4 371	112	(1 725)	48 062
Impairment of receivables, inventories	(1 295)	(108)	(17)	-	-	-	(1 420)
Other operating expenses (see details in the table below)							(22 797)
Operating profit							23 845
Finance costs - net							(3 175)
Profit before income tax							20 670
Income tax							(2 879)
Net profit for the period							17 791

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

5 Segment information (continued)

	Charter operation s	Aircraft maintena nce, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segmen t elimina -tions	Total continuing operations
As at 31 December 2010							
Segment assets	28 806	56 412	23 542	4 577	1 162		114 499
Segment liabilities	(31 879)	(34 200)	(14 158)	(4 138)	(5 073)		(89 448)
Acquisition of non-current assets	1 269	4 768	2 265	653	336		9 291
Depreciation and amortization	118	3 635	891	224	10		4 878

The Group's other operating expenses indirectly related to the operating segments detailed below:

	GROUP	
	2011	2010
Administration employee related expenses	20 497	10 821
Consultation expenses	3 379	2 720
Rent and maintenance of administration premises	2 849	1 868
Depreciation and amortization of assets related to administration	5 118	567
Other operating expenses indirectly related to the operating segments	14 684	6 821
Other operating expenses	46 527	22 797

The Group's revenue from external customers by geographical location of subsidiaries on 31 December 2011 and 31 December 2010 detailed below:

	GROUP	
	2011	2010
Lithuania	359 738	257 977
Poland	74 655	17 177
Italy	21 284	-
Estonia	14 213	29 109
Great Britain	6 879	-
	476 769	304 263

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	
	2011	2010
The charter operations segment		
Customer O (new)	39 197	-
Customer A	38 068	35 192
Customer Q	36 312	16 778
Customer B	30 780	39 015
Customer D	3 389	16 547
Customer C	-	3 860
Other customers	67 089	45 968
	214 835	157 360

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

5 Segment information (continued)

		GROUP	
		2011	2011
The aircraft ground handling and fuelling segment			
Customer T (new)		17 955	20
Customer U (new)		9 766	4 133
Customer J		6 157	12 450
Customer K		3 583	3 989
Customer L		3 526	2 159
Other customers		42 054	34 870
		83 041	57 621
The aircraft maintenance, repair and overhaul (MRO) segment			
Customer H		23 476	18 411
Customer E		17 747	9 096
Customer F/O		12 675	8 347
Other customers		101 354	40 934
		155 252	76 788
The pilot and crew training segment			
Customer R		7 476	3 964
Customer S		-	1 524
Customer N		741	1 068
Customer M		611	963
Customer O/F		790	339
Other customers		13 585	11 192
		23 203	12 494

The Group'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 the Group in any of the years):

		GROUP	
Customer	Identity of segment/segments	2011	2010
Customer B	Passengers carriage	-	39 015
Customer A	Passengers carriage	-	35 192
Other customers	All business segments	476 769	230 056
		476 769	304 263

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
6 Revenue				
Aircraft fuel revenue	103 476	92 783	-	-
Passengers' revenue	107 484	70 665	-	-
Aircraft maintenance Revenue	88 404	51 185	-	-
Aircraft and aircrew lease	69 094	44 777	-	-
Spare parts and consumable revenue	32 197	10 664	-	-
Training and consulting revenue	28 356	14 172	173	289
Engine management revenue	19 622		-	-
Revenue of services resold	13 843	12 412	-	-
Aircraft ground services	12 232	7 605	-	-
Sales commissions and fees	2 061	-	2 984	-
	476 769	304 263	3 157	289
7 Other income				
Late payment penalties	1 320	7 225	-	-
Interest income on loans	410	114	1 668	-
Amortisation of financial guarantees		-	43	-
	1730	7 339	1 711	-
8 Employee related expenses				
Wages and salaries	52 000	29 744	1 643	141
Social insurance expenses	13 825	9 817	479	43
	65 825	39 561	2 122	184
Number of employees at the end of year	1 027	678	26	8
9 Depreciation and amortization				
Depreciation of tangible assets (note 15)	7 090	4 290	81	10
Amortisation of intangible assets (note 16)	983	588	6	-
	8 073	4 878	87	10

