AVIAAM LEASING AB

INDEPENDENT AUDITOR'S REPORT,

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS Pages

Independent Auditor's Report

To the shareholders of AviaAM Leasing AB

Report on the financial statements

We have audited the accompanying consolidated financial statements of AviaAM Leasing AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 58, which comprise the consolidated balance sheet as of 31 December 2015 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.

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 2015, 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 2015 set out on pages 59 to 88 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 2015.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
4 April 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note		2015		2014
		USD	EUR	USD	EUR
Revenue	5	32,099	28,903	120,724	90,928
Interest income on loans		1,694	1,526	2,773	2,088
Costs of aircraft sold		(2,788)	(2,510)	(86,136)	(64,877)
Costs of services rendered	6	(6,235)	(5,614)	(6,979)	(5,256)
Aircraft maintenance and servicing expenses		(2,982)	(2,685)	(4,770)	(3,593)
Depreciation of aircraft		(4,253)	(3,830)	(4,764)	(3,588)
Revaluation of aircraft	14	59	53	(1,390)	(1,047)
Revaluation of investment property	15	403	363		-
Impairment of receivables and prepayments		(752)	(677)	(368)	(277)
Employee-related expenses	7	(650)	(586)	(800)	(603)
Other operating expenses	8	(1,554)	(1,399)	(1,782)	(1,342)
Gain on sale of subsidiaries	9	-	-	5,251	3,955
Gain on sale of property, plant and equipment (net)		-	-	4,377	3,297
Other gain (losses) net	10	618	556	2,172	1,636
Operating profit		**15,659**	**14,100**	**28,308**	**21,321**
Finance income	11	466	420	286	216
Finance costs	11	(2,977)	(2,681)	(3,268)	(2,462)
Finance costs – net		**(2,511)**	**(2,261)**	**(2,982)**	**(2,246)**
Profit (loss) before income tax		**13,148**	**11,839**	**25,327**	**19,075**
Income tax	12	(1,189)	(1,070)	(3,043)	(2,293)
Profit (loss) for the period		**11,959**	**10,769**	**22,284**	**16,782**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Gain (loss) on revaluation of aircraft		9,295	8,369	1,072	881
Deferred income tax on revaluation of aircraft		(1,394)	(1,276)	(160)	(132)
Currency translation differences on translation to presentation currency		-	8,392	-	7,967
Items that may be reclassified to profit or loss:					
Revaluation of available for sale investments		(380)	(348)	(971)	(798)
Deferred income tax on revaluation of available for sale investments		26	38	146	120
Total other comprehensive income		**7,547**	**15,175**	**87**	**8,038**
Total comprehensive income		**19,506**	**25,944**	**22,371**	**24,820**
Basic and diluted earnings per share (USD/EUR)	13	**0.28**	**0.25**	**0.51**	**0.39**

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

The financial statements on pages 5 to 58 have been approved by the Management Board as at 2015 and signed by the General Manager.

Tadas Goberis
General Manager

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

CONSOLIDATED BALANCE SHEET

		31 December 2015		31 December 2014	
	Note	USD	EUR	USD	EUR
ASSETS					
Non-current assets					
Property, plant and equipment	14	64,198	58,757	39,167	32,201
Investment property	15	1,540	1,410	-	-
Intangible assets		1	1	1	1
Available-for-sale financial assets	16	1,012	926	881	724
Loans granted	18	9,621	8,806	10,717	8,811
		76,372	**69,900**	**50,766**	**41,737**
Current assets					
Inventory	17	1,747	1,599	1,037	853
Loans granted	18	21,419	19,603	23,549	19,361
Trade and other receivables	19	6,472	5,923	6,764	5,561
Financial assets at fair value through profit or loss	20	1,526	1,396	-	-
Cash and cash equivalents	21	27,093	24,797	36,574	30,069
		58,257	**53,318**	**67,924**	**55,844**
Total assets		**134,629**	**123,218**	**118,690**	**97,581**
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	22	16,804	12,559	16,804	12,542
Share premium	22	27,972	20,878	27,972	20,878
Legal reserve	22	1,740	1,254	1,740	1,254
Reserve for own shares	22	1,315	1,204	-	-
Revaluation reserve	22	12,244	11,206	4,343	3,570
Revaluation reserve (deficit) of financial assets	22	(1,179)	(1,065)	(825)	(678)
Cumulative translation reserve		-	13,913	-	5,521
Retained earnings	22	49,288	39,066	43,020	33,416
Total equity		**108,184**	**99,015**	**93,054**	**76,503**
LIABILITIES					
Non-current liabilities					
Borrowings	23	5,480	5,015	10,782	8,865
Security deposits received	25	4,650	4,256	3,332	2,740
Deferred income tax liabilities	26	2,057	1,882	1,353	1,112
		12,187	**11,153**	**15,467**	**12,717**
Current liabilities					
Borrowings	23	5,927	5,425	2,768	2,276
Trade and other payables	24	3,658	3,348	2,488	2,046
Security deposits received	25	520	476	40	33
Advances received	24	159	145	70	57
Current income tax liabilities		3,994	3,656	4,803	3,949
		14,258	**13,050**	**10,169**	**8,361**
Total liabilities		**26,445**	**24,203**	**25,636**	**21,078**
Total equity and liabilities		**134,629**	**123,218**	**118,690**	**97,581**

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

Tadas Goberis
General Manager

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Retained earnings	Total equity
Balance at 1 January 2014		16,804	27,972	1,131	-	3,431	-	24,824	74,162
Comprehensive income									
Revaluation of financial assets available for sale	16	-	-	-	-	-	(971)	-	(971)
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	146	-	146
Revaluation of aircraft	14	-	-	-	-	1,072	-	-	1,072
Deferred income tax on revaluation of aircraft	26	-	-	-	-	(160)	-	-	(160)
Other comprehensive income (loss)		-	-	-	-	912	(825)	-	87
Profit for the year		-	-	-	-	-	-	22,284	22,284
Total comprehensive income		-	-	-	-	912	(825)	22,284	22,371
Transactions with owners									
Transfer to reserves		-	-	609	-	-	-	(609)	-
Dividends	22	-	-	-	-	-	-	(3,479)	(3,479)
Total transactions with owners		-	-	609	-	-	-	(4,088)	(3,479)
Balance at 31 December 2014/ 1 January 2015		16,804	27,972	1,740	-	4,343	(825)	43,020	93,054
Comprehensive income									
Revaluation of financial assets available for sale	16	-	-	-	-	-	(380)	-	(380)
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	26	-	26
Revaluation of aircraft	14	-	-	-	-	9,295	-	-	9,295
Deferred income tax on revaluation of aircraft	26	-	-	-	-	(1,394)	-	-	(1,394)
Other comprehensive income (loss)		-	-	-	-	7,901	(354)	-	7,547
Profit for the period		-	-	-	-	-	-	11,959	11,959
Total comprehensive income		-	-	-	-	7,901	(354)	11,959	19,506
Transactions with owners									
Transfer to reserve for own shares		-	-	-	1,315	-	-	(1,315)	-
Dividends	22	-	-	-	-	-	-	(4,376)	(4,376)
Total transactions with owners		-	-	-	1,315	-	-	(5,691)	(4,376)
Balance at 31 December 2015		16,804	27,972	1,740	1,315	12,244	(1,179)	49,288	108,184

