

**AVIA SOLUTIONS GROUP AB**  
Independent Auditor's Report,  
Separate and Consolidated Financial Statements,  
Consolidated Annual Report  
For the Year Ended 31 December 2013

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*Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.*

## **Independent Auditor's Report**

To the shareholders of Avia Solutions Group AB

### **Report on the financial statements**

We have audited the accompanying stand-alone and consolidated financial statements of Avia Solutions Group AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 63, which comprise the stand-alone and consolidated balance sheets as of 31 December 2013 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

Furthermore, we have read the consolidated annual report for the year ended 31 December 2013 set out on pages 64 to 86 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2013.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a series of smaller, connected strokes.

Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
15 April 2014

**STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

Approved by the Annual General Meeting of  
Shareholders as at \_\_\_\_\_ 2014

	Note	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
<b>Continuing operations</b>					
Revenue	5, 6	554 056	535 860	6 499	4 965
Cost of sales	5, 11	(486 305)	(462 212)	(1 626)	(1 206)
<b>Gross profit</b>	5	<b>67 751</b>	<b>73 648</b>	<b>4 873</b>	<b>3 759</b>
General and administrative expenses	11	(61 459)	(43 438)	(8 220)	(4 916)
Other income	7	1 696	412	2 702	2 749
Other gains / (losses) – net	10	12 729	1 004	(2 455)	(1 309)
<b>Operating profit (loss)</b>		<b>20 717</b>	<b>31 626</b>	<b>(3 100)</b>	<b>283</b>
Finance income		575	947	15	307
Finance costs		(3 842)	(2 090)	(23)	(1)
<b>Finance costs – net</b>	12	<b>(3 267)</b>	<b>(1 143)</b>	<b>(8)</b>	<b>306</b>
Share of profit (losses) of associates		(604)	(947)	-	-
<b>Profit (loss) before income tax for continuing operations</b>		<b>16 846</b>	<b>29 536</b>	<b>(3 108)</b>	<b>589</b>
Income tax expense	13	(1 556)	(3 482)	87	793
<b>Profit (loss) for the year from continuing operations</b>		<b>15 290</b>	<b>26 054</b>	<b>(3 021)</b>	<b>1 382</b>
<b>Discontinued operations</b>					
Profit (loss) for the year from discontinued operations	33	16 162	(6 978)	-	-
<b>Profit (loss) for the year</b>		<b>31 452</b>	<b>19 076</b>	<b>(3 021)</b>	<b>1 382</b>
<b>Profit (loss) attributable to:</b>					
Equity holders of the parent					
Profit (loss) for the year from continuing operations		15 232	26 087	(3 021)	1 382
Profit (loss) for the year from discontinued operations		16 393	(6 605)	-	-
<b>Profit (loss) for the year attributable to equity holders of the parent</b>		<b>31 625</b>	<b>19 482</b>	<b>(3 021)</b>	<b>1 382</b>
Non-controlling interests					
Profit (loss) for the year from continuing operations		58	(33)	-	-
(Loss) for the year from discontinued operations		(231)	(373)	-	-
<b>(Loss) for the year attributable to non-controlling interests of the parent</b>		<b>(173)</b>	<b>(406)</b>	<b>-</b>	<b>-</b>
		<b>31 452</b>	<b>19 076</b>	<b>(3 021)</b>	<b>1 382</b>

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

Approved by the Annual General Meeting of  
Shareholders as at \_\_\_\_\_ 2014

	Note	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
<b>Other comprehensive income</b>					
<b>Continuing operations</b>					
Net gain (loss) on cash flow hedges	2.20, 24	205	(420)	-	-
Income tax effect	2.20, 28	(31)	63	-	-
		<b>174</b>	<b>(357)</b>	<b>-</b>	<b>-</b>
Exchange differences on translation of foreign operations		(309)	(827)	-	-
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods from continuing operations</b>		<b>(135)</b>	<b>(1 184)</b>	<b>-</b>	<b>-</b>
<b>Discontinued operations</b>					
Exchange differences on translation of foreign operations from discontinued operations		(205)	(213)	-	-
<b>Net other comprehensive income (loss) to be reclassified to profit loss in subsequent periods</b>		<b>(340)</b>	<b>(1 397)</b>	<b>-</b>	<b>-</b>
Total comprehensive income for the year attributable to:					
Equity holders of the parent					
Total comprehensive income (loss) for the year from continuing operations		15 096	24 912	(3 021)	1 382
Total comprehensive income (loss) for the year from discontinued operations		16 191	(6 808)	-	-
<b>Total comprehensive income (loss) for the year attributable to equity holders of the parent</b>		<b>31 287</b>	<b>18 104</b>	<b>(3 021)</b>	<b>1 382</b>
Non-controlling interests					
Total comprehensive income (loss) for the year from continuing operations		59	(42)	-	-
Total comprehensive income (loss) for the year from discontinued operations		(234)	(383)	-	-
<b>Total comprehensive income (loss) for the year attributable to non-controlling interests of the parent</b>		<b>(175)</b>	<b>(425)</b>	<b>-</b>	<b>-</b>
		<b>31 112</b>	<b>17 679</b>	<b>(3 021)</b>	<b>1 382</b>
<b>Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year</b>					
<b>Basic earnings per share</b>					
From continuing operations	14	2.583	4.427	(0.512)	0.235
From discontinued operations	14	2.780	(1.121)	-	-
From profit (loss) for the year	14	<b>5.364</b>	<b>3.306</b>	<b>(0.512)</b>	<b>0.235</b>

The notes on pages 13 to 63 form an integral part of these financial statements. The financial statements on pages 5 to 63 have been approved for issue by the Board as at 11 April 2014 and signed on their behalf by the General Director and the Chief Financial Officer.

General Manager  
Linas Dovydenas



Chief Financial Officer  
Aurimas Sanikovas



**AVIA SOLUTIONS GROUP AB**

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

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

**BALANCE SHEETS**

Approved by the Annual General Meeting of  
Shareholders as at \_\_\_\_\_ 2014

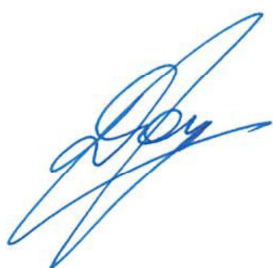
		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2013	2012	2013	2012
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	96 065	64 920	875	818
Intangible assets	16	6 943	6 904	185	156
Investments in subsidiaries	17	-	-	23 870	4 936
Investments in associates	32	-	-	-	1 872
Deferred tax assets	28	11 731	7 631	322	235
Trade and other receivables	19	4 111	3 690	28 744	2 343
		<b>118 850</b>	<b>83 145</b>	<b>53 996</b>	<b>10 360</b>
<b>Current assets</b>					
Inventories	18	125 853	75 592	29	143
Trade and other receivables	19	98 274	93 623	20 015	54 817
Amount due from customers for contract work	20	8 812	8 076	-	-
Prepaid income tax		1 043	809	-	-
Short-term bank deposit		1 506	-	-	-
Cash and cash equivalents	21	21 678	8 913	3 313	548
		<b>257 166</b>	<b>187 013</b>	<b>23 357</b>	<b>55 508</b>
<b>Assets of disposal group classified as held for sale</b>	33	-	<b>29 137</b>	-	<b>1 008</b>
<b>Total assets</b>		<b>376 016</b>	<b>299 295</b>	<b>77 353</b>	<b>66 876</b>

**BALANCE SHEETS (CONTINUED)**

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2013	2012	2013	2012
EQUITY					
Equity attributable to the Group’s equity shareholders					
Share capital	22	6 058	5 893	6 058	5 893
Share premium	23	64 538	58 770	64 538	58 770
Legal reserve	24	316	256	69	-
Merger reserve	24	(1 567)	(2 868)	-	-
Fair value reserve	24	(183)	(357)	-	-
Cumulative translations differences		(909)	(397)	-	-
Retained earnings		83 319	53 040	(2 125)	950
Equity attributable to equity holders of the parent		151 572	114 337	68 540	65 613
Non-controlling interests		29	(742)	-	-
Total equity		151 601	113 595	68 540	65 613
LIABILITIES					
Non-current liabilities					
Borrowings	25	45 222	25 785	-	-
Security deposits received	27	2 535	-	-	-
Trade and other payables	26	1 445	1 686	-	-
Government grants		818	-	-	-
Deferred income tax liabilities	28	380	388	-	-
Derivative financial instruments	2.20	214	420	-	-
Financial guarantees	17, 34	-	-	294	58
		50 614	28 279	294	58
Current liabilities					
Borrowings	25	65 095	47 956	7 027	-
Trade and other payables	26	90 160	68 383	1 279	909
Advances received		16 147	6 944	-	-
Current income tax liabilities		1 390	2 070	-	-
Security deposits received	27	1 009	279	-	-
Financial guarantees	17, 34	-	-	213	296
		173 801	125 632	8 519	1 205
Total liabilities		224 415	153 911	8 813	1 263
Liabilities of disposal group classified as held for sale					
	33	-	31 789	-	-
Total equity and liabilities		376 016	299 295	77 353	66 876

The notes on pages 13 to 63 form an integral part of these financial statements.

General Manager  
Linās Dovydenas



Chief Financial Officer  
Aurimas Sanikovas





**AVIA SOLUTIONS GROUP AB**

## SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

(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 2014

**THE GROUP**

	Equity attributable to equity holders of the Group								Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings		
<b>Balance at 1 January 2012</b>	5 893	58 770	-	(2 739)	256	-	624	33 531	18	96 353
<b>Comprehensive income</b>										
Net loss on cash flow hedge (Note 2.20)	-	-	-	-	-	(357)	-	-	-	(357)
Currency translation difference from continuing operations	-	-	-	-	-	-	(818)	-	(9)	(827)
Currency translation difference from discontinued operations	-	-	-	-	-	-	(203)	-	(10)	(213)
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	26 087	(33)	26 054
Profit (loss) for the period from discontinued operations (Note 33)	-	-	-	-	-	-	-	(6 605)	(373)	(6 978)
<b>Total comprehensive income</b>	-	-	-	-	-	(357)	(1 021)	19 482	(425)	17 679
<b>Transactions with owners</b>										
Acquisition of non-controlling interests (Note 17)	-	-	-	(129)	-	-	-	6	(7)	(130)
Disposal of non-controlling interests (Note 17)	-	-	-	-	-	-	-	21	59	80
Disposal of interest in subsidiary with loss of control (Note 32)	-	-	-	-	-	-	-	-	(387)	(387)
<b>Total transactions with owners</b>	-	-	-	(129)	-	-	-	27	(335)	(437)
<b>Balance at 31 December 2012 / Balance at 1 January 2013</b>	5 893	58 770	-	(2 868)	256	(357)	(397)	53 040	(742)	113 595
<b>Comprehensive income</b>										
Net profit on cash flow hedge (Note 2.20)	-	-	-	-	-	174	-	-	-	174
Currency translation difference from continuing operations	-	-	-	-	-	-	(310)	-	1	(309)
Currency translation difference from discontinued operations (Note 32)	-	-	-	-	-	-	(202)	-	(3)	(205)
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	15 232	58	15 290
Profit (loss) for the period from discontinued operations (Note 33)	-	-	-	-	-	-	-	16 393	(231)	16 162
<b>Total comprehensive income</b>	-	-	-	-	-	174	(512)	31 625	(175)	31 112
<b>Transactions with owners</b>										
Derecognition of legal and merger reserves, decrease in non-controlling interest related to disposal of subsidiaries (Note 32)	-	-	-	1 301	(96)	-	-	(1 205)	946	946
Purchase of treasury shares (Note 32)	-	-	(1 169)	-	-	-	-	-	-	(1 169)
Disposal of treasury shares (Note 32)	-	-	1 169	-	-	-	-	15	-	1 184
Transfer to legal reserve (Note 24)	-	-	-	-	156	-	-	(156)	-	-
Share emission related to purchase of subsidiary (Notes 22, 23, 32)	165	5 768	-	-	-	-	-	-	-	5 933
<b>Total transactions with owners</b>	165	5 768	-	1 301	60	-	-	(1 277)	946	6 894
<b>Balance at 31 December 2013</b>	6 058	64 538	-	(1 567)	316	(183)	(909)	83 319	29	151 601

**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

THE COMPANY	Share capital	Share premium	Legal reserve	Treasury shares	Retained earnings	Total equity
<b>Balance at 31 December 2011</b>	5 893	58 770	-	-	(432)	64 231
<b>Net profit</b> - total comprehensive income for the year	-	-	-	-	1 382	1 382
<b>Balance at 31 December 2012 / Balance at 1 January 2013</b>	5 893	58 770	-	-	950	65 613
<b>Net profit</b> - total comprehensive income for the year	-	-	-	-	(3 021)	(3 021)
<b>Transaction with owners</b>						
Transfer to legal reserve (Note 24)	-	-	69	-	(69)	-
Increase in share capital (Notes 22, 23)	165	5 768	-	-	-	5 933
Disposal of subsidiaries / Purchase of treasury shares (Note 32)	-	-	-	(1 169)	-	(1 169)
Disposal of treasury shares (Note 32)	-	-	-	1 169	15	1 184
<b>Total transactions with owners</b>	165	5 768	69	-	(54)	5 948
<b>Balance at 31 December 2013</b>	6 058	64 538	69	-	(2 125)	68 540

The notes on pages 13 to 63 form an integral part of these financial statements.