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
10 Other operating expenses				
Transportation and Related Expenses	8 479	3 725	315	25
Business Travel Expenses	8 503	4 838	192	12
Employee Lease Expenses	6 734	1 631	-	-
Insurance expenses	4 602	3 708	5	-
Consultation Expenses	4 241	2 311	450	73
Marketing and Sales Expenses	3 773	1 341	817	12
Office Administrative Expenses	2 503	794	118	5
Communications Expenses	1 053	668	140	5
IT expenses	818	404	12	-
Bank services	651	422	11	1
Rent and maintenance of training simulators	581	964	-	-
Audit expenses	414	182	116	-
Foreign exchange loss on operating activities	182	1 361	-	7
Other Expenses	3 552	1 875	119	7
	46 086	24 224	2 295	147
11 Other gain – net				
Gain (loss) on subsidiary disposed	2 890	-	(922)	-
Sales of inventory and assets	1 297	90	6	-
Costs of inventory and assets sold	(277)	(72)	(6)	-
Net fair value of acquiree's net assets over cost	-	(5)	-	-
	3 910	13	(922)	-
12 Finance income and costs				
Unwinding of discounted deposits	190	179	-	-
Interest income on cash and cash equivalents	158	78	61	-
Discounting of security deposit received	-	557	-	-
Foreign exchange gain on financing activities	-	-	461	-
Other finance income	138	-	-	-
Finance income	486	814	522	-
Interest expenses on borrowings	1 411	1 435	39	83
Unwinding of discounted security deposits received	852	-	-	-
Foreign exchange loss on financing activities	635	6	-	-
Late payment interest - costs	262	291	1	-
Discounting of security deposit placed	-	100	-	-
Unwinding of discounted borrowings	-	2 153	-	-
Other finance costs	375	4	-	-
Finance costs	3 535	3 989	40	83
Finance costs – net	(3 049)	(3 175)	482	(83)

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010

13 Income tax

Current income tax	5 421	2 963	-	-
Deferred income tax (Note 28)	(3 279)	(84)	(47)	(2)
Total income tax expenses	2 142	2 879	(47)	(2)

Domestic income tax is calculated at 15 per cent (2010: 15 per cent) of the annual profit for the year, in Poland income tax – 19 per cent (2010: 19 per cent), in Italy – 27.5 per cent (2010: 27.5 per cent). The annual profit earned by companies located in Estonia is not taxed. The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit (loss) before tax	10 864	20 669	(346)	(135)
Less: annual profit (loss) before tax earned by the entity located in Estonia	1 085	1 061	-	-
Profit (loss) before tax	11 949	21 730	(346)	(135)
Tax calculated at a tax rate of 15%	3 960	3 697	(52)	(20)
Tax calculated at a tax rate of 19%	(1 998)	(463)	-	-
Tax calculated at a tax rate of 27.5%	(846)	(111)	-	-
Tax calculated at a tax rate of 26% in Great Britain	(185)	-	-	-
Tax calculated at a tax rate of 27.5% in Russia	(30)	-	-	-
<i>Tax effects of:</i>				
- Expenses not deductible for tax purposes	1 296	421	11	18
- Non-taxable incomes	(245)	(498)	(6)	-
- Deferred tax assets not recognised on tax losses	125	(167)	-	-
- Adjustment in respect of prior year	65	-	-	-
Total income tax expenses	2 142	2 879	(47)	(2)

14 Earnings per share

The following reflects the income and adjusted share data used in EPS computations. The assumptions used in calculation of weighted average number of ordinary shares and profit (loss) attributable to equity holders were explained in Notes 1, 2.13 and 4.

Profit (loss) for the year	8 722	17 791	(299)	(133)
Less: profit (loss) attributable to non-controlling interests calculated in accordance with the structure as at 31 December 2011	-	25	-	-
Profit (loss) attributable to equity ownership holders of the Company calculated in accordance with shareholders structure as at 31 December 2011	8 722	17 816	(299)	(133)
Weighted average number of ordinary shares (thousand) (Note 23)	5 700	4 420	5 700	4 420
EPS – basic and diluted (in LTL)	1.53	4.03	(0.05)	(0.03)