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

Tadas Goberis
General Manager

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

EUR	Note	Share capital	Share premium	Legal reserve	Reserve for own shares	Revaluation reserve	Revaluation reserve (deficit) of financial assets	Cum. trans.	Retained earnings	Total equity
Balance at 1 January 2014		12,542	20,878	854	-	2,494	-	(2,446)	19,586	53,908
Comprehensive income										
Revaluation of financial assets available for sale	16	-	-	-	-	-	(798)	-	-	(798)
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	120	-	-	120
Revaluation of aircraft	14	-	-	-	-	881	-	-	-	881
Deferred income tax on revaluation of aircraft	26	-	-	-	-	(132)	-	-	-	(132)
Currency translation differences		-	-	-	-	-	-	7,967	-	7,967
Other comprehensive income (loss)		-	-	-	-	749	(678)	7,967	-	8,038
Profit for the period		-	-	-	-	-	-	-	16,782	16,782
Total comprehensive income		-	-	-	-	749	(678)	7,967	16,782	24,820
Transactions with owners										
Transfer to reserves		-	-	400	-	-	-	-	(401)	(1)
Dividends	22	-	-	-	-	-	-	-	(2,551)	(2,551)
Currency translation differences		-	-	-	-	327	-	-	-	327
Total transactions with owners		-	-	400	-	327	-	-	(2,952)	(2,225)
Balance at 31 December 2014/ 1 January 2015		12,542	20,878	1,254	-	3,570	678	5,521	33,416	76,503
Comprehensive income										
Revaluation of financial assets available for sale	16	-	-	-	-	-	(348)	-	-	(348)
Deferred income tax on revaluation of financial assets available for sale	26	-	-	-	-	-	38	-	-	38
Revaluation of aircraft	14	-	-	-	-	8,369	-	-	-	8,369
Deferred income tax on revaluation of aircraft	26	-	-	-	-	(1,276)	-	-	-	(1,276)
Currency translation differences		-	-	-	-	543	(77)	8,392	-	8,858
Other comprehensive income (loss)		-	-	-	-	7,636	(387)	8,392	-	15,641
Profit for the period		-	-	-	-	-	-	-	10,769	10,769
Total comprehensive income		-	-	-	-	7,636	(387)	8,392	10,769	26,410
Transactions with owners										
Transfer to reserve for own shares		-	-	-	1,204	-	-	-	(1,204)	-
Dividends	22	-	-	-	-	-	-	-	(3,898)	(3,898)
Share capital conversion result		17			-	-	-	-	(17)	-
Total transactions with owners		17	-	-	1,204	-	-	-	(5,119)	(3,898)
Balance at 31 December 2015		12,559	20,878	1,254	1,204	11,206	(1,065)	13,913	39,066	99,015

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

Tadas Goberis
General Manager

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

CONSOLIDATED STATEMENT OF CASH FLOW

	Note		2015		2014
		USD	EUR	USD	EUR
Operating activities					
Profit (loss) before income tax		13,148	11,839	25,327	19,075
Adjustments for:					
Depreciation and amortisation	14	4,253	3,830	4,764	3,588
Impairment of accounts receivable and prepayments		752	677	368	277
Discounting effect		(248)	(224)	127	95
Finance costs – net		518	466	(756)	(569)
Change in fair value of aircraft	14	(59)	(53)	1,390	1,047
Change in fair value of investment property	15	(403)	(363)	-	-
Gain on sale of subsidiaries		-	-	(5,251)	(3,955)
Profit / loss from sale of fixed assets		-	-	(4,377)	(3,297)
Changes in working capital:					
Trade and other receivables		17,331	15,606	843	635
Trade and other payables		2,212	1,992	(4,661)	(3,510)
Security deposits and advances received		2,041	1,838	280	211
Inventory		657	592	199	150
Cash generated from operations		**40,202**	**36,200**	**18,253**	**13,747**
Interest paid		(873)	(786)	(1,507)	(1,135)
Income tax paid		(2,417)	(2,176)	(958)	(721)
Net cash generated from operating activities		**36,912**	**33,238**	**15,788**	**11,891**
Investing activities					
Purchase of property, plant and equipment and intangible assets		(22,321)	(20,098)	(27,736)	(20,890)
Purchase of investment property		(1,137)	(1,024)	-	-
Sale of property, plant and equipment and intangible assets		-	-	21,900	16,495
Investments in other entities		(511)	(460)	(1,852)	(1,395)
Purchase of fin. assets carried at fair value through profit or loss	20	(1,526)	(1,374)	-	-
Sale of subsidiaries		-	-	(203)	(153)
Loans granted		(44,752)	(40,295)	(56,592)	(42,625)
Loans repaid		27,467	24,731	43,394	32,684
Interest received		114	103	1,806	1,360
Net cash used in investing activities		**(42,666)**	**(38,417)**	**(19,283)**	**(14,524)**
Financing activities					
Borrowings		624	562	-	-
Dividends paid		(1,583)	(1,425)	(1,283)	(966)
Lease (finance lease) payments		(2,768)	(2,493)	(2,601)	(1,959)
Net cash used in financing activities		**(3,727)**	**(3,356)**	**(3,884)**	**(2,925)**
Decrease in cash and cash equivalents		**(9,481)**	**(8,353)**	**(7,379)**	**(5,558)**
Movement in cash and cash equivalents					
At beginning of year		36,574	30,069	43,953	31,949
Decrease in cash and cash equivalents		(9,481)	(8,353)	(7,379)	(5,558)
Foreign translation differences		-	3,263	-	3,678
At end of the year	21	**27,093**	**24,797**	**36,574**	**30,069**

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

Tadas Goberis

General Manager

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

The shareholders' structure of the Company as at 31 December 2015 and 31 December 2014 was as follows:

	Number of shares	%
ZIA Valda Cyprus Leasing Limited	12,994,905	30.01
Mesotania Holdings Limited	10,899,858	25.17
Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open pension fund)	5,000,000	11.55
Aurimas Sanikovas	294,478	0.68
Tadas Goberis	147,239	0.34
Other shareholders	13,969,113	32.26
Total	**43,305,593**	**100.00**

The Company and its subsidiaries (together, *the Group*) are engaged in the business of aircraft leasing, trading and management. The principal activity of the Group is operating leasing, management and trading of mid-life narrow body and regional jet aircraft. As of 31 December 2015 the Group owned 15 aircraft: 2 Airbus A319, 1 Boeing 737-300, 3 Boeing 737-500 and 9 Bombardier CRJ200 aircraft. All aircraft were leased out under operating lease contracts. As of 31 December 2014 the Group owned 13 aircraft: 1 Boeing 737-300, 3 Boeing 737-500 and 9 Bombardier CRJ200 aircraft. All aircraft were leased out under operating lease contracts.

In addition, the Company effectively holds a 50% stake in a joint-venture - Regional Charter Capital Ltd. - which owns one Bombardier CRJ200 aircraft in a business jet configuration. The principal activity of the joint-venture is management of the subject aircraft.

Moreover, on 7 August 2015 the Company established a subsidiary – DG21 UAB – with a purpose of pursuing the investments into the real estate. In September and December 2015 the aforementioned subsidiary acquired two buildings in Vilnius, Lithuania to be leased to companies engaged in aviation related business.

As at 31 December 2015 the number of full-time staff employed by the Group totalled 16. As at 31 December 2014 the number of full-time staff employed by the Group totalled 15.