General Manager  
 Linas Dovydenas



Chief Financial Officer  
 Aurimas Sanikovas



**AVIA SOLUTIONS GROUP AB**
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**
*(All tabular amounts are in LTL '000 unless otherwise stated)*

**STATEMENTS OF CASH FLOWS**

 Approved by the Annual General Meeting of  
Shareholders as at \_\_\_\_\_ 2014

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
<b>Operating activities</b>					
Profit (loss) for the year including discontinued operations		31 452	19 076	(3 021)	1 382
Income tax including discontinued operations in 2013 (Notes 13, 33)	13	1 561	3 482	(87)	(793)
<i>Adjustments for:</i>					
Depreciation and amortisation	9,11,15,16	16 794	11 053	345	202
Impairment of accounts receivable, inventories	3.1,5,11,15,18,19	12 753	4 684	1 740	3
Accruals of hangar lease payments, PBH contracts		3 155	(176)	-	-
Interest expenses	12	2 146	1 814	22	-
Share of loss from associates		604	947	-	-
(Profit)/loss on disposal of PPE		229	(7 953)	-	-
Fair value loss on derivative financial instruments	2.20,28	(31)	63	-	-
Discounting effect on deposits placed	27	(357)	-	-	-
Currency translations differences		(617)	(1 427)	-	-
Interest income	12	(972)	(406)	(2 475)	(2 571)
Net fair value of acquiree's net assets over cost	32	(13 893)	-	-	-
Gain on disposal in Group's financial statements (discontinued operations) / Net result of subsidiaries disposal	10,32,33	(16 162)	-	(16)	-
Net fair value loss on investments in subsidiaries / associates classified as held for sale at fair value	10	-	-	2 476	1 291
Amortisation of intra-group financial guarantees	7	-	-	(227)	(178)
<i>Changes in working capital:</i>					
- Inventories		(19 678)	(40 958)	115	(49)
- Trade and other receivables		(1 088)	(34 702)	(6 329)	(2 237)
- Trade and other payables, advances received		3 286	21 566	346	230
- Security deposits received		2 718	283	-	-
<b>Cash generated from (used in) operations</b>		<b>21 900</b>	<b>(22 654)</b>	<b>(7 111)</b>	<b>(2 720)</b>
Interest received		740	206	2 626	2 230
Interest paid		(2 188)	(1 764)	-	-
Income tax paid		(2 500)	(5 965)	-	-
<b>Net cash generated from (used in) operating activities from continuing operations</b>		<b>17 952</b>	<b>(30 177)</b>	<b>(4 485)</b>	<b>(490)</b>
Net cash generated from (used in) operating activities from discontinued operations		-	8 881	-	-
<b>Net cash generated from (used in) operating activities</b>		<b>17 952</b>	<b>(21 296)</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>					
Purchase of PPE and intangible assets		(28 778)	(22 892)	(476)	(516)
Proceeds from PPE and intangible assets		1 643	15 377	45	2
Loans granted		(1 042)	(7 418)	(1 873)	(26 073)
Repayments of loans granted		9 397	15 774	13 874	25 632
Deposits placed		(963)	(956)	(37)	(24)
Repayments of deposits placed		261	128	-	-
Proceeds from sale of interest in subsidiary with loss of control	17,32	126	-	126	1 243
Purchase of subsidiaries (net of cash acquired)	32	(11 461)	-	(12 470)	-
Establishment of subsidiaries	17	-	-	(150)	-
<b>Net cash used in investing activities from continuing operations</b>		<b>(30 817)</b>	<b>13</b>	<b>(961)</b>	<b>264</b>
Net cash used in investing activities from discontinued operations		-	(3 317)	-	-
<b>Net cash used in investing activities</b>		<b>(30 817)</b>	<b>(3 304)</b>	<b>(961)</b>	<b>264</b>

**AVIA SOLUTIONS GROUP AB****SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013***(All tabular amounts are in LTL '000 unless otherwise stated)***STATEMENTS OF CASH FLOWS (CONTINUED)**

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2013	2012	2013	2012
<b>Financing activities</b>					
Bank borrowings received		19 063	29 350	-	-
Repayments of bank borrowings		(16 333)	(7 242)	-	-
Borrowings from related parties received		16 317	835	7 027	-
Repayments of borrowings from related parties		(2 027)	(782)	-	-
Other borrowings received		3	5	-	-
Repayment of other borrowings		-	(1)	-	-
Repayments of lease liabilities		(3 480)	(3 343)	-	-
Proceeds on disposal of treasury shares	32	1 184	-	1 184	-
(Acquisition) of non-controlling interests	17	-	(130)	-	(130)
<b>Net cash generated from financing activities</b>		<b>14 727</b>	<b>18 692</b>	<b>-</b>	<b>-</b>
<b>Increase in cash and cash equivalents</b>		<b>1 862</b>	<b>(5 908)</b>	<b>2 765</b>	<b>(356)</b>
At beginning of year	21	8 913	14 821	548	904
Increase (decrease) in cash and cash equivalents		1 862	(5 908)	2 765	(356)
<b>At end of year</b>	21,25	<b>10 775</b>	<b>8 913</b>	<b>3 313</b>	<b>548</b>

The notes on pages 13 to 63 form an integral part of these financial statements.

General Manager  
Linas Dovydenas

A blue ink signature of Linas Dovydenas, written in a cursive style.

Chief Financial Officer  
Aurimas Sanikovas

A blue ink signature of Aurimas Sanikovas, written in a cursive style.

## 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.

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

	2013		2012	
	Number of shares	Percentage owned	Number of shares	Percentage owned
ZIA Valda Cyprus Ltd.	1 939 275	32.01%	1 939 275	32.906%
Vaidas Barakauskas	832 666	13.74%	-	-
Harberin Enterprises Limited	606 551	10.01%	609 051	10.33%
Indeco: Investment and Development UAB	457 184	7.55%	1 292 850	21.938%
ING Otworthy Fundusz Emerytalny	390 000	6.44%	390 000	6.618%
Hubert Bojdo	100 000	1.65%	100 000	1.697%
Anatolij Legenzov	73 255	1.21%	-	-
Aurimas Sanikovas	22 125	0.37%	11 050	0.188%
Other free float	1 637 277	27.02%	1 551 107	26.323%
<b>Total</b>	<b>6 058 333</b>	<b>100.00%</b>	<b>5 893 333</b>	<b>100.00%</b>

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

The number of full time staff employed by the Group at the end of 2013 amounted to 1 342 (2012: 1 095, the number of employees of the Group from continuing operations only at the end of 2012 amounted to 951). The number of full time staff employed by the Company at the end of 2013 amounted to 42 (2012: 28).

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
			2013	2012	
AviationCV.com UAB	Lithuania	Pilot and Crew Training	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
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 in Lithuania.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fueling services in Poland.
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 company provides aircraft ground handling services in Italy.

**AVIA SOLUTIONS GROUP AB**
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**
*(All tabular amounts are in LTL '000 unless otherwise stated)*

**1 General information (continued)**
**Share of equity, %**

<b>The Group's subsidiaries and associates</b>	<b>Country of establishment</b>	<b>Operating segment</b>	<b>2013</b>	<b>2012</b>	<b>Date of acquiring/establishment and activity</b>
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	100	The subsidiary was established in summer of 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 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. The company provides maintenance services for business aircraft.
FL Technics Line OOO	Russia	Aircraft maintenance, repair and overhaul (MRO)	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics AB. The company sells aircraft spare parts in Russia and the CIS.
FL Technics Ulyanovsk OOO	Russia	Aircraft maintenance, repair and overhaul (MRO)	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. 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	95	The subsidiary was established on 7 December 2010. Starting summer 2012, the company provides on-line platform for the aviation industry to search, buy and sell aviation inventory.
Helisota UAB	Lithuania	Helicopters maintenance, repair and overhaul (MRO)	100	-	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters. All information regarding the acquisition of subsidiaries is disclosed in Note 32.
Kauno aviacijos gamykla UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	-	It is a direct subsidiary of Helisota UAB. The subsidiary does not conduct active operations. All information regarding the acquisition of subsidiaries is disclosed in Note 32.
Small Planet Airlines UAB	Lithuania	Charter operations (classified as discontinued)	-	95.5	The subsidiary was established on 14 March 2007. In autumn of 2008 the company started charter operations in Lithuania. On 26 March 2013 the subsidiary was sold. All information regarding the disposals of subsidiaries is disclosed in Notes 32, 33.
Small Planet Airlines Sp.z.o.o.	Poland	Charter operations (classified as discontinued)	-	95.5	The subsidiary was established on 25 November 2009. In spring of 2010 the company started charter operations in Poland. On 26 March 2013 the subsidiary was sold. All information regarding the disposals of subsidiaries is disclosed in Notes 32, 33.
Small Planet Airlines s.r.l.	Italy	Charter operations (classified as held for sale)	35.5	35.5	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 3 January 2012 the Company sold 50 per cent shareholding in the subsidiary. In the beginning of 2014 the associate was sold (Note 36). All information regarding the disposals of associate is disclosed in Notes 32, 33, 36.
Verslo skrydžiai UAB	Lithuania	Business charter operations (new business segment)	100	-	The subsidiary was established on 9 October 2013. Currently it has started preparations for business charter activity.
Storm Aviation Ltd.	The United Kingdom	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. 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	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.

(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.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

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

These financial statements include the consolidated financial statements of the Group and stand-alone financial statement of the Company for the year ended 31 December 2013.

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

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

**IFRS 13, Fair value measurement, (issued in May 2011 and 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 amendments did not have any material effect on the Company's and the Group's financial statements.

**Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012)**, 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 amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

**Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)**, makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amendments did not have any material effect on the Company's and the Group's financial statements.

**Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)**. 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 amended standard resulted in additional disclosure in these financial statements (Note 3.4), but did not have any impact on measurement of transactions and balances.

**Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013)**. The improvements consist of changes to five standards, which did not have any material effect on the Company's and the Group's financial statements.



## **2.1 Basis of preparation (continued)**

*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 10, Consolidated Financial Statements** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), 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 Company and the Group are currently assessing the impact of the new standard on its financial statements.

**IFRS 11, Joint Arrangements**, (issued in May 2011 and 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 Company and the Group do not expect this standard to have any material effect on its financial statements.

**IFRS 12, Disclosure of Interest in Other Entities**, (issued in May 2011 and 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. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, *Consolidated financial statements*, and IFRS 11, *Joint arrangements*, and 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 Company and the Group are currently assessing the impact of the new 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 Company and Group are currently assessing the impact of the amended 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 Company and Group are currently assessing the impact of the amended standard on its financial statements.

**Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32** (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). 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 Company and the Group are considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Company and by the Group.



## 2.1 Basis of preparation (continued)

*IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).* The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Company and the Group do not expect this standard to have any material effect on its financial statements.

*Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).* The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Company and the Group do not expect this standard to have any material effect on its financial statements.

*Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014).* The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Company and the Group do not expect this standard to have any material effect on its financial statements.

The following standards and interpretations are not yet endorsed by the EU therefore did not have impact on the Group's financial statements: *IFRS 9, Financial Instruments: Classification and Measurement, Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014), Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014) and Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).*

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2.2 Consolidation

### *Subsidiaries*

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

## **2.2 Consolidation (continued)**

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

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

### *Disposal of subsidiaries*

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

### *Changes in ownership interests in subsidiaries without change of control*

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

### *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 re-measured.

### 2.3 Foreign currency translation (continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains / (loss) – net".

#### *Group companies*

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

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

### 2.4 Segment information

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

### 2.5 Property, plant and equipment

Property, plant and equipment consist of buildings and structures, construction in progress, vehicles, machinery, aircraft, aircraft engines and other non-current tangible assets. Property, plant and equipment are carried at their historical cost less any accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

Buildings and structures	8 – 22 years
Vehicles	5 – 10 years
Machinery	5 – 8 years
Aircraft	4 – 5 years
Aircraft engines	24 – 39 months
Other non-current tangible assets	3 – 7 years

Major additions, modifications and improvements expenditure relating to flight equipment for aircraft leased are capitalized and depreciated over the remaining lease period of the aircraft. Major improvements performed for leased aircraft are capitalized leasehold improvements and depreciated over the period till the next improvement or during the useful life of certain asset. Leasehold improvements are classified as other non-current tangible assets. The assets' residual value and useful lives are reviewed periodically and adjusted if appropriate.

## 2.5 Property, plant and equipment (continued)

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

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the profit or loss.

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

## 2.6 Intangible assets

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

Licenses	3 - 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.

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

## **2.6 Intangible assets (continued)**

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on a disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

## **2.7 Impairment of non-financial assets**

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

## **2.8 Financial assets**

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

### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**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 Investments in associates in the consolidated financial statements of the Group**

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

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

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

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

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

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

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

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

Where a disposal group is still operating, transactions may occur between the disposal group and other companies within the Group. All intra-group balances, intra-group interest income, expenses and other intra-group transactions where goods are sold / purchased between the disposal group and the continuing business are eliminated in full. The principle of elimination of intra-group sales transactions is based on the guidance in IAS 35 which only allowed expenses to be attributed to the discontinuing operation if they would be eliminated when the operation is disposed of. If the arrangement is expected to continue, the sales and costs are recorded in continuing operations and, therefore, the elimination entries are recorded in discontinued operations.



## **2.12 Inventories**

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

## **2.13 Trade receivables**

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

Interconnection receivables and payables to the same counterparty are stated net, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

## **2.14 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

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

## **2.15 Share capital**

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

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

## **2.16 Trade payables**

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

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

## **2.17 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

## **2.18 Borrowings costs**

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

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

## **2.19 Provisions**

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

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

### *Warranty provisions*

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

## **2.20 Derivative financial instruments and hedge accounting**

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

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

Fair value of derivatives in the balance sheet are segregated to long-term and short-term parts:

- long-term part of the financial instrument represent discounted cash flows arising from the financial instrument after 1 year, and
- short-term part of the financial instrument represents discounted cash flows arising from the financial instrument within 1 year.