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

15 Property, plant and equipment

THE GROUP	Buildings and structures	Machinery	Vehicles	Other tangible fixed assets	Leasehold improvements	Aircraft	Prepayments to tangible assets	Total
Opening net book amount as at 1 January 2010	14 394	3 204	5 552	2 190	-	-	-	25 340
Additions	-	3 498	1 686	2 034	-	-	997	8 215
Disposals	-	(19)	-	(48)	-	-	-	(67)
Write-offs	-	(106)	62	44	-	-	-	-
Depreciation charge	(1 116)	(1 448)	(541)	(1 185)	-	-	-	(4 290)
Closing net book amount as at 31 December 2010	13 278	5 129	6 759	3 035	-	-	997	29 198
At 31 December 2010								
Cost	16 720	10 675	10 305	6 952	-	-	997	45 649
Accumulated amortisation	(3 442)	(5 546)	(3 546)	(3 917)	-	-	-	(16 451)
Net book amount	13 278	5 129	6 759	3 035	-	-	997	29 198
Opening net book amount as at 1 January 2011	13 278	5 129	6 759	3 035	-	-	997	29 198
Acquisitions / Disposals of subsidiaries	-	565	610	118	-	-	-	1 293
Additions	366	16 960	7 440	3 813	837	85	284	29 785
Disposals	-	(20)	-	(73)	-	-	-	(93)
Reclassifications	-	5 959	(5 302)	(192)	-	-	(465)	-
Write-offs	-	-	-	(3)	-	-	-	(3)
Cumulative currency differences	-	(130)	(258)	(15)	-	-	(72)	(475)
Depreciation charge	(1 122)	(3 757)	(619)	(1 588)	-	(4)	-	(7 090)
Closing net book amount as at 31 December 2011	12 522	24 706	8 630	5 095	837	81	744	52 615
At 31 December 2011								
Cost	17 086	36 020	9 719	9 118	837	85	744	73 609
Accumulated amortisation	(4 564)	(11 314)	(1 089)	(4 023)	-	(4)	-	(20 994)
Net book amount	12 522	24 706	8 630	5 095	837	81	744	52 615

As at 31 December 2011 buildings of the Group with the carrying amounts of LTL 12 522 thousand were pledged to the bank as collateral for borrowings (Note 25).

THE COMPANY	Machinery	Other tangible fixed assets	Total
Opening net book amount as at 31 August 2010	-	-	-
Additions	64	265	329
Depreciation charge	(2)	(8)	(10)
Closing net book amount as at 31 December 2010	62	257	319
At 31 December 2010			
Cost	-	-	-
Accumulated amortisation	64	265	329
Net book amount	(2)	(8)	(10)
	62	257	319

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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



15 Property, plant and equipment (continued)

	Machinery	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2011	62	257	319
Additions	270	145	415
Depreciation charge	(20)	(61)	(81)
Closing net book amount as at 31 December 2011	312	341	653
At 31 December 2011			
Cost	334	409	743
Accumulated amortisation	(21)	(69)	(90)
Net book amount	313	340	653

As at 31 December 2011 buildings of the Group with the carrying amounts of LTL 13 278 thousand were pledged to the bank as collateral for borrowings (Note 25).

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Cost – capitalised finance lease				
Vehicles	2 652	2 155	-	-
Machinery	5 194	939	-	-
	7 846	3 094	-	-
Accumulated depreciation				
Vehicles	(642)	(526)	-	-
Machinery	(359)	(298)	-	-
	(1 001)	(824)	-	-
Net book value	6 845	2 270	-	-

16 Intangible assets

	Licences	Software	Website	Goodwill	Other intangible assets	Prepayment s relating to intangible assets	Total
THE GROUP							
Opening net book amount as at 1 January 2010	288	1 947	-	-	-	-	2 235
Additions	1 011	65	-	-	-	-	1 076
Depreciation charge	(164)	(424)	-	-	-	-	(588)
Closing net book amount as at 31 December 2010	1 135	1 588	-	-	-	-	2 723
At 31 December 2010							
Cost	1 364	2 311	-	-	-	-	3 675
Accumulated amortisation	(229)	(723)	-	-	-	-	(952)
Net book amount	1 135	1 588	-	-	-	-	2 723
Opening net book amount as at 1 January 2011	1 135	1 588	-	-	-	-	2 723
Acquisitions through business combination (Note 32)	3 528	-	-	2 763	-	-	6 291
Additions	1 933	92	5	-	99	-	2 129
Cumulative currency differences	(116)	-	-	-	-	-	(116)
Depreciation charge	(514)	(463)	(1)	-	(5)	-	(983)
Closing net book amount as at 31 December 2011	5 966	1 217	4	2 763	94	-	10 044

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

16 Intangible assets (continued)

	Licences	Software	Website	Goodwill	Other intangible assets	Prepayme nts relating to intangible assets	Total
At 31 December 2011							
Cost	6 681	2 394	5	2 763	99	-	11 942
Accumulated amortisation	(715)	(1 177)	(1)	-	(5)	-	(1 898)
Net book amount	5 966	1 217	4	-	94	-	10 044