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

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

1 General information (continued)

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

The Group’s companies	Country of establishment	Share of equity, % As at 31 December 2015	Share of equity, % As at 31 December 2014	Date of acquiring (establishment) / activity / address of establishment
AviaAM B01 UAB	Lithuania	100	100	Date of acquiring: 4 January 2010 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B02 UAB	Lithuania	100	100	Date of acquiring: 4 January 2010 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B04 UAB	Lithuania	100	100	Date of establishment: 22 February 2007 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B05 UAB	Lithuania	100	100	Date of establishment: 28 June 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B06 UAB	Lithuania	100	100	Date of establishment: 15 July 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
AviaAM B07 UAB	Lithuania	100	100	Date of establishment: 30 September 2011 / Aircraft leasing / Smolensko g. 10, Vilnius
DG21 UAB	Lithuania	100	-	Date of establishment: 7 August 2015 / Real estate management / Smolensko g. 10, Vilnius
AviaAM B10 UAB	Ireland	100	-	Date of establishment: 17 December 2015 / Aircraft leasing / Unit 5, 2nd Floor, The Courtyard, Carmanhall Road, Sandyford, Dublin 18, Ireland
AAL Capital Aircraft Holdings Ltd.	Cyprus	100	100	Date of establishment: 29 September 2011 / Aircraft leasing / 1 Bouboulina str. Bouboulina Building, 2nd floor, Office No. 24, 1060 Nicosia, Cyprus
AviaAM Leasing Bermuda Ltd	Bermuda	100*	100*	Date of establishment: 16 September 2011 / Aircraft leasing / Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
AviaAM B08 Ltd.	Bermuda	100*	100*	Date of establishment: 26 April 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda
AviaAM B09 Ltd.	Bermuda	100*	100*	Date of establishment: 27 June 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
Ice Aircraft Management Ltd.	Bermuda	100*	100*	Date of establishment: 23 October 2013 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
Boulevard Two Aircraft Ltd.	Ireland	100*	100*	Date of acquiring: 20 December 2013 / Aircraft leasing / 70 Sir John Rogerson’s Quay, Dublin 2, Ireland
Regional Charter Capital Ltd.	Bermuda	50**	50**	Date of establishment: 31 October 2012 / Aircraft leasing / Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda

* Shareholding through AAL Capital Aircraft Holdings Ltd. which owns 100 per cent of the company.
** Shareholding through AviaAM Leasing Bermuda Ltd. which owns 50 per cent of the company.

2 Summary of significant accounting policies

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

2.1.1 Basis of preparation

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

The financial statements for all periods in this report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and its interpretations and amendments that are effective as at 31 December 2015 (“IFRS”).

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

The consolidated financial statements are presented in US Dollars (USD) and Lithuanian Euro (EUR) and all values are rounded to the nearest thousand (USD’000 and EUR ´000) except when otherwise indicated. On 1 January 2015, Lithuania joined the Euro area and the Euro became its national currency. Comparative figures in Litas were converted using the official exchange rate of the Litas against the Euro, i.e. LTL 3.4528 to EUR 1, that was effective until 31 December 2014.

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

2.1.2 Changes in accounting policy and disclosures

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

IFRIC 21 – Levies 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.

Annual Improvements to IFRSs 2013 The improvements consist of changes to four standards.
The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

2.1.2 Changes in accounting policy and disclosures (continued)

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

(b) There were no new or amended IFRS and IFRIC interpretations that are effective in 2015 but not relevant to the Group.

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

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective for annual periods beginning on or after 1 February 2015) The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015) The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (effective for annual periods beginning on or after 1 January 2016) This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its financial statements.

2.1.2 Changes in accounting policy and disclosures (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (effective for annual periods beginning on or after 1 January 2016) In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2016) The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The Group is currently assessing the impact of the amendments on its financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016) The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016) The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016) The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its financial statements.

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

- *IFRS 9, Financial Instruments: Classification and Measurement*
- *IFRS 14, Regulatory Deferral Accounts*
- *IFRS 15, Revenue from Contracts with Customers*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28*

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

2.1.2 Changes in accounting policy and disclosures (continued)

- *Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28*
- *IFRS 16, Leases*
- *Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12*
- *Disclosure Initiative - Amendments to IAS 7*

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

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

2.2 Consolidation

Subsidiaries

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

Business combinations with entities not under common control

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

Business combinations between entities under common control

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

- the assets and liabilities of the entities in business combination are stated at their carrying amounts;

- no newly arising goodwill is recognised on business combination;

- any differences between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings;

- the acquiree’s results are consolidated as if the acquiree had always been controlled by the acquirer (or from the date the common control arises).

Inter-company transactions

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

2.2 Consolidation (continued)

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Associates and joint ventures

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

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

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

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

The group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate/joint venture and its carrying value and recognises the amount adjacent to ‘share of profit/(loss) of associates/joint ventures in the income statement.

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and all its subsidiaries is the US dollar (USD) as a significant proportion of their business is conducted in the US dollars and management uses the information prepared in USD to manage business risks and exposures and to measure performance of the business.

The financial statements are presented in US dollars, which is the functional currency of the Company and all its subsidiaries, and, due to the requirements of the laws of the Republic of Lithuania, also in euro (EUR) which is the Group's second presentation currency.

As at 31 December 2015 the exchange rate of euro to US Dollar was EUR 1 = USD 1.0926 (2014: EUR 1 = USD 1.2160). From 2 February 2002 the exchange rate of the Litas has been pegged to the euro at a rate of LTL 3.4528 = 1 EUR As at 31 December 2014 the exchange rate of US Dollar to Lithuanian Litas was USD 1 = LTL 2.8387.

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

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

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

iii. all resulting exchange differences are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment comprise aircraft, aircraft under preparation for use and other tangible fixed assets.

Aircraft are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made at the end of each reporting period. The market value of the aircraft is obtained from reports prepared by external valuators holding a recognised and appropriate professional qualification in valuation of similar category assets (Note 4(a)). The fair value measurement of aircraft is performed at each reporting date, and changes in the fair value are accounted as follows.

2.4 Property, plant and equipment (continued)

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an aircraft is transferred directly to retained earnings when the asset is derecognised.

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

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

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

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

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

Other tangible fixed assets	3 – 6 years

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

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

2.5 Investment property

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

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

2.5 Investment property (continued)

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

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

The fair value measurement of investment property is performed at each reporting date, and changes in the fair value are recognised in profit or loss.

2.6 Intangible assets

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

Computer software	3 years

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

Loans and receivables

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

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

2.8.1 Classification (continued)

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.9 Offsetting financial instruments

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

2.10 Inventory

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

2.11 Cash and cash equivalents

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

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

2.12 Share capital

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

2.13 Trade payables and security deposits

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

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

2.14 Borrowings

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

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

2.15 Borrowing costs

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

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

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

2.16 Current and deferred income tax

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

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

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

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

2.16 Current and deferred income tax (continued)

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

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

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

2.17 Revenue recognition

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

(a) Sales of services

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

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

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

(b) Sales of aircraft

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

(c) Commission income

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

(d) Interest income

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

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

2.18 Leases – where the Group is the lessor

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 income statement on a straight-line basis over the period of the lease.

Finance lease

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

Operating lease

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

2.19 Employee benefits

Social security contributions

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

2.20 Earnings (loss) per share

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

2.21 Fair value estimation

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

Market risk

(i) Foreign exchange risk

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

		2014
	USD	**LTL**
Reasonably possible change of LTL to USD in per cent		13.10%
Financial assets denominated in LTL	4,571	12,974
Financial liabilities denominated in LTL	394	1,118
Projected effect on profit	**547**	**1,554**

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

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

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

3 Financial risk management (continued)

(ii) Cash flow interest rate risk

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

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

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

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
EUR (EURIBOR)		1.00		-
USD (USD LIBOR)		1.00		1.00
Financial assets subject to variable interest rates (by the currency of financial assets/liabilities)				
EUR	-	-	-	-
USD	-	-	-	-
Financial liabilities subject to variable interest rates (by the currency of financial assets/liabilities)				
EUR	624	572	-	-
USD	10,783	9,868	13,550	11,141
Projected effect on profit	**(114)**	**(125)**	**(136)**	**(111)**

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

Repricing terms of interest rates

		2015		2014
	USD	**EUR**	**USD**	**EUR**
3 months or less	10,783	9,868	13,550	11,141
3-6 months	624	572	-	-
Fixed	-	-	-	-
	11,407	**10,440**	**13,550**	**11,141**

Credit risk

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

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

3 Financial risk management (continued)

(i) Concentration risk

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Loans granted to debtors in aviation business	31,040	28,409	34,266	28,172
Trade and other receivables from customers in aviation business	6,472	5,923	6,764	5,561
	37,512	**34,332**	**41,030**	**33,733**

Trade receivables and loans granted are related to a limited number of customers. Largest customer amounts to 25% of total trade and other receivables and 17% of total loans granted as at 31 December 2015.