**2.21 Government grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to the purchase of property, plant and equipment are included in non-current liabilities 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.

**2.22 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 are depreciated over the shorter of the asset's useful life and the lease term.

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

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

*c) Accounting for leases where the Group is the lessor**Operating leases*

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

**2.23 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.

**2.23 Current and deferred income tax (continued)**

Profit for 2013 is taxable at a rate of 15% (2012: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 19% (2012: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 19% (2012: 19%) in accordance with Ukrainian regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 20% (2012: 20%) in accordance with United Kingdom regulatory legislation on taxation. Profit for 2013 is taxable at a rate of 20% (2012: 20%) in accordance with Russian regulatory legislation on taxation. Profit for 2012 is taxable at a rate of 27.5% (2012: 27.5%) in accordance with Italian 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.

According to Lithuanian and British legislation, tax losses accumulated as of 31 December 2013 are carried forward indefinitely; according to Polish legislation, tax losses accumulated as of 31 December 2013 are carried forward during 5 years. According to Lithuanian legislation starting from 1 January 2014 the tax loss carry forward that is deductible cannot exceed 70% of the current financial year taxable profit.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

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

**2.24 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 (discontinued operations), aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, and aircraft ground handling services, into-plane fuelling and web-site subscription services.

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

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

## **2.24 Revenue recognition (continued)**

### *Sales of goods*

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

### *Interest income*

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

## **2.25 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.

## 2.26 Financial guarantee contracts

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

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

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

## 3 Financial risk management

### 3.1 Financial risk factors

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

Risk management is carried out by Group's top management close cooperation with the Board of the Company. Top management meetings are held to discuss overall risk management and 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:

	<b>GROUP</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Reasonably possible change of EUR to US dollars	4%	2 %	-	-

At 31 December 2013 the Group's post-tax profit for the year would have been LTL 1 911 thousand (2012: LTL 1 087 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.

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

### 3.1 Financial risk factors (continued)

To manage the foreign exchange risk arising from future financial transactions, the Company entered into forward foreign exchange contracts in 2013. The contract was signed by the Company in December 2013 as the impact of forward foreign exchange transaction is not significant.

#### *(b) Price risk*

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

#### *(c) Cash flow and fair value interest rate risk*

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

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

Borrowings received at variable interest rates and denominated in the LTL, EUR and GBP currencies expose the Group to cash flow interest rate risk. As at 31 December 2013 and 2012 Group's non-current borrowings at variable rate of 3 or 6 months EURIBOR plus fixed margin were denominated in EUR and finance lease liabilities at variable rate of 3 or 6 months EURIBOR plus fixed margin were denominated in EUR and GBP.

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:

<b>Currency of borrowings</b>	<b>Reasonable shift</b>
LTL	1.00 %
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes LTL 561 thousand in 2013 (2012: LTL 637 thousand) impact on profit or loss.

### **Credit risk**

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

The Group's procedures are in force to ensure that services are sold only to customers with an appropriate credit history and do not exceed acceptable credit exposure limit. Cash transactions are limited to high credit quality financial institutions.

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

### 3.1 Financial risk factors (continued)

#### (a) Maximum exposure of credit risk

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Trade receivables (Note 19)	64 493	62 969	23	1 404
Cash and cash equivalents (Note 21)	21 678	8 913	3 313	548
Trade receivables from related parties (Notes 19, 34)	4 573	1 837	9 234	3 980
Loans provided (Note 19)	3 785	4 007	3 623	3 887
Security deposit with lessor (Note 19)	2 714	1 780	71	33
Loans provided to related parties (Note 19)	2 271	2 930	33 296	46 322
Other receivables (Note 19)	1 893	1 187	375	223
Other receivables from related parties (Note 19)	128	72	1 002	1 187
	<b>101 535</b>	<b>83 695</b>	<b>50 937</b>	<b>57 584</b>

#### (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:

	GROUP		COMPANY	
	2013	2012	2013	2012
Group 1: new customers/related parties (less than 6 months)	1 068	4 459	-	1
Group 2: old customers/related parties (more than 6 months)	30 224	19 713	716	1 239
	<b>31 292</b>	<b>24 172</b>	<b>716</b>	<b>1 240</b>

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

\* - external long term credit ratings set by international agencies Standards & Poor's as at 2013/2014 and Moody's Ratings as at 2013/2014.

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

### 3.1 Financial risk factors (continued)

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 (Note 21).

	GROUP		COMPANY	
	2013	2012	2013	2012
AA-	4 497	589	14	-
A+	13 444	5 738	3 134	485
A-	907	60	59	60
BBB+	140	374	-	-
BBB	1 396	1 532	-	-
BB	18	3	106	3
B	456	-	-	-
other	54	124	-	-
Cash on hand	766	493	-	-
	<b>21 678</b>	<b>8 913</b>	<b>3 313</b>	<b>548</b>

#### Security deposit with lessor, loans to related parties

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

#### *(c) Financial assets past due but not impaired*

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Overdue up to 3 months	24 498	27 534	1 679	1 581
overdue from 4 to 6 months	6 902	5 197	1 634	835
overdue over 6 months	6 374	7 903	5 228	1 729
	<b>37 774</b>	<b>40 634</b>	<b>8 541</b>	<b>4 145</b>

#### *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.



**3.1 Financial risk factors (continued)**
**Movements on the provision for impairment of receivable**

GROUP	Trade receivables*	Other receivables*	Prepayments	Loans granted*
<b>At 1 January 2012</b>	<b>3 503</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transferred of provision for impairment of receivables to assets held for sale	(3 292)	-	-	-
Provision for receivables impairment (continuing operations)	3 932	-	-	-
Receivables written off during the year as uncollectible	(211)	-	-	-
<b>At 31 December 2012 / At 1 January 2013</b>	<b>3 932</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for trade receivables impairment (continuing operations)	8 906	231	-	86
Provision for trade receivables impairment from acquisition	193	-	1 551	-
Receivables written off during the year as uncollectible	(3 685)	-	-	-
<b>At 31 December 2013 (Note 19)</b>	<b>9 346</b>	<b>231</b>	<b>1 551</b>	<b>86</b>

\* - including receivables from related parties

In 2013 the Group recognised allowance for impairment of non-current and other current assets, loans granted, trade and other receivables in the total amount of LTL 12.8 million:

- the allowance for impairment of trade receivables for several clients (mainly for MRO business segment' clients, from CIS countries) in the total amount of LTL 7 483 thousand was recognized due to their insolvency (Note 19);
- the allowance for impairment of loans granted, trade and other receivables in the total amount of LTL 1 740 thousand, related to Group's associate operated in charter activity due to its insolvency (Note 19);
- the allowance for impairment of inventories in the total amount of LTL 3 166 thousand (Note 18) was recognised to represent their net realisable value;
- the allowance for impairment of non-current assets in the total amount of LTL 133 thousand (Note 15) and the allowance for impairment of other current assets in the total amount of LTL 231 thousand were recognised by a change against current operations for the excess of the carrying amount of an asset over its recoverable amount.

COMPANY	Trade receivables*	Other receivables*	Prepayments	Loans granted*
<b>At 1 January 2012</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>
Receivables written off during the year as uncollectible	(12)	-	-	-
<b>At 31 December 2012/ At 1 January 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for receivables impairment (continuing operations)	1 424	231	-	86
Receivables written off during the year as uncollectible	-	-	-	-
<b>At 31 December 2013 (Note 19)</b>	<b>1 424</b>	<b>231</b>	<b>-</b>	<b>86</b>

\* - including receivables from related parties

In 2013 the Company recognised allowance for impairment of loans granted, trade and other receivables in the total amount of LTL 1 740 thousand, related to Group's associate operated in charter activity due to its insolvency (Notes 11, 19).



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

### 3.1 Financial risk factors (continued)

#### Liquidity risk

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

As at 31 December 2013 current liabilities in ten subsidiaries of the Group exceeded the current assets. Management of the Group believes that this will not have any impact on the ability of subsidiaries of the Group to continue as going concern. In addition the parent company – *Avia Solutions Group AB* – is able to provide financial support to enable subsidiaries to continue operations for at least twelve months from the date of approval of the financial statements, if needed.

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below allocates the Group's financial liabilities into relevant maturity groupings based on remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables and deposits received due within/after 12 months equal their carrying balances as the impact of discounting is not significant.

GROUP	Less than 1 year	Between 1 - 5 years	Over 5 years
<b>31 December 2013</b>			
Trade and other payables (Note 26)	90 160	979	466
Bank loans	38 247	39 971	-
Borrowings from related parties	14 920	-	-
Bank overdraft (Note 25)	10 903	-	-
Finance lease liabilities (Note 25)	3 476	8 169	-
Security deposits received (Note 27)	1 009	2 907	-
Other borrowings (Note 25)	10	-	-
	<b>158 725</b>	<b>52 026</b>	<b>466</b>
<b>31 December 2012</b>			
Trade and other payables (Note 25)	68 383	1 311	375
Bank loans	46 601	19 944	-
Finance lease liabilities (Note 25)	3 317	7 757	-
Security deposits received (Note 27)	279	-	-
Borrowings from related parties	1	28	-
Other borrowings	-	7	-
	<b>118 581</b>	<b>29 047</b>	<b>375</b>
<b>COMPANY</b>			
<b>31 December 2013</b>			
Trade and other payables (Note 26)	<b>1 279</b>	-	-
<b>31 December 2012</b>			
Trade and other payables (Note 26)	<b>909</b>	-	-

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

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

### 3.2 Capital risk management (continued)

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

The Group's strategy is to maintain it within 30% to 40%.

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Total borrowings (Note 25)	110 317	73 741	7 027	-
Less: cash and cash equivalents (Note 21)	(21 678)	(8 913)	(3 313)	(548)
Net debt	88 639	64 828	3 714	(548)
Total equity	151 601	113 595	68 540	65 613
<b>Total capital</b>	<b>240 240</b>	<b>178 423</b>	<b>72 254</b>	<b>65 065</b>
Gearing ratio	37%	36%	-	-

### 3.2 Capital risk management (continued)

The increase in the gearing ratio during 2013 resulted primarily from the disposal of subsidiaries and from the issue of share capital as part of the consideration for the acquisition of a subsidiary (Note 32).

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 2013 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 client 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.

**4 Critical Accounting Estimates and Significant Judgements (continued)**

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

Under the terms of "power by the hour" (PBH) aircraft maintenance contracts, the Group (supplier) has the obligation at its expense to repair and administer the Components' Pool for the Customer's aircraft fleet. Components repair and maintenance expenses have been apportioned to ensure that they are charged to the comprehensive income statement in accordance with the maintenance program over the next 12 months.

*(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.

*(d) Income taxes*

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

*(e) Provision for impairment of accounts receivable*

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

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#### **4 Critical Accounting Estimates and Significant Judgements (continued)**

##### *(f) Intangible assets*

As at acquisition date of the subsidiary 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 machinery, buildings and vehicles. The residual value of aircraft represents the amount the Management believes the aircraft can be sold or traded for at the end of its useful life, before aircraft heavy maintenance. The residual value of aircraft engines represents the amount the Management believes the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components (Note 2.5).

##### *(h) Estimated impairment of goodwill*

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

#### **5 Segment information**

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

##### *Aircraft Maintenance, Repair and Overhaul (MRO)*

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

##### *Aircraft Ground Handling and Fuelling*

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

##### *Pilot and Crew Training*

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

##### *Business Charter Operations*

The business charter operations segment includes carriage of passengers by private and corporate charter flights.

##### *Unallocated Sales*

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

The *Charter Operations* segment is no longer disclosed in the segment Note, which was reclassified to assets held for sale in the financial statements for the year ended 31 December 2012 and was disposed on 26 March 2013 (Note 33).

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## 5 Segment information (continued)

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. 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.

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, Russian Federation, Italy, Poland and the Great Britain by sales volume depending on where the Group's companies are located.