THE COMPANY

	Licences	Software	Total
Opening net book amount as at 31 August 2010	-	-	-
Additions	-	7	7
Depreciation charge	-	-	-
Closing net book amount as at 31 December 2010	-	7	7
At 31 December 2010			
Cost	-	7	7
Accumulated amortisation	-	-	-
Net book amount	-	7	7
Opening net book amount as 1 January 2011	-	7	7
Additions	10	-	10
Depreciation charge	-	-	(5)
Closing net book amount as at 31 December 2011	7	5	12
At 31 December 2011			
Cost	10	7	17
Accumulated amortisation	(3)	(2)	(5)
Net book amount	7	5	12

	GROUP		COMPANY	
	2011	2010	2011	2010
17 Financial assets				
At the beginning of the period	-	-	8 195	-
Increase of share capital in subsidiaries	-	-	4 982	-
Fair value of intra-group financial guarantees	-	-	449	-
Subsidiary established (Note 1)	-	-	10	10
Disposal of subsidiary	-	-	(1 622)	-
Disposal of interest in subsidiary without loss of control	-	-	(527)	-
Purchase consideration of the newly issued shares of the Subsidiaries	-	-	-	4 165
Purchase consideration of the acquisition of remaining 10 percent of the share capital of the Subsidiaries	-	-	-	3 990
Acquisition of subsidiaries	-	-	-	30
At the end of the period	-	-	11 487	8 195

On 5 April 2011, the Company established the subsidiary *AviationCV.com UAB*. The investment in the subsidiary was LTL 10 thousand.

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

17 Financial assets (continued)

On 4 May 2011, the Company increased the share capital in subsidiary *Small Planet Airlines s.r.l. (Italy)* in amount of LTL 4,707 thousand. On 28 July 2011, the Company increased the share capital in subsidiary *Locatory.com AB* in amount of LTL 275 thousand.

On 24 May 2011, the Company disposed of a 10% interest out of the 95.5% interest held in *Small Planet Airlines s.r.l.* at a consideration of LTL 527 thousand. The carrying amount of the non-controlling interests in *Small Planet Airlines s.r.l.* on the date of disposal was the same - LTL 527 thousand.

On 22 November 2011, the Company disposed of a 95.5% interest out of the 95.5% interest held in *Small Planet Airlines AS (Estonia)* at a consideration of LTL 700 thousand. The carrying amount of the non-controlling interests in *Small Planet Airlines AS* on the date of disposal was LTL 1,622 thousand.

	GROUP		COMPANY	
	2011	2010	2011	2010
18 Inventories				
Spare parts and materials	20 397	8 213	-	-
Less: provision for impairment of spare parts	(250)	-	-	-
Spare parts and materials - net	20 147	8 213	-	-
Aircraft fuel	5 091	1 764	-	-
Goods for sale	9 459	1 637	-	-
Goods in transit	390	550	1	-
Other inventories	532	155	93	-
	35 619	12 319	94	-
19 Trade and other receivables				
Trade receivables	60 113	30 480	60	-
Less: provision for impairment of trade receivables	(3 129)	(1 306)	-	-
Trade receivables – net	56 984	29 174	60	-
Receivables from related parties	4 190	197	1 239	347
Less: provision for impairment of trade receivables from related parties	-	(17)	-	-
Receivables from related parties - net (Note 33)	4 190	180	1 239	347
Security deposit with lessor	15 232	5 406	9	-
Discounting of security deposit	(478)	(110)	-	-
Security deposit – net	14 754	5 296	9	-
Other receivables	1 925	826	148	-
Less: provision for impairment of other receivables	(364)	(96)	(2)	-
Other receivables - net	1 561	730	146	-
Loans granted	14 716	-	13 396	-
Less: provision for impairment of loans granted	(10)	-	(10)	-
Loans granted - net	14 706	-	13 396	-
Prepayments	5 510	8 182	4	4
Deferred charges	8 859	7 103	17	576
VAT receivables	5 161	1 449	-	65
Loans to related parties (Note 33)	750	644	36 323	73
Other receivables from related parties (Note 33)	21	490	930	-
Deferred charges to related parties (Note 33)	-	24	-	-
Prepayments from related parties (Note 33)	-	14	-	-
	112 496	53 286	52 124	1 066
Less non-current portion :	(15 274)	(1 920)	(25 812)	-
Current portion :	97 222	51 366	26 312	1 066

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

19 Trade and other receivables (continued)

All non-current receivables are due in 2013.