(ii) Maximum exposure of credit risk

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Loans granted	31,040	28,409	34,266	28,172
Trade receivables	5,131	4,695	5,931	4,877
Other receivables	-	-	142	117
Cash and cash equivalents	27,093	24,797	36,574	30,069
	63,264	**57,901**	**76,913**	**63,235**

(iii) Financial assets neither past due nor impaired - credit quality of financial assets

(a) Trade receivables (trade customers without external credit rating)

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Group 1 – new customers (less than 6 months)	-	-	-	-
Group 2 – old customers (more than 6 months)	3,152	2,883	4,204	3,458
	3,152	**2,883**	**4,204**	**3,458**

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

3 Financial risk management (continued)

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

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

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
A+	15,615	14,292	25,613	21,058
A-	-	-	197	162
B+	-	-	1	1
Other **	11,478	10,505	10,763	8,848
	27,093	**24,797**	**36,574**	**30,069**

* - External long term borrowings ratings set by international agency FitchRatings as at March 2015.
** - Cash classified in Other category is held in a fiduciary bank, in which accounts are segregated from other funds therefore credit risk of this bank is assumed as low

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

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Group 1 – new customers/related parties (less than 6 months).	-	-	1,025	843
Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.	30,838	28,225	30,203	24,831
	30,838	**28,225**	**31,228**	**25,674**

(iv) Financial assets past due but not impaired

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

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Past due up to 3 months	1,044	955	1,546	1,272
Past due 4-6 months	807	739	2,523	2,074
Past due for more than 6 months	330	302	838	688
	2,181	**1,996**	**4,907**	**4,034**

(v) Impaired financial assets

(a) Loans granted impaired

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Impaired loans granted – gross amount	112	103	-	-
Less: impairment of loans granted	(112)	(103)	-	-
Impaired loans granted – net amount	**-**	**-**	**-**	**-**

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

3 Financial risk management (continued)

(a) Trade and other receivables impaired

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Impaired trade and other receivables – gross amount	3,240	2,966	2,601	2,139
Less: impairment of receivables	(3,240)	(2,966)	(2,601)	(2,139)
Impaired trade and other receivables – net amount	**-**	**-**	**-**	**-**

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

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

Movement on provisions for impairment of loans granted

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
At 1 January	**-**	**-**	**-**	**-**
Exchange rate difference	-	-	-	-
Provision for trade receivables impairment	112	103	-	-
Receivables written off during the year as uncollectible	-	-	-	-
Currency translation differences	-	-	-	-
At 31 December	**112**	**103**	**-**	**-**

Movement on provisions for impairment of trade and other receivables

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
At 1 January	**2,601**	**2,139**	**2,235**	**1,624**
Exchange rate difference	-	-	-	-
Provision for trade receivables impairment	860	774	365	275
Reversal of trade receivables impaired	(221)	(199)	-	-
Receivables written off during the year as uncollectible	-	-	-	-
Currency translation differences	-	252	1	240
At 31 December	**3,240**	**2,966**	**2,601**	**2,139**

Liquidity risk

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

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

3 Financial risk management (continued)

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

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

USD	Less than 1 year	Between 1 and 2 years	Over 2 years
At 31 December 2015			
Borrowings from banks	6	69	550
Security deposits received	520	-	4,650
Lease liabilities	5,921	3,821	1,040
Trade and other payables	3,658	-	-
	10,105	**3,890**	**6,240**
At 31 December 2014			
Security deposits received	40	990	2,342
Lease liabilities	2,768	5,921	4,861
Trade and other payables	2,488	-	-
	5,296	**6,911**	**7,203**

EUR	Less than 1 year	Between 1 and 2 years	Over 2 years
At 31 December 2015			
Borrowings from banks	5	63	503
Security deposits received	476	-	4,256
Lease liabilities	5,419	3,498	952
Trade and other payables	3,348	-	-
	9,248	**3,561**	**5,711**
At 31 December 2014			
Security deposits received	33	814	1,926
Lease liabilities	2,276	4,868	3,996
Trade and other payables	2,046	-	-
	4,355	**5,682**	**5,922**

3.2 Capital risk management

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

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

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

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

3.2 Capital risk management (continued)

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

		2015		2014
	USD	EUR	USD	EUR
Borrowings	11,407	10,440	13,550	11,141
Less: cash and cash equivalents	(27,093)	(24,797)	(36,574)	(30,069)
Net debt	(15,686)	(14,357)	(23,024)	(18,928)
Total equity	108,184	99,015	93,054	76,503
Total capital	**92,498**	**84,658**	**70,030**	**57,575**
Gearing ratio	N/A		N/A	

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company and private limited liability company must be not less than EUR 40,000 and EUR 2,500 respectively and the equity capital of the company may not be less than 1/2 of the authorised capital indicated in the Articles of Association. As of 31 December 2015 two of the Group companies have not complied with these requirements. No actions were yet taken in 2015 to rectify the situation.

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

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

3.3 Fair value estimation

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

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

Fair value of loans granted approximate the book value because interest rates applied are similar to the market interest rates at balance sheet dates.

The fair value of security deposits received applying 4.6% discount rate amounted to USD 5,170 thousand (EUR 4,732 thousand) as at 31 December 2015.

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

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

4 Critical accounting estimates

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

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

(a) Fair value of aircraft

Aircraft are carried at revalued amounts being fair value at the end of each reporting period. Fair value measurements as at 31 December 2015 were performed by an independent appraiser IBA Group Limited and one CRJ200 converted to business jet was valued by Ascend Flightglobal Consultancy (as at 31 December 2014 - IBA Group Limited and one CRJ200 converted to business jet was valued by Ascend Flightglobal Consultancy). The valuation was performed in line with the requirements of the International Valuation Standards.

Each value determined by appraisers is intended to reflect what might have been expected from the result of an 'arm’s-length, single sale transaction' conducted in an orderly manner between a 'willing buyer and willing seller', with the aircraft free of any lease or charge. Basis of fair value is comparable sales transactions in the aircraft sales market.

In order to obtain fair values of the aircraft possessed by the Group the valuation was performed using two step approach. Firstly, appraisers has obtained market transactions data related to the same types of aircraft as the Group have and using the data on the conditions of the subject aircraft produced “Half-Life” values for each one at each valuation date. The term “Half-Life” refers to the airframe, engines, landing gear, APU and all major components being half way between major overhauls, inspections or performance restorations as appropriate; with engine LLPs having 50% of their certified lives remaining.

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

Judgment was applied when determining values of separate components of aircraft for depreciation calculation purposes.

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

The fair values of Property, plant and equipment are within level 2 of the fair value hierarchy.