The following table presents revenues and profit (loss) from continuing operations and assets and liabilities information according to the Group's business segments for the year ended 31 December 2013:

	Business charter operations (new)	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
<b>Year ended 31 December 2013</b>							
<b>Continuing operations</b>							
<b>Revenue</b>							
Sales to external customers	-	318 905	206 367	27 858	926	-	554 056
Inter-segment sales	-	20 607	70 152	152	5 573	(96 484)	-
<b>Total revenue</b>	-	<b>339 512</b>	<b>276 519</b>	<b>28 009</b>	<b>6 499</b>	<b>(96 483)</b>	<b>554 056</b>
Cost of sales	-	(287 281)	(266 754)	(20 385)	(1 626)	89 741	(486 305)
<b>Segment gross profit</b>	-	<b>52 232</b>	<b>9 765</b>	<b>7 624</b>	<b>4 873</b>	<b>(6 742)</b>	<b>67 751</b>
Impairment-related expenses (Note 11)	-	(10 500)	(269)	(244)	(1 740)	-	(12 753)
Other income							1 696
General and administrative expenses, excluding impairment of receivables, inventories (see details in the table below)							(48 706)
Other gains/(losses) - net							12 729
<b>Operating profit</b>							<b>20 717</b>
Finance costs - net							(3 267)
Share of profit of associates							(604)
<b>Profit before income tax</b>							<b>16 846</b>
Income tax							(1 556)
<b>Net profit for the period from continuing operations</b>							<b>15 290</b>

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**5 Segment information (continued)**

	Business charter operations (new)	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
<b>As at 31 December 2013</b>							
Segment assets	104	297 433	55 571	13 867	9 041		<b>376 016</b>
Segment liabilities	26	175 345	30 663	10 183	8 198		<b>224 415</b>
Acquisition of non-current assets (continuing operations, Note 15,16)	-	34 030	5 236	2 899	476		<b>42 641</b>
Depreciation and amortization (continuing operations, Note 11,15,16)	-	(11 296)	(3 408)	(1 745)	(345)		<b>(16 794)</b>

The following table presents revenues and profit (loss) from continuing operations and assets and liabilities information according to the Group's business segments for the year ended 31 December 2012:

	Charter operations (discontinued)	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo- cated	Inter- segment elimina- tions	Total continuing operations
<b>Year ended 31 December 2012</b>							
<b>Continuing operations</b>							
<b>Revenue</b>							
Sales to external customers	-	289 490	218 389	27 533	448	-	535 860
Inter-segment sales	-	3 599	83 639	69	4 517	(91 824)	-
<b>Total revenue</b>	-	<b>293 089</b>	<b>302 028</b>	<b>27 602</b>	<b>4 965</b>	<b>(91 824)</b>	<b>535 860</b>
Cost of sales	-	(236 426)	(293 035)	(19 379)	(1 206)	87 834	(462 212)
<b>Segment gross profit</b>	-	<b>56 663</b>	<b>8 993</b>	<b>8 223</b>	<b>3 759</b>	<b>(3 990)</b>	<b>73 648</b>
Impairment-related expenses (Note 11)	-	(4 464)	(139)	(78)	(3)	-	(4 684)
Other income							412
General and administrative expenses, excluding impairment of receivables, inventories (see details in the table below)							(38 754)
Other gains/(losses) - net							1 004
<b>Operating profit</b>							<b>31 626</b>
Finance costs - net							(1 143)
Share of profit of associates							(947)
<b>Profit before income tax</b>							<b>29 536</b>
Income tax							(3 482)
<b>Net profit for the period from continuing operations</b>							<b>26 054</b>

<b>As at 31 December 2012</b>							
Segment assets	29 137*	188 988	60 069	11 981	9 120		<b>299 295</b>
Segment liabilities	31 789*	111 294	33 994	8 152	471		<b>185 700</b>
Acquisition of non-current assets (continuing operations, Note 15,16)	-	22 168	7 896	1 617	516		<b>32 197</b>
Depreciation and amortization (continuing operations, Note 11,15,16)	-	6 868	2 617	1 366	202		<b>11 053</b>

\* As at the balance date the segment assets and liabilities are disclosed as held for sale (Note 33).

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

	<b>GROUP</b>	
	<b>2013</b>	<b>2012</b>
Administration employee related expenses	21 365	15 363
Consultation expenses	3 135	2 660
Rent and maintenance of administration premises	2 910	2 414
Depreciation and amortization of assets related to administration	3 494	2 102
Other operating expenses indirectly related to the operating segments	17 802	16 215
<b>General and administrative expenses, excluding impairment expense</b>	<b>48 706</b>	<b>38 754</b>

The Group's revenue from external customers by geographical location of subsidiaries on 31 December 2013 and 31 December 2012 detailed below:

Lithuania	427 055	402 421
Poland	80 073	96 961
Great Britain	26 945	32 590
Russian Federation	17 323	3 867
Italy	2 660	21
	<b>554 056</b>	<b>535 860</b>

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):

	<b>GROUP</b>	
	<b>2013</b>	<b>2012</b>
<b>The aircraft ground handling and fuelling segment</b>		
Customer T	31 679	35 177
Other customers	174 688	183 212
	<b>206 367</b>	<b>218 389</b>

**The aircraft maintenance, repair and overhaul (MRO) segment**

Customer R	35 785	24 160
Customer E	35 374	27 192
Customer H	23 961	24 223
Other customers	223 785	213 915
	<b>318 905</b>	<b>289 490</b>

**The pilot and crew training segment**

Customer R	3 001	6 054
Other customers	24 857	21 479
	<b>27 858</b>	<b>27 533</b>

The Group's sales to external customers in 2013 and in 2012 are not derived from the single customers.



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	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>6 Revenue</b>				
<b>MRO business segment revenue</b>				
Spare parts and consumable sales	143 417	118 565	-	-
Engine management services	58 022	47 692	-	-
Base maintenance services	43 858	51 004	-	-
Line maintenance services	37 236	46 618	-	-
Engineering services	14 947	13 040	-	-
Business jet MRO	14 442	7 835	-	-
Technical training and consulting services	4 287	3 423	-	-
Components management	1 556	-	-	-
Other MRO services	1 140	1 313	-	-
<b>Aircraft GH &amp; fuelling business segment revenue</b>				
Aircraft fuel revenue	178 308	190 606	-	-
Aircraft ground handling services	28 059	27 783	-	-
<b>Pilot and crew training business segment revenue</b>				
Pilot and crew training revenue	27 858	27 533	-	-
<b>Unallocated business segment revenue</b>				
Sales commissions and fees	926	448	6 499	4 965
	<b>554 056</b>	<b>535 860</b>	<b>6 499</b>	<b>4 965</b>
<b>7 Other income</b>				
Interest income on loans	972	406	2 475	2 571
Late payment and other penalties	724	6	-	-
Amortisation of financial guarantees (Notes 2.26,17,34)	-	-	227	178
	<b>1 696</b>	<b>412</b>	<b>2 702</b>	<b>2 749</b>
<b>8 Employee related expenses</b>				
Wages and salaries	69 901	67 731	3 060	2 242
Social insurance expenses	16 160	13 926	918	627
	<b>86 061</b>	<b>81 657</b>	<b>3 978</b>	<b>2 869</b>
<b>Number of full time employees at the end of year (Note 1)</b>	<b>1 342</b>	<b>951</b>	<b>42</b>	<b>28</b>
In 2013 employee related expense from discontinued operations amounted to LTL 2 378 thousand (2012: LTL 11 554 thousand).				
<b>9 Depreciation and amortization</b>				
Depreciation of tangible assets (Note 15)	15 142	9 789	270	177
Amortisation of intangible assets (Note 16)	1 652	1 264	75	25
	<b>16 794</b>	<b>11 053</b>	<b>345</b>	<b>202</b>
<b>10 Other gain / (losses) – net</b>				
Excess of net fair value of acquiree's net assets over cost (Note 32)	13 893	-	-	-
Net gain/(loss) on sales of non-current assets	(4)	328	13	-
Net gain/(loss) on sales of inventory and other current assets	(44)	195	-	-
Net foreign exchange gain/(loss) on operating activities	(1 116)	481	(8)	(18)
Net gain on sales of subsidiaries	-	-	16	-
Impairment of investments in subsidiaries / associates classified as held for sale (Notes 17, 32, 33)	-	-	(2 476)	(1 291)
	<b>12 729</b>	<b>1 004</b>	<b>(2 455)</b>	<b>(1 309)</b>



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**11 Expense by nature**

The total amount of expense (cost of sales and general and administrative expenses) by nature as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Aircraft fuel expenses	166 025	176 703	-	-
Spare parts and consumables expenses	120 004	118 004	-	-
Employee related expenses (Note 8)	86 061	81 657	3 978	2 869
Cost of services resold	54 023	28 864	-	-
Depreciation and amortisation (Notes 5, 9, 15, 16)	16 794	11 053	345	202
Aircraft maintenance expenses	16 363	10 914	-	-
Training and related expenses	14 413	15 983	8	6
Impairment-related expenses (Notes 3.1, 5, 11, 15)	12 753	4 684	1 740	3
Rent and maintenance of premises	11 916	12 232	502	313
Aircraft servicing and handling expenses	8 228	9 206	-	-
Transportation and related expenses	6 999	4 529	493	379
Consultation expenses	6 837	3 292	603	440
Business travel expenses	5 614	7 903	277	228
Marketing and sales expenses	3 206	3 188	1 280	1 101
Rent of aircraft and equipment	2 622	1 864	-	-
Rent and maintenance of training simulators	2 374	2 032	-	-
Office administrative expenses	2 062	1 281	144	118
Communications expenses	1 798	1 835	238	205
Insurance expenses	1 755	1 441	12	11
IT expenses	1 168	739	83	59
VAT in business use expenses	1 011	866	-	(74)
Bank services	715	594	9	12
Employee lease expenses	710	1 305	-	-
Audit expenses	331	428	59	59
Other expenses	3 982	5 053	75	191
<b>Total of cost of sales, general and administrative expenses</b>	<b>547 764</b>	<b>505 650</b>	<b>9 846</b>	<b>6 122</b>

**12 Finance income and costs**

Fair value adjustment of security deposit received	372	-	-	-
Foreign exchange gain on financing activities	115	775	7	297
Interest income on cash and cash equivalents	22	34	8	10
Other finance income	66	138	-	-
<b>Finance income</b>	<b>575</b>	<b>947</b>	<b>15</b>	<b>307</b>
Interest expenses on borrowings	2 146	1 814	22	-
Provisions: unwinding of discount	967	-	-	-
Late payment interest - costs	675	248	1	1
Unwinding of discounted security deposits received	41	-	-	-
Fair value adjustment of financial guarantees issued	-	(69)	-	-
Other finance costs	13	97	-	-
<b>Finance costs</b>	<b>3 842</b>	<b>2 090</b>	<b>23</b>	<b>1</b>
<b>Finance costs – net</b>	<b>(3 267)</b>	<b>(1 143)</b>	<b>(8)</b>	<b>306</b>

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13	Income tax	GROUP		COMPANY	
		2013	2012	2013	2012
	<b>Continuing operations</b>				
	Current income tax	4 348	5 269	-	-
	Deferred income tax (Note 28)	(2 792)	(1 787)	(87)	(793)
	<b>Total income tax expenses</b>	<b>1 556</b>	<b>3 482</b>	<b>(87)</b>	<b>(793)</b>

Domestic income tax is calculated at 15 per cent (2012: 15 per cent) of the annual profit for the year, in Poland income tax – 19 per cent (2012: 19 per cent), in Italy – 27.5 per cent (2012: 27.5 per cent). 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:

<b>Profit (loss) before tax from continuing operations</b>	<b>16 846</b>	<b>29 536</b>	<b>(3 108)</b>	<b>589</b>
Tax calculated at a tax rate 15 % in Lithuania	1 044	4 629	(466)	(88)
Tax calculated at a tax rate 19 % in Poland	(822)	(629)	-	-
Tax calculated at a tax rate 19 % in Ukraine	(7)	(11)	-	-
Tax calculated at a tax rate 20 % in Russia	109	(103)	-	-
Tax calculated at a tax rate 20 % in Great Britain	-	(1 758)	-	-
Tax calculated at a tax rate 27,5 % in Italy	(486)	(71)	-	-
<i>Tax effects of:</i>				
- Expenses non-deductible for tax purposes	1 353	2 011	153	(292)
- Write off of previously recognised deferred tax assets	677	-	-	-
- Adjustment in respect of prior year	(31)	30	-	(675)
- Deferred tax assets not recognised on tax losses	(40)	(662)	191	148
- Non-taxable incomes	(241)	111	35	114
- Effect of changes of tax rate	-	(65)	-	-
<b>Total income tax expenses</b>	<b>1 556</b>	<b>3 482</b>	<b>(87)</b>	<b>(793)</b>

**14 Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

**Profit (loss) attributable to:**

Equity holders of the parent

Profit (loss) for the year from continuing operations

15 232      26 087      (3 021)      1 382

Profit (loss) for the year from discontinued operations

16 393      (6 605)      -      -

**Profit (loss) for the year attributable to equity holders of the parent**
**31 625      19 482      (3 021)      1 382**
**Weighted average number of ordinary shares (thousand)**
**5 896      5 893      5 896      5 893**
**Basic earnings per share**

From continuing operations

2.583      4.427      (0.512)      0.235

From discontinued operations

2.780      (1.121)      -      -

**From profit (loss) for the year**
**5.364      3.306      (0.512)      0.235**

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**15 Property, plant and equipment**