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

	GROUP		COMPANY	
	2011	2010	2011	2010
EUR	30 713	19 049	49	40
US dollars	20 246	6 604	-	-
LTL	3 068	2 659	1 250	307
PLN	1 782	783	-	-
Other	5 365	259	-	-
	61 174	29 354	1 299	347

20 Contracts in progress

Contract costs incurred and recognised profits (less losses) to date	7 763	3 171	-	-
Advances received on contracts in progress	(1 251)	(234)	-	-
Amounts due from customers on contracts in progress	6 512	2 937	-	-

21 Cash and cash equivalents

Cash and cash equivalents	17 781	10 713	904	4
Bank overdraft (Note 25)	(2 960)	(707)	-	-
	14 821	10 006	904	4

22 Share capital

On 31 December 2011 the share capital of the Company amounts to 5,893,333 litas and consists of 5,893,333 ordinary registered shares with a nominal value of one litas each (on 31 December 2011 – 4,420,000 ordinary registered shares). It was increased from 4,420,000 litas to 5,893,333 litas by issue additional 1,473,333 ordinary shares with a par value LTL 1 each (Note 23). All shares are fully paid up.

23 Share premium

On 18 February 2011 the Company issued additional 1,473,333 ordinary shares with a par value LTL 1 each for issue price of PLN 52 (25.0 % of the total ordinary share capital issued). Following the increase of the capital, share premium amounts to 66,281,951 litas. On 3 March 2011 shares of the Company were introduced to trading at Warsaw Stock Exchange.

The balance of share premium as at 31 December 2010	-
Contribution to share premium in cash (LTL 44.99 per share)	66 282
Cost directly related to issue of share capital	(7 512)
The balance of share premium as at 31 December 2011	58 770

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

24 Reserves

The merger reserve consists of the difference between the *Avia Solutions Group AB* purchase consideration for the acquisition of remaining 10 percent of the share capital of the Group companies and nominal value of the share capital acquired (in the third step of the pre-IPO Reorganisation, Note 1).

A 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 retaining earnings for the profit distributing purpose.

	Merger reserve	Legal reserve
The balance of reserves as at 31 December 2009	-	16
Transfer to legal reserve	-	28
The merger reserve (Note 1)	(3 517)	-
The balance of reserves as at 31 December 2010	(3 517)	44
Transfer to legal reserve	-	219
Decrease of merger reserve and non-controlling interests pursuant to the disposal of subsidiary	771	-
The balance of reserves as at 31 December 2011	(2 746)	263

25 Borrowings

Non-current

Bank borrowings	23 309	4 284	-	-
Finance lease liabilities	4 340	1 214	-	-
Borrowings from related parties	266	5 082	-	-
Other non-current borrowings	330	-	-	-
	28 245	10 580	-	-

Current

Bank borrowings	19 418	10 555	-	-
Bank overdraft	2 960	707	-	-
Finance lease liabilities	2 505	661	-	-
Borrowings from related parties	6	12 793	-	4 698
Other current borrowings	2	-	-	-
	24 891	24 716	-	4 698
Total borrowings	53 136	35 296	-	4 698

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

EUR	44 472	8 291	-	-
LTL	5 755	10 585	-	4 698
GBP	2 909	-	-	-
US dollars	-	16 420	-	-
	53 136	35 296	-	4 698

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

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

25 Borrowings (continued)

	GROUP		COMPANY	
	2011	2010	2011	2010
Less than 1 year	24 891	24 653	-	4 698
Between 1 and 5 years	15 180	6 938	-	-
Over 5 years	13 065	3 705	-	-
	53 136	35 296	-	4 698

The weighted average interest rates (%) at the balance sheet date (excluding finance lease) were as follows:

Bank overdraft	6.30%	7.00%	-	-
Finance lease liabilities	6.22%	5.84%	-	-
Borrowings from related parties	4.96%	7.50%	-	8%
Bank borrowings	3.72%	3.51%	-	-

Finance lease liabilities – minimum lease payments:

Not later than 1 year	2 660	702	-	-
After 1 year but not later than 5 years	5 380	1 360	-	-
After 5 years	-	-	-	-
Less: future finance lease charges	(1 195)	(187)	-	-
Present value of finance lease liabilities	6 845	1 875	-	-

Present value of finance lease liabilities:

Not later than 1 year	2 505	598	-	-
After 1 year but not later than 5 years	4 340	1 277	-	-
After 5 years	-	-	-	-
	6 845	1 875	-	-

26 Trade and other payables

Trade payables	38 251	19 462	101	243
Accruals for c-check, hangar lease payments and other accrued expenses	13 789	8 474	368	121
Amounts payable to related parties (Note 33)	1 514	3 860	15	176
Salaries and social security payable	5 456	2 904	169	59
Deferred revenue	2 389	1 805	-	-
Provision for maintenance costs	122	2 151	-	-
Other payables	1 282	170	-	9
	62 803	38 826	31	608
Less: non-current portion	(2 109)	(1 746)	-	-
Current portion	60 694	37 080	684	608