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

4 Critical accounting estimates (continued)

(b) Fair value of investment property

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

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

(c) Related-party transactions

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

(d) Income taxes

Tax contingencies and uncertain tax positions. Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

5 Revenue

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Sales of aircraft	2,300	2,071	91,150	68,653
Lease revenue	13,878	12,497	16,174	12,182
Commission income	9,408	8,471	7,575	5,706
Supplemental maintenance rent	6,513	5,864	5,825	4,387
	32,099	**28,903**	**120,724**	**90,928**

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

5 Revenue (continued)

The future aggregate minimum lease revenue (not including supplemental maintenance rent) under operating leases is as follows:

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Not later than 1 year	13,836	12,663	13,294	10,930
Later than 1 year but not later than 5 years	45,255	41,420	21,405	17,598
Later than 5 years	3,557	3,256	-	-
	62,648	**57,339**	**34,699**	**28,528**

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

The segment’s sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of that segment in any of the years):

		2015		2014
Lease, sale and aircraft transaction management customers	**USD**	**EUR**	**USD**	**EUR**
Customer B	12,174	10,961	11,998	9,036
Customer P	9,375	8,441	-	-
Customer I	4,679	4,213	-	-
Customer Q	2,300	2,071	-	-
Customer F	-	-	72,500	54,606
Customer L	-	-	18,500	13,934
Customer A	-	-	1,240	934
Customer D	-	-	1,192	898
Customer C	-	-	145	109
Other customers	3,571	3,217	15,149	11,411
	32,099	**28,903**	**120,724**	**90,928**

The segment’s aircraft lease and sales revenue according to geographical location (based on the residence of customers):

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

5 Revenue (continued)

		2015		2014
Country	**USD**	**EUR**	**USD**	**EUR**
Russia	17,137	15,431	15,861	11,947
Ireland	9,375	8,441	-	-
Kazakhstan	2,900	2,611	1,240	934
Belarus	1,594	1,435	2,233	1,682
Lithuania	1,060	955	858	646
Bermuda	33	30	91,000	68,539
Iceland	-	-	4,575	3,446
Hong Kong	-	-	3,000	2,260
Tajikistan	-	-	1,192	898
Italy	-	-	765	576
	32,099	**28,903**	**120,724**	**90,928**

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

		2015		2014
Country	**USD**	**EUR**	**USD**	**EUR**
Russia	52,881	48,399	26,509	21,795
Lithuania	6,284	5,752	6,495	5,339
Belarus	1,875	1,716	3,527	2,900
Kazakhstan	924	846	874	719
	61,964	**56,713**	**37,405**	**30,753**

6 Costs of services rendered

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Cost of services rendered related to aircraft leases	721	649	1,753	1,321
Cost of services rendered related to commission income	5,514	4,965	5,226	3,935
	6,235	**5,614**	**6,979**	**5,256**

7 Employee related expenses

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Salaries	474	427	589	444
Social insurance expenses	176	159	211	159
	650	**586**	**800**	**603**

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

8 Other operating expenses

		2015		2014
	USD	EUR	USD	EUR
Legal and translation expenses	428	385	677	510
Management services	201	181	248	187
Marketing expenses	168	152	105	79
Audit and accounting expenses	133	120	78	59
Insurance expenses	116	105	76	57
Travelling expenses	90	81	136	103
Transportation expenses	50	45	13	10
Other tax expenses	48	43	-	-
Representation expenses	45	41	98	74
Office expenses	44	40	51	38
Fuel costs	41	37	44	33
Training expenses	38	34	36	27
Expenses related to listing of shares	32	28	32	24
Bank fees	26	23	38	29
Other fixed assets depreciation	23	21	27	20
IT costs	20	18	10	7
Bonuses (tantiemmes)	-	-	72	52
Other administrative expenses	51	45	41	33
	1,554	**1,399**	**1,782**	**1,342**

9 Gain (losses) on sale of subsidiaries

During the year 2015 the Company did not sell any shares of its subsidiaries.

On 30 April 2014 the Company sold 100 percent of shares of its subsidiary – AviaAM B03 UAB. Gain on disposal, directly recognised in Group’s profit or loss was USD 5,251 thousand (EUR 3,955 thousand).

	AviaAM B03 UAB - disposal’s carrying amount	
	USD	EUR
Property, plant and equipment	8,522	6,148
Receivables	7,093	5,117
Inventories	761	549
Cash and cash equivalents	293	212
Deferred income tax assets	1,960	1,414
Payables	(2,920)	(2,106)
Security deposits received	(4,302)	(3,103)
Borrowings	(16,568)	(11,950)
Total identifiable net assets	**(5,161)**	**(3,721)**

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

9 Gain (losses) on sale of subsidiaries (continued)

	AviaAM B03 UAB - disposal's carrying amount USD	EUR
Total identifiable net assets	**5,161**	**3,721**
Proceeds from sale of interest in subsidiaries	**90**	**65**
Other items:		
Exchange differences on translation of foreign operations	-	169
Gain on disposal, directly recognised in Group's profit or loss	**5,251**	**3,955**

10 Other gain (losses) net

Other gain (losses) consists of one-off items not related to the primary activity of the Group. In 2015, out of the total recorded amount USD 605 thousand (EUR 544 thousand) relates to the settlement amount of the dispute with the client in Italy. In 2014, out of the total recorded amount USD 1,707 thousand (EUR 4,333 thousand) relates to the net gain from the re-assigned agreement for remarketing / residual asset value guarantee services in respect to 10 Boeing 777-300ER aircraft.

11 Finance costs – net

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Interest income on cash and cash equivalents	-	-	7	5
Discounting of security deposits received	390	351	119	89
Unwinding of discount of non-current receivables and loans from related parties	-	-	18	13
Other finance income	76	69	142	109
Finance income	**466**	**420**	**286**	**216**
Interest expenses	(923)	(831)	(1,631)	(1,228)
Foreign exchange loss on financing activities	(1,818)	(1,638)	(1,440)	(1,086)
Unwinding of discount of security deposits received	(91)	(82)	(140)	(105)
Other finance costs	(145)	(130)	(57)	(43)
Finance costs	**(2,977)**	**(2,681)**	**(3,268)**	**(2,462)**
Finance costs – net	**(2,511)**	**(2,261)**	**(2,982)**	**(2,246)**

12 Income tax

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Current tax	1,853	1,668	2,789	2,103
Deferred tax	(664)	(598)	254	190
Total income tax expenses/(benefit)	**1,189**	**1,070**	**3,043**	**2,293**

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

12 Income tax (continued)

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Profit (loss) before tax	**13,148**	**11,839**	**25,326**	**19,075**
Tax calculated at a tax rate of 15%	1,972	1,776	3,799	2,861
Tax effects of:				
- Expenses non-deductible for tax purposes	949	855	71	53
- Non-taxable incomes	(79)	(71)	(1)	(1)
- Impact of foreign exchange differences	(1,192)	(1,075)	288	219
- Other differences	(461)	(415)	(1,114)	(839)
Total income tax expenses/(benefit)	**1,189**	**1,070**	**3,043**	**2,293**

13 Earnings per share

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Net profit attributable to shareholders	11,959	10,769	22,284	16,782
Weighted average number of ordinary shares issued (thousand)	43,306		43,306	
Basic earnings per share (USD/EUR)	**0.28**	**0.25**	**0.51**	**0.39**