THE GROUP	Buildings and structures	Machi- nery	Vehicles	Other tangible fixed assets	Leasehold improve- ments	Prepayments to tangible assets	Aircraft	Aircraft engines	Construc- tion in progress	Total
<b>Opening net book amount as at 1 January 2012</b>	<b>12 522</b>	<b>24 706</b>	<b>8 630</b>	<b>5 095</b>	<b>837</b>	<b>744</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>52 615</b>
Disposals of subsidiaries (Note 32)	-	-	(2)	(55)	-	-	-	-	-	(57)
Additions (continuing operations) (Note 5)	1 563	18 516	3 614	5 110	526	863	1 388	-	-	31 580
Additions (discontinued operations)	-	10	-	83	-	-	-	-	-	93
Disposals (continuing operations)	-	(7 807)	(25)	(507)	-	-	-	-	-	(8 339)
Disposals (discontinued operations)	-	(2)	-	-	-	-	-	-	-	(2)
Reclassifications	2 279	(975)	(418)	(105)	-	(781)	-	-	-	-
Write-offs	-	-	-	(663)	-	-	-	-	-	(663)
Cumulative currency differences	64	141	303	24	-	38	-	-	-	570
Depreciation charge (continuing operations, Notes 9,11,15,16)	(1 242)	(5 056)	(1 405)	(2 019)	-	-	(67)	-	-	(9 789)
Depreciation charge (discontinued operations)	-	(8)	-	(62)	(606)	-	-	-	-	(676)
Transferred to disposal group classified as held for sale	-	(16)	-	(165)	(231)	-	-	-	-	(412)
<b>Closing net book amount as at 31 December 2012</b>	<b>15 186</b>	<b>29 922</b>	<b>10 284</b>	<b>6 736</b>	<b>526</b>	<b>864</b>	<b>1 402</b>	<b>-</b>	<b>-</b>	<b>64 920</b>
<b>At 31 December 2012</b>										
Cost	20 992	47 869	12 046	13 682	1 132	864	1 473	-	-	98 058
Accumulated depreciation	(5 806)	(17 947)	(1 762)	(6 946)	(606)	-	(71)	-	-	(33 138)
<b>Net book amount at 31 December 2012 / Opening net book amount as at 1 January 2013</b>	<b>15 186</b>	<b>29 922</b>	<b>10 284</b>	<b>6 736</b>	<b>526</b>	<b>864</b>	<b>1 402</b>	<b>-</b>	<b>-</b>	<b>64 920</b>
Acquisition of subsidiaries (Note 32)	4 932	538	395	584	-	-	-	-	359	6 808
Additions (Note 5)	662	4 963	1 003	5 594	164	2 385	2 240	2 839	21 183	41 033
Disposals	-	(324)	(93)	(23)	-	-	(816)	-	-	(1 256)
Reclassifications	(915)	(13 329)	-	9	-	51	-	13 317	867	-
Write-offs	(99)	(46)	(6)	18	-	-	-	-	-	(133)
Cumulative currency differences	(73)	(20)	(80)	(8)	1	13	-	2	-	(169)
Depreciation charge (Note 9)	(1 349)	(3 230)	(1 572)	(2 752)	(121)	-	(407)	(5 711)	-	(15 142)
<b>Closing net book amount as at 31 December 2013</b>	<b>18 344</b>	<b>18 473</b>	<b>9 931</b>	<b>10 158</b>	<b>570</b>	<b>3 313</b>	<b>2 419</b>	<b>10 447</b>	<b>22 409</b>	<b>96 065</b>
<b>At 31 December 2013</b>										
Cost	29 562	37 633	14 927	21 073	691	3 313	2 788	17 391	22 409	149 787
Accumulated depreciation	(11 218)	(19 160)	(4 996)	(10 915)	(121)	-	(369)	(6 943)	-	(53 722)
<b>Net book amount at 31 December 2013</b>	<b>18 344</b>	<b>18 473</b>	<b>9 931</b>	<b>10 158</b>	<b>570</b>	<b>3 313</b>	<b>2 419</b>	<b>10 447</b>	<b>22 409</b>	<b>96 065</b>

## 15 Property, plant and equipment (continued)

As at 31 December 2013 buildings of the Group with the carrying amounts of LTL 11.2 million (as at 31 December 2012: LTL 12.1 million), machinery and vehicles of the Group with the carrying amounts of 6.1 LTL million (as at 31 December 2012: 3.5 million) were pledged to the bank as collateral for borrowings (Note 25).

THE COMPANY	Vehicles	Other tangible fixed assets	Total
<b>Opening net book amount as at 1 January 2012</b>	<b>312</b>	<b>341</b>	<b>653</b>
Additions (Note 5)	-	347	347
Disposals	-	(2)	(2)
Write-offs	-	(3)	(3)
Depreciation charge (Note 9)	(45)	(132)	(177)
<b>Closing net book amount as at 31 December 2012</b>	<b>267</b>	<b>551</b>	<b>818</b>
<b>At 31 December 2012</b>			
Cost	333	749	1 082
Accumulated amortisation	(66)	(198)	(264)
<b>Net book amount</b>	<b>267</b>	<b>551</b>	<b>818</b>
<b>Opening net book amount as at 1 January 2013</b>	<b>267</b>	<b>551</b>	<b>818</b>
Additions (Note 5)	95	277	372
Disposals	(40)	(5)	(45)
Write-offs	-	-	-
Depreciation charge (Note 9)	(55)	(215)	(270)
<b>Closing net book amount as at 31 December 2013</b>	<b>267</b>	<b>608</b>	<b>875</b>
<b>At 31 December 2013</b>			
Cost	369	1 020	1 389
Accumulated depreciation	(102)	(412)	(514)
<b>Net book amount</b>	<b>267</b>	<b>608</b>	<b>875</b>

Capital expenditure contracted for at the end of the reporting period but not yet incurred amounted to LTL 2.4 million and related to aircraft maintenance and ground handling equipment group of property, plant and equipment.

During 2013 the Group has capitalised borrowing costs amounting to LTL 111 thousand on construction in progress group of assets. Borrowing costs were capitalised at the weighted average rate of its bank borrowings of 2.11%.

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

	GROUP		COMPANY	
	2013	2012	2013	2012
<b>Cost – capitalised finance lease</b>				
Vehicles	9 178	5 959	-	-
Machinery	7 554	6 717	-	-
Other tangible fixed assets	59	-	-	-
	<b>16 791</b>	<b>12 676</b>	<b>-</b>	<b>-</b>
<b>Accumulated depreciation</b>				
Vehicles	(1 028)	(741)	-	-
Machinery	(1 475)	(1 937)	-	-
Other tangible fixed assets	(2)	-	-	-
	<b>(2 505)</b>	<b>(2 678)</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>	<b>14 286</b>	<b>9 998</b>	<b>-</b>	<b>-</b>

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**16 Intangible assets**

	Licences	Goodwill	Software	Website	Other intangible assets	Prepayments relating to intangible assets	Total
<b>THE GROUP</b>							
<b>Opening net book amount as at 1 January 2012</b>	<b>5 966</b>	<b>2 762</b>	<b>1 217</b>	<b>94</b>	<b>4</b>	<b>-</b>	<b>10 044</b>
Disposals of subsidiaries (Note 32)	(1 028)	-	-	-	(4)	-	(1 032)
Additions (continuing operations, Note 5)	253	-	247	67	-	50	617
Additions (discontinued operations)	186	-	-	-	-	-	186
Write-offs	-	(336)	-	-	-	-	(337)
Cumulative currency differences	193	-	68	-	-	-	261
Amortisation charge (continuing operations, Note 9, 11, 15, 16)	(833)	-	(402)	(29)	-	-	(1 264)
Amortisation charge (discontinued operations)	(438)	-	(6)	-	-	-	(444)
Transferred to disposal group classified as held for sale (Note 33)	(1107)	-	(20)	-	-	-	(1 127)
<b>Closing net book amount as at 31 December 2012</b>	<b>3 192</b>	<b>2 426</b>	<b>1 104</b>	<b>132</b>	<b>-</b>	<b>50</b>	<b>6 904</b>
<b>At 31 December 2012</b>							
Cost	5 101	2 762	2 867	167	-	50	10 948
Accumulated amortisation and impairment losses	(1 909)	(336)	(1 763)	(35)	-	-	(4 044)
<b>Net book amount</b>	<b>3 192</b>	<b>2 426</b>	<b>1 104</b>	<b>132</b>	<b>-</b>	<b>50</b>	<b>6 904</b>
<b>Opening net book amount as at 1 January 2013</b>	<b>3 192</b>	<b>2 426</b>	<b>1 104</b>	<b>132</b>	<b>-</b>	<b>50</b>	<b>6 904</b>
Acquisition of subsidiaries (Note 32)	-	-	3	-	73	-	76
Additions (Note 5)	674	-	775	79	-	80	1 608
Reclassifications	-	-	50	-	-	(50)	-
Cumulative currency differences	48	-	(48)	7	-	-	6
Depreciation charge (Note 9)	(943)	-	(660)	(49)	-	-	(1 652)
<b>Closing net book amount as at 31 December 2013</b>	<b>2 971</b>	<b>2 426</b>	<b>1 224</b>	<b>169</b>	<b>73</b>	<b>80</b>	<b>6 943</b>
<b>At 31 December 2013</b>							
Cost	5 069	2 762	3 650	238	390	80	12 190
Accumulated amortisation and impairments losses	(2 098)	(336)	(2 426)	(69)	(317)	-	(5 246)
<b>Net book amount</b>	<b>2 971</b>	<b>2 426</b>	<b>1 224</b>	<b>169</b>	<b>73</b>	<b>80</b>	<b>6 943</b>

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## 16 Intangible assets (continued)

THE COMPANY	Licences	Software	Prepayments relating to intangible assets	Total
<b>Opening net book amount as 1 January 2012</b>	<b>6</b>	<b>5</b>	<b>-</b>	<b>11</b>
Additions (Note 5)	8	112	50	170
Amortisation charge (Note 9)	(5)	(20)	-	(25)
<b>Closing net book amount as at 31 December 2012</b>	<b>9</b>	<b>97</b>	<b>50</b>	<b>156</b>
<b>At 31 December 2012</b>				
Cost	17	119	50	186
Accumulated amortisation	(8)	(22)	-	(30)
<b>Net book amount</b>	<b>9</b>	<b>97</b>	<b>50</b>	<b>156</b>
<b>Opening net book amount as 1 January 2013</b>	<b>9</b>	<b>97</b>	<b>50</b>	<b>156</b>
Additions (Note 5)	49	55	-	104
Reclassification	50	-	(50)	-
Amortisation charge (Note 9)	(28)	(47)	-	(75)
<b>Closing net book amount as at 31 December 2013</b>	<b>80</b>	<b>105</b>	<b>-</b>	<b>185</b>
<b>At 31 December 2013</b>				
Cost	116	175	-	291
Accumulated amortisation	(36)	(70)	-	(106)
<b>Net book amount</b>	<b>80</b>	<b>105</b>	<b>-</b>	<b>185</b>

	COMPANY	
	2013	2012
<b>At the beginning of the period</b>	<b>4 936</b>	<b>11 487</b>
Acquisition of subsidiary (Note 32)	18 403	-
Fair value of intra-group financial guarantees (Note 2.26, 34)	381	126
Subsidiary established (Note 1)	150	-
Purchase of non-controlling interests	-	130
Disposal of interest in subsidiary with loss of control (Note 32)	-	(2 636)
Transferred to the <i>assets classified as held for sale</i> (Note 33)	-	(2 299)
Transferred to the <i>associates</i> (Note 32)	-	(1 872)
<b>At the end of the period</b>	<b>23 870</b>	<b>4 936</b>

### Disposals and acquisitions in 2013

On 9 October 2013, the Company established the subsidiary *Verslo skrydžiai UAB*. The investment in the subsidiary was LTL 150 thousand.

On 16 December 2013, the Company acquired 100% of the share capital of *Helisota UAB* from third parties at a consideration of LTL 18 403 thousand.

### Disposals and acquisitions in 2012

On 3 January 2012 the Company sold 50% of subsidiary's *Small Planet Airlines s.r.l. (Italy)* stock. Sales proceeds from the disposal of a 50 per cent shareholding in *Small Planet Airlines S.r.l.* amounted to EUR 763 thousand. Company's remaining stock in *Small Planet Airlines s.r.l. (Italy)* at the end of financial period was 35.5%.

On 31 December 2012, the Company purchased 9% non-controlling interests in *AviationCV.com UAB* at a consideration of LTL 130 thousand. The carrying amount of the non-controlling interests in *AviationCV.com UAB* on the date of purchase was LTL (7) thousand.

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18	Inventories	GROUP		COMPANY	
		2013	2012	2013	2012
	Spare parts and materials – gross amount	82 081	44 727	-	-
	Less: provision for impairment of inventories from continuing operations (Note 11)	(3 166)	(89)	-	-
	<b>Spare parts and materials</b>	<b>78 915</b>	<b>44 638</b>	<b>-</b>	<b>-</b>
	Spare parts and materials from acquisitions – gross amount	25 794	-	-	-
	Less: provision for impairment of inventories from acquisitions	(5 804)	-	-	-
	<b>Spare parts and materials from acquisitions (Note 32)</b>	<b>19 990</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Goods for sale from acquisitions – gross amount	13 015	-	-	-
	Less: provision for impairment of inventories from acquisitions from acquisitions	(1 301)	-	-	-
	<b>Goods for sale from acquisitions (Note 32)</b>	<b>11 714</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Goods for sale	7 279	24 480	-	-
	Aircraft fuel	2 694	3 988	-	-
	Work in progress from acquisitions (Note 32)	2 274	-	-	-
	Goods in transit	1 502	1 363	-	-
	Other inventories	1 485	1 123	29	143
		<b>125 853</b>	<b>75 592</b>	<b>29</b>	<b>143</b>

As at 31 December 2013 spare parts and materials of the Group with the carrying amounts of LTL 23 million (as at 31 December 2012: LTL 15.9 million), aircraft fuel of the Group with the carrying amounts of LTL 2 million (as at 31 December 2012: LTL 3.2 million), goods for sale and other inventories of the Group with carrying amounts of LTL 0.5 million were pledged to the bank as collateral for borrowings (with carrying amounts of LTL 23 million as at 31 December 2013 and LTL 18.1 million as at 31 December 2012) and for bank overdraft (with carrying amounts of LTL 3 million) (Note 25).