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

US dollars	24 249	11 514	1	-
LTL	20 460	17 989	674	454
PLN	5 708	1 183	-	-
EUR	7 117	4 771	7	154
GBP	2 871			
EEK	2 225	1 411	-	-
Other currencies	173	1 958	2	-
	62 803	38 826	684	418

AVIA SOLUTIONS GROUP AB
 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011



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

	GROUP		COMPANY	
	2011	2010	2011	2010
27 Security deposits received				
Security deposits repayable after one year at nominal value	18 088	9 896	-	-
Less: discounting effect	(325)	(516)	-	-
Security deposits repayable after one year	17 763	9 380	-	-
Security deposits repayable within one year	(10 238)	947	-	-
	7 525	10 327	-	-

28 Deferred income taxes

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

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
Deferred tax assets				
At beginning of the period	1 157	1 040	2	-
Acquisition through business combination	2 861	-	-	-
Currency translation differences	(20)	-	-	-
Income statement credit (charge) (Note 13)	3 535	117	47	2
At end of year	7 533	1 157	49	2
Deferred tax liabilities				
At beginning of the period	33	-	-	-
Income statement credit (charge) (Note 13)	256	(33)	-	-
At end of year	289	(33)	-	-

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Deferred tax assets				
Deferred income tax to be recovered within 1 year	3 355	1 053	49	2
Deferred income tax to be recovered after 1 year	4 178	104	-	-
	7 533	1 157	49	2
Deferred tax liabilities				
Deferred income tax to be recovered within 1 year	289	(33)	-	-
Deferred income tax to be recovered after 1 year	-	-	-	-
	289	(33)	-	-

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

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

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

28

Deferred income taxes (continued)

GROUP - deferred tax assets	Accumulated taxable losses	Impairment of receivables	Discounting effect	Accruals for unused vacation	Other accrued expenses	Total
At 31 December 2009	-	82	199	132	628	1 040
Charged / (credited) to the profit or loss	508	71	(259)	26	(229)	117
At 31 December 2010	508	153	(60)	158	398	1 157
Acquisition through business combination	2 861	-	-	-	-	2 861
Currency translation differences	(20)	-	-	-	-	(20)
Charged / (credited) to the profit or loss	3 000	(13)	78	75	395	3 535
At 31 December 2011	6 349	140	18	233	793	7 533

GROUP - deferred tax liabilities	Other accrued expenses	Total
At 31 December 2009	-	-
Charged / (credited) to the profit or loss	33	33
At 31 December 2010	33	33
Charged / (credited) to the profit or loss	256	256
At 31 December 2011	289	289

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

COMPANY - deferred tax assets	Accruals for unused vacation	Accumulated taxable losses	Total
At 31 August 2010	-	-	-
Charged / (credited) to the profit or loss	-	2	2
At 31 December 2010	-	2	2
Charged / (credited) to the profit or loss	7	40	47
At 31 December 2011	7	42	49

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 (2010: 15% rate), in Poland - at 19% rate (2010: 19% rate), in Italy - at 27.5% rate. Due to the nature of the taxation system, the companies registered in Estonia don't have any differences between the tax bases of assets and their carrying amounts, no deferred income tax assets and liabilities arise.

AVIA SOLUTIONS GROUP AB
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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

	GROUP		COMPANY	
	2011	2010	2011	2010
29 Financial instruments by category				
<i>Category – Loans and receivables</i>				
Trade receivables (Note 19)	61 170	29 174	60	-
Security deposit with lessor (Note 19)	14 754	5 296	9	-
Loans provided (Note 19)	14 706	-	-	-
Other receivables (Note 19)	1 561	730	146	-
Loans provided to related parties (Notes 19, 33)	750	644	36 323	73
Other receivables from related parties (Note 19)	21	490	930	-
Trade receivables from related parties (Notes 19, 33)	4	180	1 239	347
Cash and cash equivalents (Note 21)	17 781	10 713	904	4
	110 747	47 227	39 611	424
<i>Category – financial liabilities measured at amortised cost</i>				
Bank loans (Note 25)	42 727	14 839	-	-
Trade payables (Note 26)	39 751	19 462	101	243
Trade payables to related parties (Notes 26, 33)	14	3 860	169	176
Finance lease liabilities (Note 25)	6 845	1 875	-	-
Bank overdraft (Notes 21, 25)	2 960	707	-	-
Other borrowings	332	-	-	-
Other payables (Note 25)	1 282	170	31	9
Borrowings from related parties (Note 25)	272	17 875	-	4 698
	94 183	58 788	301	5 126