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

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

14 Property, plant and equipment

USD	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2014	**39,402**	**3,226**	**210**	**42,838**
Additions	29,834	750	-	**30,584**
Disposals	(29,145)	-	(6)	**(29,151)**
Reclassifications	3,226	(3,226)	-	**-**
Depreciation charge	(4,764)	-	(22)	**(4,786)**
Revaluation surplus	242	830	-	**1,072**
Revaluation loss	(1,390)	-	-	**(1,390)**
Closing net book amount as at 31 December 2014	**37,405**	**1,580**	**182**	**39,167**
At 31 December 2014				
Cost or valuation	37,405	1,580	224	**39,209**
Accumulated depreciation	-	-	(42)	**(42)**
Net book amount	**37,405**	**1,580**	**182**	**39,167**
Opening net book amount as at 1 January 2015	**37,405**	**1,580**	**182**	**39,167**
Additions	21,320	-	14	**21,334**
Disposals	-	-	(20)	**(20)**
Reclassifications	(1,366)	-	-	**(1,366)**
Depreciation charge	(4,253)	-	(18)	**(4,271)**
Revaluation surplus	11,165	-	-	**11,165**
Revaluation loss	(1,726)	(85)	-	**(1,811)**
Closing net book amount as at 31 December 2015	**62,545**	**1,495**	**158**	**64,198**
At 31 December 2015				
Cost or valuation	62,545	1,495	218	**64,258**
Accumulated depreciation	-	-	(60)	**(60)**
Net book amount	**62,545**	**1,495**	**158**	**64,198**

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

14 Property, plant and equipment (continued)

EUR	Aircraft and engines	Aircraft and engines under preparation for use	Other tangible fixed assets	Total
Opening net book amount as at 1 January 2014	**28,641**	**2,345**	**153**	**31,139**
Additions	22,471	565	-	**23,036**
Disposals	(21,952)	-	(5)	**(21,957)**
Reclassifications	2,430	(2,430)	-	**-**
Depreciation charge	(3,588)	-	(17)	**(3,605)**
Revaluation surplus	182	625	-	**807**
Revaluation loss	(1,047)	-	-	**(1,047)**
Exchange differences	3,616	194	18	**3,828**
Closing net book amount as at 31 December 2014	**30,753**	**1,299**	**149**	**32,201**
At 31 December 2014				
Cost or valuation	30,753	1,299	184	**32,236**
Accumulated depreciation	-	-	(35)	**(35)**
Net book amount	**30,753**	**1,299**	**149**	**32,201**
Opening net book amount as at 1 January 2015	**30,753**	**1,299**	**149**	**32,201**
Additions	19,197	-	13	**19,210**
Disposals	-	-	(18)	**(18)**
Reclassifications	(1,230)	-	-	**(1,230)**
Depreciation charge	(3,830)	-	(16)	**(3,846)**
Revaluation surplus	10,053	-	-	**10,053**
Revaluation loss	(1,554)	(77)	-	**(1,631)**
Exchange differences	3,855	146	17	**4,018**
Closing net book amount as at 31 December 2015	**57,244**	**1,368**	**145**	**58,757**
At 31 December 2015				
Cost or valuation	57,244	1,368	200	**58,812**
Accumulated depreciation			(55)	**(55)**
Net book amount	**57,244**	**1,368**	**145**	**58,757**

Aircraft are carried at revalued amounts being fair value at the end of each reporting period (Note 4).

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

14 Property, plant and equipment (continued)

Split of recognised revaluation in profit/loss	2015		2014	
	USD	EUR	USD	EUR
Revaluation loss recognized	(856)	(771)	(2,438)	(1,836)
Revaluation loss reversed	915	824	1,048	789
	59	**53**	**(1,390)**	**(1,047)**

Split of recognised revaluation in other comprehensive income	2015		2014	
	USD	EUR	USD	EUR
Revaluation gain recognized	10,250	9,229	1,795	1,475
Revaluation gain reversed	(955)	(860)	(723)	(594)
	9,295	**8,369**	**1,072**	**881**

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

Aircraft	2015		2014	
	USD	EUR	USD	EUR
Cost or valuation – capitalised finance lease	17,552	16,064	19,055	15,666
Net book amount	**17,552**	**16,064**	**19,055**	**15,666**

There were no aircraft pledged to the banks as collateral for borrowings (Note 23) as at 31 December 2015 and 31 December 2014.

15 Investment property

	USD	EUR
Opening net book amount as at 1 January 2014	**-**	**-**
Additions	-	-
Disposals	-	-
Reclassifications	-	-
Depreciation charge	-	-
Revaluation surplus	-	-
Revaluation loss	-	-
Closing net book amount as at 31 December 2014	**-**	**-**
At 31 December 2014		
Cost or valuation	-	-
Accumulated depreciation	-	-
Net book amount	**-**	**-**

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

15 Investment property (continued)

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

Investment property was pledged to the bank as collateral for borrowings (Note 23) as at 31 December 2015.

16 Available-for-sale financial assets

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Opening amount as at 1 January 2015	**881**	**724**	**-**	**-**
Exchange differences		94	-	145
Additions	511	456	1,852	1,377
Disposals	-	-	-	-
Net gains/(losses) transferred to equity	(380)	(348)	(971)	(798)
Closing amount as at 31 December 2015	**1,012**	**926**	**881**	**724**
Less non-current portion	1,012	926	881	724
Current portion	**-**	**-**	**-**	**-**

Available-for sale financial assets include the following:

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Listed securities:				
Equity securities - Lithuania	1,012	926	881	724
	1,012	**926**	**881**	**724**

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

16 Available-for-sale financial assets (continued)

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

		2015		2014
	USD	EUR	USD	EUR
PLN	1,012	926	881	724
	1,012	**926**	**881**	**724**

None of these financial assets are impaired.

17 Inventories

		2015		2014
	USD	EUR	USD	EUR
Aircraft components	1,747	1,599	1,037	853
	1,747	**1,599**	**1,037**	**853**

18 Loans granted

	31 December 2015		31 December 2014	
	USD	EUR	USD	EUR
Non-current loans				
Loans granted to related parties (weighted average interest rate 5.1%) (Note 29)	4,798	4,391	4,869	4,003
Loans granted to third parties (weighted average interest rate 5.6%)	4,823	4,415	5,848	4,808
	9,621	**8,806**	**10,717**	**8,811**
Current loans				
Loans granted to related parties (weighted average interest rate 5.1%) (Note 29)	11,780	10,783	15,553	12,788
Less: provision for impairment of loans granted to related parties	(112)	(103)	-	-
Loans granted to third parties (weighted average interest rate 5.6%)	7,504	6,867	5,858	4,816
Bonds acquired from related parties (interest rate 5.2%) (Note 29)	2,247	2,056	2,138	1,757
	21,419	**19,603**	**23,549**	**19,361**
Total loans granted	**31,040**	**28,409**	**34,266**	**28,172**

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

18 Loans granted (continued)

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
USD	18,897	17,295	20,279	16,672
EUR	12,143	11,114	10,330	8,493
LTL	-	-	3,657	3,007
	31,040	**28,409**	**34,266**	**28,172**

19 Trade and other receivables

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Trade receivables from third parties	6,614	6,052	6,930	5,699
Less: provision for impairment of trade receivables	(2,163)	(1,980)	(1,524)	(1,253)
Trade receivables from third parties – net	**4,451**	**4,072**	**5,406**	**4,446**
Receivables from related parties	1,728	1,582	1,573	1,293
Less: provision for impairment of trade receivables from related parties	(1,048)	(959)	(1,048)	(862)
Receivables from related parties - net (Note 29)	**680**	**623**	**525**	**431**
Other receivables	29	27	171	141
Less: provision for impairment of other receivables	(29)	(27)	(29)	(24)
Other receivables - net	**-**	**-**	**142**	**117**
Deferred charges	206	188	77	63
VAT receivables	216	198	368	302
Prepayments	919	842	246	202
	6,472	**5,923**	**6,764**	**5,561**
Non-current portion :	-	-	-	-
Current portion:	**6,472**	**5,923**	**6,764**	**5,561**

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
USD	3,889	3,559	5,884	4,839
EUR	2,549	2,333	109	89
GBP	34	31	17	14
LTL	-	-	754	619
	6,472	**5,923**	**6,764**	**5,561**