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19	Trade and other receivables	GROUP		COMPANY	
		2013	2012	2013	2012
	Trade receivables	72 523	66 901	1 426	1 404
	Less: provision for impairment of trade receivables from continuing operations (Note 3.1)	(7 837)	(3 932)	(1 403)	-
	Less: provision for impairment of trade receivables from acquisitions (Note 3.1)	(193)	-	-	-
	<b>Trade receivables – net</b>	<b>64 493</b>	<b>62 969</b>	<b>23</b>	<b>1 404</b>
	Receivables from related parties	5 889	1 837	9 255	3 980
	Less: provision for impairment of trade receivables from related parties (Note 3.1)	(1 316)	-	(21)	-
	<b>Receivables from related parties – net (Note 34)</b>	<b>4 573</b>	<b>1 837</b>	<b>9 234</b>	<b>3 980</b>
	Other receivables	2 075	1 187	557	223
	Less: provision for impairment of other receivables (Note 3.1)	(182)	-	(182)	-
	<b>Other receivables - net</b>	<b>1 893</b>	<b>1 187</b>	<b>375</b>	<b>223</b>
	Prepayments	12 111	11 576	1 022	100
	Less: provision for impairment of prepayments from acquisitions (Note 3.1)	(1 551)	-	-	-
	<b>Prepayments - net</b>	<b>10 560</b>	<b>11 576</b>	<b>1 022</b>	<b>100</b>
	Other receivables from related parties	177	72	1 051	1 187
	Less: provision for impairment of other receivables from related parties (Note 3.1)	(49)	-	(49)	-
	<b>Other receivables from related parties – net (Note 34)</b>	<b>128</b>	<b>72</b>	<b>1 002</b>	<b>1 187</b>
	Loans granted to related parties	2 357	2 930	33 382	46 322
	Less: provision for impairment of loans granted to related parties (Note 3.1)	(86)	-	(86)	-
	<b>Loans granted to related parties – net (Note 34)</b>	<b>2 271</b>	<b>2 930</b>	<b>33 296</b>	<b>46 322</b>
	VAT receivables	9 340	8 760	28	14
	Loans granted - net	3 785	4 007	3 623	3 887
	Security deposit with lessor	2 714	1 780	71	33
	Deferred charges	2 448	2 191	75	10
	Deferred charges to related parties (Note 34)	180	-	-	-
	Prepayments from related parties (Note 34)	-	4	10	-
		<b>102 385</b>	<b>97 313</b>	<b>48 759</b>	<b>57 160</b>
	Less non-current portion :	(4 111)	(3 690)	(28 744)	(2 343)
	<b>Current portion :</b>	<b>98 274</b>	<b>93 623</b>	<b>20 015</b>	<b>54 817</b>

All non-current receivables are due in 2020. The fair values of trade and other receivables are approximate to their carrying values. The weighted average interest rate of loans granted to third parties was 4.97% (2012: 4.44%). The weighted average interest rate of loans granted to related parties was 4.48% (2012: 4.83%).

As at 31 December 2013 trade receivables of the Group with the carrying amounts of LTL 21.3 million (as at 31 December 2012: LTL 5.2 million) were pledged to the bank as collateral for bank borrowings and overdraft (Note 25).

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

EUR	32 267	34 683	68	1 459
US dollars	14 854	21 080	2	1
LTL	13 616	3 118	9 187	3 924
PLN	118	1 059	-	-
Other	8 211	4 866	-	-
	<b>69 066</b>	<b>64 806</b>	<b>9 257</b>	<b>5 384</b>

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	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>20 Contracts in progress</b>				
Contract costs incurred and recognised profits (less losses) to date	14 105	8 076	-	-
Advances received on contracts in progress	(5 293)	-	-	-
<b>Amounts due from customers on contracts in progress</b>	<b>8 812</b>	<b>8 076</b>	<b>-</b>	<b>-</b>
<b>21 Cash and cash equivalents</b>				
Cash in bank	20 912	8 420	3 313	548
Cash on hand	766	493	-	-
<b>Cash and cash equivalents</b>	<b>21 678</b>	<b>8 913</b>	<b>3 313</b>	<b>548</b>
Bank overdraft (Note 25)	(10 903)	-	-	-
	<b>10 775</b>	<b>8 913</b>	<b>3 313</b>	<b>548</b>

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

US dollars	7 103	381	-	-
LTL	6 920	1 425	3 134	483
EUR	5 816	3 110	14	2
RUB	1 437	2 743	106	3
PLN	212	953	59	60
GBP	190	286	-	-
Other	-	15	-	-
	<b>21 678</b>	<b>8 913</b>	<b>3 313</b>	<b>548</b>

**22 Share capital**

On 31 December 2013 the share capital of the Company amounts to 6 058 333 litas and consists of ordinary registered shares with a nominal value of one litas each (on 31 December 2012 – 5 893 333 ordinary registered shares). It was increased from 5 893 333 litas to 6 058 333 litas by issue additional 165 000 ordinary shares with a par value LTL 1 each (Notes 23, 32). All shares are fully paid up.

**23 Share premium**

On 16 December 2013 the Company issued additional 165,000 ordinary shares with a par value LTL 1 each for issue price of PLN 43.60 (LTL 35.96) (Note 22, 32). Following the increase of the capital, share premium amounts to 64,537,999 litas.

<b>The balance of share premium as at 31 December 2011 / The balance of share premium as at 31 December 2012</b>		<b>58 770</b>
Contribution to share premium by share-exchange (Note 32)		5 768
<b>The balance of share premium as at 31 December 2013</b>		<b>64 538</b>

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

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

Fair value reserves comprise changes in fair value of cash flow hedge.

25	Borrowings	GROUP		COMPANY	
		2013	2012	2013	2012
	<b>Non-current</b>				
	Bank borrowings	37 765	19 007	-	-
	Finance lease liabilities	7 457	6 744	-	-
	Borrowings from related parties	-	27	-	-
	Other non-current borrowings	-	7	-	-
		<b>45 222</b>	<b>25 785</b>	<b>-</b>	<b>-</b>
	<b>Current</b>				
	Bank borrowings	36 770	45 261	-	-
	Borrowings from related parties	14 335	-	7 027	-
	Bank overdraft (Note 21)	10 903	-	-	-
	Finance lease liabilities	3 075	2 695	-	-
	Other current borrowings	10	-	-	-
		<b>65 095</b>	<b>47 956</b>	<b>7 027</b>	<b>-</b>
	<b>Total borrowings</b>	<b>110 317</b>	<b>73 741</b>	<b>7 027</b>	<b>-</b>

As at 31 December 2013 buildings and machinery (Note 15), inventories (Note 18) and trade receivables (Note 19) of the Group with the carrying amounts of LTL 64.1 million were pledged to the bank as collateral for bank borrowings. As at 31 December 2012 buildings and machinery (Note 15), inventories (Note 18) and trade receivables (Note 19) of the Group with the carrying amounts of LTL 39.9 million were pledged to the bank as collateral for bank borrowings. These bank borrowings are secured under the Surety ship of the Company as well (Note 34).

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

EUR	93 898	72 241	-	-
US dollars	14 294	-	7 027	-
GBP	1 236	1 388	-	-
LTL	826	34	-	-
Other currency	63	78	-	-
	<b>110 317</b>	<b>73 741</b>	<b>7 027</b>	<b>-</b>

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:

Less than 1 year	65 095	36 315	7 027	-
Between 1 and 5 years	45 222	37 426	-	-
	<b>110 317</b>	<b>73 741</b>	<b>7 027</b>	<b>-</b>

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**25 Borrowings (continued)**

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Bank overdraft	2.09%	-	-	-
Finance lease liabilities	3.46%	5.42%	-	-
Borrowings from related parties	7.09%	5.24%	7.00%	-
Bank borrowings	2.38%	1.89%	-	-
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	3 476	3 317	-	-
After 1 year but not later than 5 years	8 169	7 757	-	-
Less: future finance lease charges	(1 113)	(1 636)	-	-
<b>Present value of finance lease liabilities</b>	<b>10 532</b>	<b>9 438</b>	<b>-</b>	<b>-</b>
<b>Present value of finance lease liabilities:</b>				
Not later than 1 year	3 075	2 695	-	-
After 1 year but not later than 5 years	7 457	6 743	-	-
	<b>10 532</b>	<b>9 438</b>	<b>-</b>	<b>-</b>

**26 Trade and other payables**

Trade payables	58 335	52 672	176	189
Accruals for hangar lease payments, PBH contracts and other accrued expenses	22 629	8 016	501	351
Salaries and social security payable	5 616	3 723	363	143
Deferred revenue	1 797	2 740		
Provisions	613	402		
Amounts payable to related parties (Note 34)	574	1 035	108	151
Other payables	2 041	1 481	131	75
	<b>91 605</b>	<b>70 069</b>	<b>1 279</b>	<b>909</b>
Less: non-current portion	(1 445)	(1 686)	-	-
<b>Current portion</b>	<b>90 160</b>	<b>68 383</b>	<b>1 279</b>	<b>909</b>

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

LTL	47 216	18 181	1 123	839
US dollars	32 911	33 276	22	1
EUR	4 447	12 982	4	42
GBP	3 230	4 667	4	-
RUB	2 272	485	24	-
PLN	1 519	444	102	21
Other currencies	10	34	-	6
	<b>91 605</b>	<b>70 069</b>	<b>1 279</b>	<b>909</b>

**27 Security deposits received**

Security deposits repayable after one year at nominal value	3 916	-	-	-
Less: discounting effect (at 3.95%)	(372)	-	-	-
Security deposits repayable after one year	2 535	-	-	-
Security deposits repayable within one year	1 009	279	-	-
	<b>3 544</b>	<b>279</b>	<b>-</b>	<b>-</b>

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**28 Deferred income taxes**

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Deferred tax assets</b>				
<b>At beginning of the period</b>	<b>7 631</b>	<b>7 533</b>	<b>235</b>	<b>49</b>
(Charged) credited to the income statement (continuing operations, Note 13)	2 747	2 137	87	793
Acquisition of subsidiaries (Note 32)	1 432	-	-	-
(Charged) credited directly to the equity (Notes 2.20, 24)	(31)	63	-	-
Currency translation differences	(108)	138	-	-
(Charged) credited to the income statement (discontinued operations) (Note 33)	-	238	-	-
Disposal of subsidiary with loss of control (Note 32)	-	(962)	-	-
Transferred to the disposal group classified as held for sale (Note 33)	-	(1 516)	-	-
Tax loss transferred within the Group	-	-	-	(607)
<b>At end of year</b>	<b>11 731</b>	<b>7 631</b>	<b>322</b>	<b>235</b>
<b>Deferred tax liabilities</b>				
<b>At beginning of the period</b>	<b>(388)</b>	<b>(289)</b>	<b>-</b>	<b>-</b>
Charged (credited) to the income statement (continuing operations)	45	(350)	-	-
Currency translation differences	(37)	(8)	-	-
Transferred to the disposal group classified as held for sale (Note 33)	-	533	-	-
Disposal of subsidiary with loss of control (Note 32)	-	18	-	-
Charged (credited) to the income statement (discontinued operations) (Note 33)	-	(292)	-	-
<b>At end of year</b>	<b>(380)</b>	<b>(388)</b>	<b>-</b>	<b>-</b>

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

**Deferred tax assets**

Deferred income tax to be recovered within 1 year	2 279	563	50	-
Deferred income tax to be recovered after 1 year	9 452	7 068	272	235
	<b>11 731</b>	<b>7 631</b>	<b>322</b>	<b>235</b>

**Deferred tax liabilities**

Deferred income tax to be recovered within 1 year	293	331	-	-
Deferred income tax to be recovered after 1 year	87	57	-	-
	<b>380</b>	<b>388</b>	<b>-</b>	<b>-</b>

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

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of LTL 0.8 million (in 2012: LTL 0 million) in respect of losses amounting to LTL 4.7 million (2012: LTL 0 million) that can be carried forward against future taxable income. Losses amounting to LTL 3.9 million expire in 2014 – 2017.

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**28 Deferred income taxes (continued)**

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:

<b>GROUP - deferred tax assets</b>	Accumulated taxable losses	Impairment of receivables	Discounting effect	Accruals for unused vacation	Other accrued expenses	Accelerated tax depreciation	Fair value loss	<b>Total</b>
<b>At 31 December 2011</b>	<b>6 349</b>	<b>140</b>	<b>18</b>	<b>233</b>	<b>793</b>	<b>-</b>	<b>-</b>	<b>7 533</b>
(Charged) credited to the income statement (continuing operations, Note 13)	1 497	473	-	16	151	-	-	<b>2 137</b>
(Charged) credited to the income statement (discontinued operations)	422	131	(3)	8	(320)	-	-	<b>238</b>
Currency translation differences	193	-	-	(3)	(52)	-	-	<b>138</b>
(Charged) credited directly to the equity (Note 24)	-	-	-	-	-	-	63	<b>63</b>
Disposal of subsidiary (Note 32)	(780)	-	-	-	(182)	-	-	<b>(962)</b>
Transferred to the disposal group classified as held for sale (Note 33)	(1 347)	(271)	(15)	(60)	177	-	-	<b>(1 516)</b>
<b>At 31 December 2012 / At 1 January 2013</b>	<b>6 334</b>	<b>473</b>	<b>-</b>	<b>194</b>	<b>567</b>	<b>-</b>	<b>63</b>	<b>7 631</b>
Reclassifications	-	-	-	-	(145)	145	-	<b>-</b>
(Charged) credited to the income statement (continuing operations, Note 13)	321	763	(54)	12	1 165	540	-	<b>2 747</b>
Acquisition of subsidiaries (Note 32)	29	1 348	-	26	29	-	-	<b>1 432</b>
Currency translation differences	(154)	46	-	26	(14)	-	-	<b>(37)</b>
(Charged) credited directly to the equity (Notes 2.20, 24)	-	-	-	-	-	-	(31)	<b>(108)</b>
<b>At 31 December 2013</b>	<b>6 578</b>	<b>2 630</b>	<b>(54)</b>	<b>258</b>	<b>1 602</b>	<b>685</b>	<b>32</b>	<b>11 731</b>