30 Operating lease

The Group leases aircraft, two aircraft hangars, training building, flight simulator, premises, commercial vehicles and warehouse 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 operating lease expenditure charged to the income statement during the year are as follows:

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
Aircraft	55 267	41 267	-	-
Aircraft hangars	3 927	3 147	-	-
Premises	632	1 376	60	-
Flight simulator	504	796	-	-
Commercial vehicles	188	62	-	-
Warehouse	39	32	-	-
	60 557	46 680	60	-

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Not later than 1 year	27 704	28 300	66	55
Later than 1 year but not later than 5 years	53 083	82 525	33	82
Later than 5 years	15 737	20 461	-	-
	96 524	131 286	99	137

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

31 Management compensation

Following the pre-IPO reorganisation in September 2010 some members of the management of the Group have acquired shares in the Group companies at their nominal value. According to the Shareholders agreement, restrictions on selling of these shares during the two year time are imposed. The difference between the estimated fair value of the shares acquired by the members of management and their nominal value would be recognized as management compensation in profit or loss during the two year period. According to the management estimate, total effect on profit or loss during the whole period would be LTL 1.8 million.

Following the acquisition of *Storm Aviation Ltd.* in September 2011 some members of the management of the subsidiary have disposed their shares at **discounted** value. According to the acquisition agreement, the difference between the fair value of the shares disposed by the members of the subsidiary's management and their **discounted** value **at the acquisition date** would be recognized as post remunerations services in profit or loss during the **three** years period, if the Management of subsidiary achieve appointed EBIDTA targets. According to the Group's management estimate, the least effect on profit or loss during the whole period would be LTL 0.9 million.

32 Business combination

On 30 September 2011, the Group acquired 100% of the share capital of *Storm Aviation Ltd.* and 100% of the share capital of its subsidiary *Storm Aviation Cyprus Ltd.* from third parties. As a result of the acquisition, the Group is expected to increase its presence in the MRO segment, in the line maintenance sub-segment. The goodwill of LTL 2 763 thousand and the commercial licence of LTL 3 528 thousand arising from the acquisition is attributable to acquired line maintenance approvals and basic licence base (see Notes 2.6, 4).

Details of purchase consideration and assets and liabilities arising from the acquisitions are as follows:

	Storm Aviation Ltd. - acquiree's carrying amount	Storm Aviation Ltd. - acquiree's fair value
Cash and cash equivalents	1 204	1 204
Property, plant and equipment	1 313	1 313
Intangible assets	3 907	-
Deferred income tax assets	-	2 861
Receivables	5 203	5 203
Payables	(4 639)	(4 639)
Borrowings	(7 028)	(7 028)
Net assets acquired	(40)	(1 086)
Excess of fair value of the acquirer's net assets over cost (recognised as intangible assets)		6 291
Total purchase consideration - paid in cash		5 205
Total purchase consideration - paid in cash		(5 205)
Cash and cash equivalents in subsidiary acquired		1 204
Cash outflow on acquisition		(4 001)
Re-allocation of excess of fair value of the acquirer's net assets over cost (recognised as intangible assets):		
Goodwill		2 763
Licences		3 528
		6 291

The revenue included in the consolidated statement of comprehensive income since 1 October 2011 contributed by *Storm Aviation Ltd.* and its subsidiary *Storm Aviation Cyprus Ltd.* was LTL 7,771 thousand. Acquired subsidiaries contributed loss of LTL 523 thousand over the same period.

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

32 Business combination (continued)

On 22 November 2011, the Group sold 95.5% of the share capital of *Small Planet Airlines AS (Estonia)* to third parties. Details of sale price and assets and liabilities arising from the disposal are as follows:

	Small Planet Airlines AS - disposal's carrying amount
Cash and cash equivalents	46
Property, plant and equipment	21
Receivables	911
Payables	(3 379)
Borrowings	(698)
Net assets disposed	(3 099)
Net fair value of net assets disposed	3 799
Total sale price - received in cash	700
Net fair value of net assets disposed:	
Net fair value of net assets disposed, recognised directly in profit (loss) (Note 11)	2 890
Net fair value of net assets disposed, recognised directly in equity	909
	3 799

33 Related party transactions

Related parties of the Company and the Group include entities having significant influence, 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.

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
Sales of assets:				
Subsidiaries of the Group	-	-	27	-
Other related parties	-	193	-	-
	-	193	27	-
Sales of services to:				
Entities having significant influences	-	-	-	-
Subsidiaries of the Group	-	-	2 718	289
Other related parties	-	1 133	-	-
	-	1 133	2 718	289
Total sales of assets and services	-	1 326	2 745	289

In year 2011 amount of sales of consulting and management services from the Company to its subsidiaries was LTL 2,718 thousand (2009: LTL 289 thousand).