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

20 Financial assets at fair value through profit or loss

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

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

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Mutual funds - Europe	1,526	1,396	-	-
	1,526	**1,396**	**-**	**-**

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

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
EUR	1,526	1,396	-	-
	1,526	**1,396**	**-**	**-**

21 Cash and cash equivalents

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
Cash at bank	26,961	24,676	36,574	30,069
Cash in transit	132	121	-	-
	27,093	**24,797**	**36,574**	**30,069**

Cash and cash equivalents are dominated in following currencies:

		2015		**2014**
	USD	**EUR**	**USD**	**EUR**
USD	14,869	13,609	35,250	28,981
EUR	12,209	11,174	1,150	945
GBP	15	14	-	-
LTL	-	-	160	131
PLN	-	-	14	12
	27,093	**24,797**	**36,574**	**30,069**

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

22 Share capital and reserves

Share capital

After euro adoption in 1 January 2015 and according to the Republic of Lithuania Law on redenomination to the euro of the capital and of the nominal value of securities of Public Limited Liability Companies and Private Limited Liability Companies and amendment of the Articles of Association of these Companies, the nominal value of the Company’s shares were automatically converted from LTL 1 per share to EUR 0.29 per share in the Central Securities Depository of Lithuania. On 31 December 2015 the share capital of the Company amounts to EUR 12,558,622 (USD 16,804 thousand) and consists of 43,305,593 ordinary registered shares with a nominal value of EUR 0.29 each. All shares were fully paid up.

As at 31 December 2014 the share capital of the Company amounted to LTL 43,305,593 (USD 16,804 thousand) and consisted of 43,305,593 ordinary registered shares with a nominal value of LTL 1.00 each.

Share premium

On 21 June 2013 the Company issued additional 13,857,790 ordinary shares with a par value LTL 1 each for issue price of PLN 8 (32.0% of the total ordinary share capital issued). Following the increase of the capital, gross share premium amounts to USD 29,463 thousand (LTL 75,930 thousand). On 28 June 2013 shares of the Company were introduced to trading at Warsaw Stock Exchange.

	USD	EUR
The balance of share premium as at 31 December 2014	**27,972**	**20,878**
The balance of share premium as at 31 December 2015	**27,972**	**20,878**

Legal reserve

The legal reserve is compulsory under the Lithuanian Law on Companies and is formed from profit to be appropriated. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the authorised share capital. The legal reserve may be used to cover the accumulated losses. A part of the legal reserve in excess of 10 per cent of the authorised share capital may be redistributed when appropriation of profit for the following financial year is performed. Legal reserve comprises only the legal reserve of the Company.

Reserve for own shares

In 2015 the Company created reserve for redemption of own shares and transferred USD 1,315 thousand (EUR 1,204 thousand) from retained earnings to this reserve.

Revaluation reserve

Revaluation reserve comprises increase in the value of aircraft on revaluation.

Revaluation reserve (deficit) of financial assets

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

Cumulative translation reserve

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

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

22 Share capital and reserves (continued)

Dividends

On 3 April 2015 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of EUR 0.09 per share. The dividends in the total amount of USD 4,376 thousand (EUR 3,898 thousand) were offset with loans granted (Note 29) or paid out by 30 April 2015.

On 30 April 2014 The Annual General Meeting of Shareholders of the Company adopted the decision to pay out annual dividends in the amount of LTL 0.20 per share. The dividends in the total amount of USD 3,478 thousand (LTL 8,661 thousand) were offset with loans granted (Note 29) or paid out on 28 May 2014.

23 Borrowings

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Non-current				
Bank borrowings	619	566	-	-
Finance lease liabilities	4,861	4,449	10,782	8,865
	5,480	**5,015**	**10,782**	**8,865**
Current				
Bank borrowings	6	5	-	-
Finance lease liabilities	5,921	5,420	2,768	2,276
	5,927	**5,425**	**2,768**	**2,276**
Total borrowings	**11,407**	**10,440**	**13,550**	**11,141**

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
USD	10,783	9,868	13,550	11,141
EUR	624	572	-	-
	11,407	**10,440**	**13,550**	**11,141**

Borrowings are secured by the aircraft (Note 14).

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Less than 1 year	6	5	-	-
Between 1 and 5 years	275	252	-	-
Over 5 years	344	314	-	-
	625	**571**	**-**	**-**

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

23 Borrowings (continued)

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

	2015	2014
Bank borrowings	2.10%	-
Finance lease liabilities	7.79%	7.67%

Finance lease liabilities – minimum lease payments:

		2015		2014
	USD	EUR	USD	EUR
Not later than 1 year	6,675	6,110	3,724	3,062
After 1 year but not later than 5 years	5,073	4,643	11,715	9,632
After 5 years	-	-	-	-
Less: future finance lease charges	(966)	(884)	(1,889)	(1,553)
Present value of finance lease liabilities	**10,782**	**9,869**	**13,550**	**11,141**

		2015		2014
	USD	EUR	USD	EUR
Present value of finance lease liabilities:				
Not later than 1 year	5,921	5,419	2,768	2,276
After 1 year but not later than 5 years	4,861	4,449	10,782	8,865
After 5 years	-	-	-	-
	10,782	**9,868**	**13,550**	**11,141**

During 2015 and 2014 the Group has not acquired aircraft as non-cash transactions based on finance lease agreements.

24 Trade and other payables and advances received

		2015		2014
	USD	EUR	USD	EUR
Trade and other payables – financial liabilities				
Trade payables to third parties	280	256	1,375	1,131
Trade payables to related parties (Note 29)	263	241	410	337
Salaries and social security payable, including vacation accrual	81	74	86	70
Accruals	3,034	2,777	587	483
Other short term liabilities	-	-	4	3
Other short term liabilities to related parties (Note 29)	-	-	26	22
	3,658	**3,348**	**2,488**	**2,046**

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

24 Trade and other payables and advances received (continued)

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Advance payments received – non-financial liabilities				
Advance payments from customers	159	145	70	57
Advance payments from customers related to acquisition of aircraft	-	-	-	-
	159	**145**	**70**	**57**

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
USD	2,937	2,688	394	324
LTL	880	805	2,159	1,775
EUR	-	-	4	3
GPB	-	-	1	1
	3,817	**3,493**	**2,558**	**2,103**

25 Security deposits received

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Security deposits repayable after one year at nominal value	5,462	4,999	4,040	3,321
Less: discounting effect	(812)	(743)	(708)	(581)
Security deposits repayable after one year	**4,650**	**4,256**	**3,332**	**2,740**
Security deposits repayable within one year	630	577	40	33
Less: discounting effect	(110)	(101)	-	-
Security deposits repayable within one year	**520**	**476**	**40**	**33**
Security deposits	**5,170**	**4,732**	**3,372**	**2,773**

Average rates used for security deposits discounting are as follows: 2015: 4.59%, 2014: 7.42%.

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

Security deposits are not interest-bearing (Note 2.11).