<b>GROUP - deferred tax liabilities</b>	<b>Accelerated tax depreciation</b>	<b>Other accrued expenses</b>	<b>Total</b>
<b>At 31 December 2011</b>	<b>-</b>	<b>289</b>	<b>289</b>
Charged to the income statement (continuing operations) (Note 13)	-	350	<b>350</b>
Charged to the income statement (discontinued operations) (Note 33)	-	293	<b>293</b>
Currency translation differences	-	7	<b>7</b>
Disposal of subsidiary (Note 32)	-	(18)	<b>(18)</b>
Transferred to the disposal group classified as held for sale (Note 33)	-	(533)	<b>(533)</b>
<b>At 31 December 2012 / At 01 January 2013</b>	<b>-</b>	<b>388</b>	<b>388</b>
Reclassifications	332	(332)	<b>-</b>
Currency translation differences	-	37	<b>37</b>
Charged to the income statement (continuing operations) (Note 13)	(48)	3	<b>(45)</b>
<b>At 31 December 2013</b>	<b>284</b>	<b>96</b>	<b>380</b>

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**28 Deferred income taxes (continued)**

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

<b>COMPANY - deferred tax assets</b>	Accruals for unused vacation	Impairment of receivables	Accumulated taxable losses	<b>Total</b>
<b>At 31 December 2011</b>	<b>7</b>	<b>-</b>	<b>42</b>	<b>49</b>
Credited (charged) to the profit or loss (Note 13)	3	-	790	<b>793</b>
Tax loss transferred within the Group	-	-	(607)	<b>(607)</b>
<b>At 31 December 2012</b>	<b>10</b>	<b>-</b>	<b>225</b>	<b>235</b>
Credited (charged) to the profit or loss (Note 13)	6	238	(157)	<b>87</b>
<b>At 31 December 2013</b>	<b>16</b>	<b>238</b>	<b>68</b>	<b>322</b>

In 2012 tax authorities have confirmed the deductible temporary difference of LTL 7.5 million directly related to issue of share capital (Note 23) in respect of deferred tax assets that was not recognised at the balance sheet of the Company in previous financial year. In 2012 the Company has transferred the part (amounted to LTL 4.5 million) of these accumulated taxable losses to the profitable subsidiary (the transaction fee was LTL 607 thousand).

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 (2012: 15% rate), in Poland - at 19% rate (2012: 19% rate), in Great Britain - at 20% rate (2012: 26% rate), in Russia - at 20% rate (2012: 20% rate), in Ukraine - at 19% rate (2012: 19% rate), in Italy - at 27.5% rate (2012: 27.5% rate).

<b>29 Financial instruments by category</b>	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<i>Category – Loans and receivables</i>				
Trade receivables (Note 19)	64 493	62 969	23	1 404
Cash and cash equivalents (Note 21)	21 678	8 913	3 313	548
Trade receivables from related parties (Note 19)	4 573	1 837	9 234	3 980
Loans provided (Note 19)	3 785	4 007	-	3 887
Security deposit with lessor (Note 19)	2 714	1 780	71	33
Loans provided to related parties (Notes 19, 34)	2 271	2 930	33 296	46 322
Other receivables (Note 19)	1 893	1 187	375	223
Other receivables from related parties (Note 19)	128	72	1 002	1 187
	<b>101 535</b>	<b>83 695</b>	<b>47 314</b>	<b>57 584</b>
<i>Category – financial liabilities measured at amortised cost</i>				
Bank loans (Note 25)	74 536	64 268	-	-
Trade payables (Note 26)	58 335	52 672	176	189
Borrowings from related parties (Note 25)	14 335	27	7 027	-
Bank overdraft (Notes 21, 25)	10 904	-	-	-
Finance lease liabilities (Note 25)	10 532	9 439	-	-
Other payables (Note 26)	2 041	1 481	131	75
Trade payables to related parties (Notes 26, 34)	574	1 035	108	151
Other borrowings (Note 25)	10	7	-	-
	<b>171 267</b>	<b>128 929</b>	<b>7 442</b>	<b>415</b>



**30 Operating lease**

The Group leases two aircraft hangars, training building, flight simulator, premises and commercial vehicles under operating lease agreements. The lease terms are between one and fifteen 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	
	2013	2012	2013	2012
Premises	3 764	2 618	304	49
Aircraft hangars	3 286	3 153	-	-
Flight simulator	2 244	1 924	-	-
Commercial vehicles	161	229	-	-
Warehouse	-	159	-	-
	<b>9 455</b>	<b>8 083</b>	<b>304</b>	<b>49</b>

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

Not later than 1 year	8 399	7 494	385	43
Later than 1 year but not later than 5 years	19 536	18 393	143	41
Later than 5 years	13 009	12 753	-	-
	<b>40 944</b>	<b>38 640</b>	<b>528</b>	<b>84</b>

**31 Management compensation**

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-combination employee services in profit or loss during the three years period, if the Management of subsidiary achieve appointed EBITDA targets. If targets would have been achieved, the least effect on profit or loss during the whole period would be LTL 140 thousand (2012: LTL 140 thousand). However, the targets are not yet achieved and according to the Group's management estimate, they will be hardly achievable in the remaining period therefore the above agreement has not been accounted for in the Group's profit or loss.

**32 Business combination and disposal**
*Disposal in 2013*

On 29 March 2013, the Group sold 95.5% of the share capital of *Small Planet Airlines UAB (Lithuania)* and *Small Planet Airlines Sp.z.o.o. (Poland)* to the management of these companies Mr. Vytautas Kaikaris (65.5%) and Mr. Andrius Staniulis (30%). Before the transaction Mr. Vytautas Kaikaris already owned 4.5% stake in both companies.

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

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**32 Business combination and disposal (continued)**

	<i>Small Planet Airlines UAB - disposal's carrying amount</i>	<i>Small Planet Airlines Sp.z.o.o. – disposal's carrying amount</i>	<i>Inter- company transactions of disposal group</i>	<b>Total disposal's carrying amount</b>
Receivables	14 332	8 157	(2 112)	20 377
Security deposits placed	3 660	4 862	-	8 522
Loans granted	3 003	-	(2 419)	584
Cash and cash equivalents	561	98	-	659
Inventories	560	3	-	563
Property, plant and equipment	156	93	-	249
Intangible assets	34	1 125	-	1 159
Deferred income tax assets	-	918	-	918
Deferred income tax liabilities	(58)	(473)	-	(531)
Financial guarantees	(86)	-	86	-
Security deposits received	(1 941)	(8 403)	-	(10 344)
Borrowings	(9 866)	(2 419)	2 419	(9 866)
Payables	(21 790)	(13 636)	2 112	(33 314)
<b>Total identifiable net assets</b>	<b>(11 435)</b>	<b>(9 675)</b>	<b>86</b>	<b>(21 024)</b>
NCI based on proportionate share of net assets (4.5%)	515	435	(4)	<b>946</b>
<b>Group's net assets / (liabilities) attributed to equity holders of the parent</b>	<b>(10 920)</b>	<b>(9 240)</b>	<b>82</b>	<b>(20 078)</b>
Proceeds from sale of interest in subsidiaries				1 024
<i>Other items:</i>				
Exchange differences on translation of foreign operations				202
<b>Gain on disposal, directly recognised in Group's profit or loss (Note 33)</b>				<b>21 304</b>
Deferred consideration (treated as interest free loan for two years)				500
Share-exchange consideration				524
Sales price				<b>1 024</b>

Deferred consideration relates to a loan provided to one of the new shareholders of Small Planet Airlines for purchase of the shares. During the disposal of subsidiaries to Mr. Vytautas Kaikaris the Company has acquired 0.375% shares (or 22 119 ordinary shares) of the Company from him. These shares of the Company owned by Mr. Vytautas Kaikaris were considered to be treasury shares and directly deducted from shareholders' equity in the Company's and Group's balance sheets at the market price of the date of the transaction, i.e. at total purchase cost of LTL 1 169 thousand. LTL 524 thousand of the shares acquired was a consideration received for the shares of Small Planet airlines and LTL 645 thousand relates to a repayment of the loan by Mr Kaikaris.

Treasury shares were sold on 21 May 2013. Sales proceeds from the disposal of treasury shares of the Company amounted to LTL 1 184 thousand. After the treasury stock sale, the Company's retained earnings were increased by LTL 15 thousand.

Details of revenue, cost of sales and income tax expenses of disposal group (charter operations business segment) classified as discontinued operations are disclosed in Note 33.

As a result of the Group's disposal programme following the *Charter Operations business segment*, the Company's investments in associate *Small Planet Airlines S.r.l.* have been presented as held for sale in the Company and in the Group balance sheet at 31 December 2013. The carrying amount of the investments in associate held for sale is EUR 1 (Note 10, 33). The Group's investments in its associates at 31 December 2013 amounted to LTL 0 thousand through post-acquisition changes in the Group's share of net assets of the associate (at 31 December 2012: LTL 0 thousand).

**32 Business combination and disposals (continued)**

*Charter operations* business segment qualifies to be treated as disposed at 31 December 2013. The disposal group has operations with all business segments of the Group: it purchases aircraft maintenance, ground handling, fuelling, and crew training and business management services at market prices.

*Acquisition in 2013*

On 16 December 2013, the Group acquired 100% of the share capital of *Helisota UAB* and 100% of the share capital of its subsidiary *Kauno aviacijos gamykla UAB* from third parties. As a result of the acquisition, the Group is expected to increase its presence in the MRO segment, in the new *Helicopter MRO* sub-segment. Details of purchase consideration and assets and liabilities arising from the acquisitions are as follows:

	<i>Helisota UAB - acquiree's carrying amount</i>	<i>Kauno aviacijos gamykla UAB - acquiree's carrying amount</i>	Fair value adjustment / reclassification*	Inter-company transactions of acquiree's	<b>Fair values recognised on acquisition</b>
Inventories (Note 18)	38 912	17	(4 951)	-	<b>33 978</b>
Receivables	7 839	30	1 094*	(26)	<b>8 937</b>
Property, plant and equipment (Note 15)	2 395	4 439	(26)	-	<b>6 808</b>
Investments in subsidiaries	1 992	-	-	(1 992)	<b>-</b>
Short-term bank deposits	1 506	-	-	-	<b>1 506</b>
Cash and cash equivalents	991	18	-	-	<b>1 009</b>
Deferred income tax assets (Note 28)	774	75	583	-	<b>1 432</b>
Loans granted	130	-	-	(130)	<b>-</b>
Intangible assets (Note 16)	76	-	-	-	<b>76</b>
Borrowings	(7 549)	(130)	-	130	<b>(7 549)</b>
Payables	(13 806)	(120)	-	26	<b>(13 900)</b>
<b>Total identifiable net assets</b>	<b>33 260</b>	<b>4 329</b>	<b>(3 300)</b>	<b>(1 992)</b>	<b>32 297</b>
<b>Total identifiable net assets acquired</b>					<b>32 297</b>
Purchase consideration - paid in cash					(12 470)
Purchase consideration - share-exchange (Notes 22, 23)					(5 933)
<b>Excess of fair value of acquiree's net assets over cost (recognised directly in profit)</b>					<b>13 893</b>
Analysis of cash flows on acquisition:					
Consideration paid in cash					(12 470)
Cash acquired with the subsidiary					1 009
<b>Acquisition of subsidiaries, net of cash acquired</b>					<b>(11 461)</b>

The income statement of *Helisota UAB* for the period since the acquisition date until the end of reporting period is not included in the consolidated statement of comprehensive income as the impact of consolidation is not significant.

The group recognised a gain of LTL 13.9 million arising from the acquisition as a result of successful negotiation with non-controlling interests of *Helisota UAB*. The gain is included in other gain / (losses) – net in the Group's statement of comprehensive income for the year ended 31 December 2013.

*Purchase consideration – share-exchange* relates to additional 165,000 shares issued by the Company and related share premium resulting from measurement of the share emission at the closing price of the Company's shares on the WSE on the trading day immediately preceding the day of the transaction (Notes 22, 23). This new share emission was used to pay for the shares of *Helisota UAB* in addition to cash payment. The total purchase consideration in share exchange amounted in LTL 5.9 million.

**32 Business combination and disposals (continued)**

According to the acquisition agreement, two private investors have acquired a put option, i.e. a right to redeem the acquired shares (through share-exchange transaction) of *Avia Solutions Group AB* during the three years period at a pre-determined fixed price, if the Management of *Helisota UAB* achieves appointed EBT targets. The fair value of the put option has not yet been determined but the Management believes that it should not be material to the financial statements. As the fair value of the put option is not yet determined, the business combination accounting is not yet completed. The initial accounting for the business combination should be completed not later than within 12 months after the business combination took place.

If the acquisition of *Helisota UAB* took place at the beginning of the year 2013, the revenue of the Group for 2013 would have been greater by LTL 48.3 million and the net result would have been less by LTL 2.2 million. If the acquisition of *Helisota UAB* took place at the beginning of the year 2012, the revenue of the Group for 2012 would have been greater by LTL 42.3 million and the net result would have been greater by LTL 5.6 million.