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

33 Related party transactions (continued)

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
Purchases of assets from:				
Entities having significant influences	59	-	59	-
Subsidiaries of the Group	-	-	2	-
Other related parties	-	446	-	336
	59	446	209	336
Purchases of services from:				
Entities having significant influences	-	112	-	16
Subsidiaries of the Group	-	-	48	-
Other related parties	-	28 578	-	98
	-	28 690	48	114
Total purchases of assets and services	59	29 136	257	450

	GROUP		COMPANY	
	2011	2010	2011	2010
Trade receivables from related parties				
Trade receivables from entities having significant influences	1	-	-	-
Trade receivables from subsidiaries of the Group	-	-	1 239	-
Trade receivables from other related parties	4 189	197	-	347
Less: provision for impairment of receivables from other related parties	-	(17)	-	-
Other related parties – net	4 189	180	1 239	234
Other trade receivables from subsidiaries of the Group	-	-	915	-
Other trade receivables from related parties	21	490	15	-
Prepayments from entities having significant influences	-	3	-	-
Prepayments from other related parties	-	11	-	-
	4 211	684	2 169	347

Payables and advances received from related parties

Amounts payable to entities having significant influences	13	37	12	37
Amounts payable to subsidiaries of the Group	-	-	3	-
Amounts payable to other related parties	1 501	3 823	-	140
	1 514	3 860	15	177

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

33 Related party transactions (continued)

	GROUP		COMPANY	
	2011	2010	2011	Period since incorporation till 31 December 2010
Loans received from related parties				
Beginning of the period	18 317	12 736	4 698	-
Acquisition	-	395	-	-
Loans received from subsidiaries of the Group	-	-	76	-
Loans received from other related parties	458	18 087	-	4 697
Loan repayments to entities having significant influences	-	-	(4 468)	-
Loan repayments to subsidiaries of the Group	-	-	(306)	-
Loans repayments to other related parties / set-offs	(18 375)	(13 470)	-	-
Interest on loans charged (2011 - at 5%, 2010 - at 7.23%)	111	2 946	39	83
Interest on loans repaid / set-offs	(239)	(2 347)	(39)	-
End of the period	272	18 317	-	4 780
Less: non-current portion	(266)	(5 082)	-	-
Current portion (including accrued interest expense):	6	13 235	-	4 780

Loans to related parties

Beginning of the period	654	1 774	-	-
Loans advanced to other related parties	729	5 404	-	73
Loan repayments received/set-offs from other related parties	(616)	(6 324)	-	-
Interest charged (2011 - at 5.36%, 2010 - at 5.75%)	28	35	-	-
Interest received / set-off	(11)	(235)	-	-
End of the period	784	654	-	73
Less non-current portion:	(605)	-	-	-
Current portion (including accrued interest income):	179	654	-	73

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

In 2011 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank loans amounting to LTL 33.8 million as at 31 December 2011, related towards working capital financing and to the refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of buildings and inventory owned by the subsidiary.

Date of issue	Issued to	On behalf of	Valid till	Amounts as of 2011.12.31, LTL
2011.09.30	Pohjola Bank	The Subsidiary	2017.08.31	33 806 610

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

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

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Salaries	6 125	2 604	525	120
Social insurance expenses	1 724	888	163	37
Bonuses	195	264	-	-
	8 044	3 756	688	157
The number of key management at the end of year	60	26	3	3

35 Events after the balance sheet date

On 12 January 2012 the Company issued guarantee to a bank on behalf of the Subsidiary in the amount EUR 3.5 million to secure a bank loan for working capital. The liabilities secured under this guarantee were also secured by pledging inventory of the Subsidiary.

In March the Company granted current loans to third party in total amount of LTL 5 000 thousand and to subsidiary in total amount of LTL 6 000 thousand.

On 4 April 2012 the Company sold 6100 shares of *Small Planet Airlines S.r.l.* to *S.G.S.T. S.r.l.*, representing 50% of the share capital of the company. *S.G.S.T. S.r.l.* is the main client of *Small Planet Airlines S.r.l.* Sales proceeds from the disposal of a 50% shareholding in *Small Planet Airlines S.r.l.* amounted to EUR 763.5 thousand. Following the sale, the Company became the minority shareholder of *Small Planet Airlines S.r.l.* with 35.5% shareholding.

General Director
 Linas Dovydenas