*Disposal in 2012*

On 3 January 2012, the Group sold 50 % of the share capital of *Small Planet Airlines s.r.l. (Italy)* to third parties. Sales proceeds from the disposal of a 50 per cent shareholding in *Small Planet Airlines S.r.l.* amounted to EUR 763 thousand. *Small Planet Airlines s.r.l.* became the associate of the Group in which the Company holds interest of 35.50 per cent. Details of sale price and assets and liabilities arising from the disposal are as follows:

	<b>Small Planet Airlines s.r.l. - disposal's carrying amount</b>
Cash and cash equivalents	2 670
Property, plant and equipment (Note 15)	57
Intangible assets (Note 16)	1 032
Deferred income tax assets (Note 28)	962
Receivables	6 231
Payables	(7 878)
Borrowings	(389)
Deferred income tax liabilities (Note 28)	(18)
<b>Net assets disposed</b>	<b>2 667</b>
Proceeds from sale of interest in subsidiary with loss of control	2 637
Less: cost of investment in subsidiary (50 per cent of net assets disposed)	(1 333)
<b>Gain on disposal in Group's financial statements (discontinued operations):</b>	<b>1 304</b>

**33 Non-current assets held for sale and discontinued operations**

As a result of the Group's disposal programme following the *Charter Operations business segment*, various assets and associated liabilities, have been presented as held for sale in the Group balance sheet at 31 December 2012. The carrying amount of the assets held for sale is LTL 29 137 thousand, with associated liabilities of LTL 31 789 thousand.

The Group has disposed of *Charter operations* business segment, which qualifies to be treated as discontinued as at 31 December 2012. The disposal group has operations with all business segments of the Group: it purchases aircraft maintenance, ground handling, fuelling, crew training and business management services at market prices. The value of charter operations purchased by the disposal group during the first quarter 2013 (from 1 January 2013 until the date of disposal, Note 32) was LTL 8.7 million (during the whole 2012: LTL 54.4 million). As the arrangement for purchase from the Group will continue in the future, the results of aircraft maintenance, ground handling, fuelling and crew training operations include the amount of LTL 8.6 million that will become external revenue in the first quarter of 2013 (2012: LTL 54.0 million). The remaining LTL 0.1 million (2012: LTL 0.4 million) is the business management revenue that will no longer accrue to the Group following the disposal.

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**33 Non-current assets held for sale and discontinued operations (continued)****GROUP****31 December 2012****(a) Assets of disposal group classified as held for sale**

Property, plant and equipment (Note 15)	412
Intangible assets (Note 16)	1 127
Deferred income tax assets (Note 28)	1 516
Security deposits placed	5 681
Inventory	540
Prepaid income tax	441
Trade receivables	9 926
Loans provided	580
Other current assets	1 237
Deferred charges	6 139
Cash and cash equivalents	1 538
<b>Total, excluding IC transactions with the Group</b>	<b>29 137</b>
IC transactions with the Group	6 222
<b>Total, including IC transactions with the Group</b>	<b>35 359</b>

**(b) Liabilities of disposal group classified as held for sale**

Non-current liabilities	457
Deferred income tax liabilities (Note 28)	533
Trade and other payables	25 328
Other current liabilities	5 471
<b>Total, excluding IC transactions with the Group</b>	<b>31 789</b>
IC transactions with the Group	19 715
<b>Total, including IC transactions with the Group</b>	<b>51 504</b>

**(c) Revenue, cost of sales and income tax expenses of disposal group classified as held for sale**

<b>GROUP</b>	<b>January-March</b>	
	<b>2013</b>	<b>2012</b>
Revenue	19 745	232 824
Cost of sales	(22 346)	(225 354)
<b>Gross profit (loss) from discontinued operations</b>	<b>(2 601)</b>	<b>7 470</b>
Profit (loss) before income tax from operating activities	(5 137)	(8 228)
Income tax expense	(5)	(54)
<b>Profit (loss) from operating activities, net of tax</b>	<b>(5 142)</b>	<b>(8 282)</b>
Gain on sale of discontinued operations (Note 32)	21 304	1 304
<b>Net profit (loss) for the year from discontinued operations</b>	<b>16 162</b>	<b>(6 978)</b>

**COMPANY****(a) Assets of disposal group classified as held for sale**

Investments in subsidiaries classified as held for sale (Notes 10, 17)	-	2 299
Investments in associate classified as held for sale (Notes 32, 36)	2 476	-
Net fair value loss of investments in subsidiaries classified as held for sale through profit or loss (Note 10)	(2 476)	(1 291)
<b>Assets of disposal group classified as held for sale</b>	<b>-</b>	<b>1 008</b>

The Company's investments in associate *Small Planet Airlines S.r.l.* have been presented as held for sale in the Company balance sheet at 31 December 2013. The carrying amount of the investments in associate held for sale is EUR 1 (Note 10, 33).

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**34 Related party transactions**

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

The following transactions were carried out with related parties:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Sales of assets:</b>				
Subsidiaries of the Group	-	-	-	2
Entities having significant influence	2	-	-	-
Other related parties	-	235	-	2
	<b>2</b>	<b>235</b>	<b>-</b>	<b>4</b>
<b>Sales of services to:</b>				
Entities having significant influence	2	2	2	2
Subsidiaries of the Group	-	-	5 618	4 542
Associates of the Group	1 374	3 493	7	5
Other related parties	14 265	2 341	652	367
	<b>15 641</b>	<b>5 836</b>	<b>6 279</b>	<b>4 916</b>
<b>Total sales of assets and services</b>	<b>15 643</b>	<b>6 071</b>	<b>6 279</b>	<b>4 920</b>

In year 2013 amount of sales of consulting and management services from the Company to its related parties was LTL 6 279 thousand (2012: LTL 4 916 thousand). In year 2013 amount of sales of aircraft maintenance services from the Group to companies of *AviaAM Leasing AB* Group was LTL 13 582 thousand (2012: LTL 1 973 thousand).

**Purchases of assets from:**

Subsidiaries of the Group	-	-	27	-
Other related parties	478	1 776	-	-
	<b>478</b>	<b>1 776</b>	<b>27</b>	<b>-</b>

**Purchases of services from:**

Entities having significant influence	101	80	65	25
Subsidiaries of the Group	-	-	93	126
Other related parties	6 994	5 376	24	15
	<b>7 095</b>	<b>5 456</b>	<b>182</b>	<b>166</b>
<b>Total purchases of assets and services</b>	<b>7 573</b>	<b>7 232</b>	<b>209</b>	<b>166</b>

In year 2013 amount of purchases of premises lease services from *VA Reals AB* was LTL 5 644 thousand (in 2012: LTL 5 263 thousand).

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34	Related party transactions (continued)	GROUP		COMPANY	
		2013	2012	2013	2012
	<b>Trade receivables from related parties</b>				
	Trade receivables from entities having significant influence	2	-	-	-
	Trade receivables from subsidiaries of the Company	-	-	9 165	3 881
	Trade receivables from other related parties	4 571	1 837	69	99
	<b>Trade receivables from related parties – net (Note 19)</b>	<b>4 573</b>	<b>1 837</b>	<b>9 234</b>	<b>3 980</b>
	Deferred charges to other related parties	180	-	-	-
	Other receivables from subsidiaries of the Company (Note 19)	-	-	990	1 115
	Other receivables from related parties (Note 19)	128	72	12	72
	Prepayments from subsidiaries of the Group	-	-	10	-
	Prepayments from entities having significant influence (Note 19)	-	1	-	-
	Prepayments from other related parties (Note 19)	-	3	-	-
		<b>4 881</b>	<b>1 913</b>	<b>10 246</b>	<b>5 167</b>
	<b>Payables and advances received from related parties</b>				
	Amounts payable to entities having significant influence (Note 26)	8	7	2	1
	Amounts payable to subsidiaries of the Company (Note 26)	-	-	105	19
	Amounts payable to other related parties (Note 26)	566	1 028	1	131
	Advances received from other related parties	1 528	-	-	-
		<b>2 102</b>	<b>1 035</b>	<b>108</b>	<b>151</b>
	<b>Loans received from related parties</b>				
	<b>Beginning of the period</b>	<b>41</b>	<b>272</b>	<b>-</b>	<b>-</b>
	Reclassification of interest from other related parties to interest from third parties	(13)	-	-	-
	Transferred to the liabilities classified as held for sale	-	(266)	-	-
	Loans received from subsidiaries of the Group	-	-	-	-
	Loans received from other related parties	16 375	287	7 027	-
	Loan repayments to entities having significant influences	-	-	-	-
	Loan repayments to subsidiaries of the Group	-	-	-	-
	Loans repayments to other related parties / set-offs	(2 068)	(266)	-	-
	Interest on loans charged (2013 - at 7%)	136	14	22	-
	Interest on loans repaid / set-offs	(136)	-	(22)	-
	<b>End of the period</b>	<b>14 335</b>	<b>41</b>	<b>7 027</b>	<b>-</b>
	Less: non-current portion	-	(27)	-	-
	<b>Current portion (including accrued interest expense):</b>	<b>14 335</b>	<b>14</b>	<b>7 027</b>	<b>-</b>



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34	Related party transactions (continued)	GROUP		COMPANY	
		2013	2012	2013	2012
	<b>Loans to related parties</b>				
	<b>Beginning of the period</b>	<b>3 025</b>	<b>784</b>	<b>47 509</b>	<b>37 264</b>
	Reclassification of loans advanced to subsidiaries of the Group to loans advanced	-	1 200	(8 931)	-
	Loans advanced to subsidiaries of the Group	-	-	919	18 441
	Loans advanced to other related parties	1 005	710	951	718
	Loans advanced to the associate	-	691	-	691
	Loan repayments received/set-offs from subsidiaries of the Group	-	-	(4 791)	(9 864)
	Loan repayments received from other related parties (set-offs)	(375)	(420)	(29)	-
	Reclassification of loans advanced to other related parties to loans advanced	(598)	-	(598)	-
	Loan repayments received/set offs from associate	(605)	-	(605)	-
	Impairment of loan to associate (Note 3.1)	(86)	-	(86)	-
	Interest charged to subsidiaries of the Group	-	-	1 920	2 235
	Interest charged to other related parties	133	60	5	55
	Interest received/set-offs from subsidiaries of the Group	-	-	(1 902)	(2 031)
	Interest received/set-offs from other related parties	(11)	-	(2)	-
	Reclassification of interest from other related parties to interest from third parties	(40)	-	(40)	-
	Impairment of interest from associate	(49)	-	(23)	-
	<b>End of the period</b>	<b>2 399</b>	<b>3 025</b>	<b>34 297</b>	<b>47 509</b>
	Less non-current portion:	(2 138)	(1 424)	(28 598)	(1 031)
	<b>Current portion (including accrued interest income):</b>	<b>261</b>	<b>1 601</b>	<b>5 699</b>	<b>46 478</b>

As at 30 December 2013 the Company granted a loan to Mr. Aurimas Sanikovas (Chief Financier Officer of the Company) in amount of LTL 1 million for purchasing shares of *Avia Solutions Group AB*. Shares are pledged to the Company under this agreement. According to this loan agreement the borrower has the right to require the Company to redeem the shares in a period from 31 March 2014 to 31 December 2018 if the Group achieves appointed EBT targets. The Group's management does not expect this loan to have any material effect on the Group's financial statements.

**Intra – group financial guarantees provided on behalf of a 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 45 million as at 31 December 2013, related towards financing of working capital and towards refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of buildings and spare parts owned by a subsidiary (Note 25).

In 2013 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank overdraft amounting to LTL 11 million as at 31 December 2013, related towards financing of working capital and towards refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of machinery, vehicles, aircraft fuel and trade receivables owned by a subsidiary (Note 25).

In 2013 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank loans amounting to LTL 18 million as at 31 December 2013, related towards financing of costs related to the aviation hangar construction. The liabilities secured by these guarantees were also secured by pledge of lease right regarding the land plot, future aviation hangar, future hangar's equipment and other fixed assets owned by a subsidiary (Note 25).

Date of issue	Issued to	On behalf of	Valid till	Amounts as of 2013.12.31
2011.09.30	The Bank	The Subsidiary	2017.08.31	LTL 45 299 thousand
2013.10.23	The Bank	The Subsidiary	2014.10.23	LTL 10 903 thousand
2013.04.08	The Bank	The Subsidiary	2018.03.20	LTL 18 369 thousand

**35 Remuneration of the Group's and the Company's key management**

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

	GROUP		COMPANY	
	2013	2012	2013	2012
Salaries including termination benefits	6 435	8 103	712	720
Social insurance expenses	1 783	2 457	221	222
Bonuses	280	206	-	-
	<b>8 498</b>	<b>10 766</b>	<b>933</b>	<b>942</b>
The number of key management at the end of year	50	56	3	3

**36 Events after the balance sheet date**

The Company has signed an investment agreement with TVK Rossiya, part of Russia's largest state-owned holding company Rostec, for the development and management of the fourth Moscow airport hub on the basis of existing Ramenskoe aerodrome. Under the agreement, the parties will establish a special purpose company, where the Company is required to invest 1 billion RUB (approx. 76 million LTL) into the company's share capital, receiving up to 75% of the company's shares whereas TVK Rossiya, shareholder of the remaining shares, will contribute real estate that is necessary for airport development.

The Company sold its 35.50% stakes in Small Planet Airlines s.r.l. (Italy) to the third parties.

On the 3 January 2014 the Company issued a guarantee to a bank on behalf of a subsidiary in the amount of EUR 869 thousand to secure the bank loan.

In February 2014 the Company signed the agreement for sale 49% stakes in Baltic Aviation Academy UAB to third party. On 15 April 2014 the first stage of sale transaction was completed: the Company sold its 23.09% stakes in Baltic Aviation Academy UAB to the third party. The whole sale transaction will be completed until 31 May 2014.

General Manager  
Linas Dovydenas



Chief Financial Officer  
Aurimas Sanikovas