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

26 Deferred income taxes

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

		2015		2014
	USD	EUR	USD	EUR
Deferred tax assets				
At beginning of the period	746	613	3,812	2,770
Derecognised through sale of subsidiary	-	-	(2,699)	(1,947)
Recognised through profit (loss)	(197)	(178)	(513)	(386)
Recognised through other comprehensive income	26	38	146	120
Exchange rate differences	-	54	-	56
At the end of the year	**575**	**527**	**746**	**613**
Deferred tax liabilities				
At beginning of the period	(2,099)	(1,725)	(2,937)	(2,134)
Derecognised through sale of subsidiary	-	-	739	533
Recognised through profit (loss)	861	776	259	196
Recognised through other comprehensive income	(1,394)	(1,276)	(160)	(132)
Exchange rate differences	-	(184)	-	(188)
At the end of the year	**(2,632)**	**(2,409)**	**(2,099)**	**(1,725)**

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

		2015		2014
	USD	EUR	USD	EUR
Deferred tax assets				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	575	527	746	613
	575	**527**	**746**	**613**
Deferred tax liabilities				
Deferred tax to be recovered within 1 year	-	-	-	-
Deferred tax to be recovered after 1 year	(2,632)	(2,409)	(2,099)	(1,725)
	(2,632)	**(2,409)**	**(2,099)**	**(1,725)**

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

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

26 Deferred income taxes (continued)

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

USD **Deferred tax assets**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Accu-mulated taxable losses	Discounting effect	Revaluation of financial assets available for sale	Other accrued expen-ses	**Total**
At 31 December 2013	**140**	**3,152**	**405**	**106**	**-**	**9**	**3,812**
Derecognised through sale of subsidiary	(48)	(2,642)	-	-	-	(9)	(2,699)
Charged / (credited) to the profit or loss	(104)	52	(390)	(71)	-	-	(513)
Charged / (credited) to the other comprehensive income	-	-	-	-	146	-	146
At 31 December 2014	**(12)**	**562**	**15**	**35**	**146**	**-**	**746**
Charged / (credited) to the profit or loss	12	(267)	1	57	-	-	(197)
Charged / (credited) to the other comprehensive income	-	-	-	-	26	-	26
At 31 December 2015	**-**	**295**	**16**	**92**	**172**	**-**	**575**

USD **Deferred tax liabilities**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Supple-mental rent	Discounting effect	Other accrued expen-ses	**Total**
At 31 December 2013	**(14)**	**(32)**	**(2,854)**	**(33)**	**(4)**	**(2,937)**
Derecognised through sale of subsidiary	-	-	711	27	1	739
Charged / (credited) to the profit or loss	(386)	(97)	685	57	-	-
Charged / (credited) to the other comprehensive income	-	(160)	-	-	-	(160)
At 31 December 2014	**(400)**	**(289)**	**(1,458)**	**51**	**(3)**	**(2,099)**
Charged / (credited) to the profit or loss	(156)	1,643	(578)	(51)	3	861
Charged / (credited) to the other comprehensive income	-	(1,394)	-	-	-	(1,394)
At 31 December 2015	**(556)**	**(40)**	**(2,036)**	**-**	**-**	**(2,632)**

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

26 Deferred income taxes (continued)

EUR **Deferred tax assets**	Exchange rate differences for tax purposes (depreciation)	Difference between tax basis and accounting basis (fair value) of aircraft	Accumu -lated taxable losses	Discounting effect	Revaluation of financial assets available for sale	Other accrued expen-ses	**Total**
At 31 December 2013	**102**	**2,290**	**294**	**77**	**-**	**7**	**2,770**
Derecognised through sale of subsidiary	(35)	(1,906)	-	-	-	(6)	(1,947)
Charged / (credited) to the profit or loss	(79)	39	(293)	(53)	-	-	(386)
Charged / (credited) to the other comprehensive income	-	-	-	-	120	-	**120**
Exchange rate difference	1	39	11	5	-	-	**56**
At 31 December 2014	**(11)**	**462**	**12**	**29**	**120**	**1**	**613**
Charged / (credited) to the profit or loss	11	(241)	1	51	-	-	(178)
Charged / (credited) to the other comprehensive income	-	-	-	-	38	-	38
Exchange rate difference	-	49	2	4	-	(1)	54
At 31 December 2015	**-**	**270**	**15**	**84**	**158**	**-**	**527**

EUR **Deferred tax liabilities**	Difference between tax basis and accounting basis (fair value) of aircraft	Exchange rate differences for tax purposes (depreciation)	Supple-mental rent	Discounting effect	Other accrued expen-ses	**Total**
At 31 December 2013	**(23)**	**(10)**	**(2,074)**	**(24)**	**(3)**	**(2,134)**
Derecognised through sale of subsidiary	-	-	513	19	-	532
Charged / (credited) to the profit or loss	(73)	(291)	517	43	-	196
Charged / (credited) to the other comprehensive income	(131)	-	-	-	-	(131)
Exchange rate difference	(10)	(26)	(155)	3	-	(188)
At 31 December 2014	**(237)**	**(327)**	**(1,199)**	**41**	**(3)**	**(1,725)**
Charged / (credited) to the profit or loss	1,479	(140)	(520)	(46)	3	776
Charged / (credited) to the other comprehensive income	(1,276)	-	-	-	-	(1,276)
Exchange rate difference	(3)	(42)	(145)	5	1	(184)
At 31 December 2015	**(37)**	**(509)**	**(1,864)**	**-**	**1**	**(2,409)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

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

26 Deferred income taxes (continued)

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

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Deferred tax assets	575	527	746	613
Deferred tax liabilities	(2,632)	(2,409)	(2,099)	(1,725)
	(2,057)	**(1,882)**	**(1,353)**	**(1,112)**

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

27 Commitments and contingencies

Capital commitments

There was no non-cancellable capital expenditure contracted as at 31 December 2015 and 31 December 2014.

28 Financial instruments by category

Category – loans and receivables

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Loans granted	31,040	28,409	34,266	28,172
Trade receivables – net	4,451	4,072	5,406	4,445
Trade receivables and receivables from related parties – net	680	623	525	432
Other receivables	-	-	142	117
Cash and cash equivalents	27,093	24,797	36,574	30,069
	63,264	**57,901**	**76,913**	**63,235**

Category – financial liabilities measured at amortised cost

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Bank borrowings	625	571	-	-
Lease liabilities	10,782	9,869	13,550	11,140
Trade payables	280	256	1,375	1,131
Trade payables to related parties	263	241	410	337
Accruals and other payables	3,034	2,777	587	483
Security deposits received (Note 24)	5,170	4,732	3,372	2,773
	20,154	**18,446**	**19,294**	**15,864**

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

29 Related party transactions

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

Transactions with related parties

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Sales of services to:				
Entities having significant influence	254	229	194	146
Other related parties	1,226	1,104	1,384	1,042
	1,480	**1,333**	**1,578**	**1,188**

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Purchases of assets from:				
Other related parties	-	-	1,372	1,033
	-	**-**	**1,372**	**1,033**
Purchases of services from:				
Entities having significant influence	5	5	9	6
Other related parties	2,393	2,155	2,338	1,762
	2,398	**2,160**	**2,347**	**1,768**
Total purchases of assets and services	**2,398**	**2,160**	**3,719**	**2,801**

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

Trade and other receivables from related parties

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Other related parties	1,728	1,582	1,573	1,293
Trade and other receivables at nominal value	**1,728**	**1,582**	**1,573**	**1,293**
Less: provision for impairment of receivables from other related parties	(1,048)	(959)	(1,048)	(862)
	680	**623**	**525**	**431**

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

29 Related party transactions (continued)

The ageing of trade and other receivables from related parties is as follows:

Trade and other receivables from related parties

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Of which not overdue	175	161	20	16
Overdue up to 3 months	37	34	504	415
4 to 6 months	468	428	-	-
Overdue more than 6 months	1,048	959	1,049	862
Provision for impairment of receivables	(1,048)	(959)	(1,048)	(862)
	680	**623**	**525**	**431**

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

Payables to and prepayments from related parties

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Other related parties	263	241	436	359
Total payables to and prepayments from related parties	**263**	**241**	**436**	**359**

*Payables as at 31 December 2015 and 31 December 2014 consist of payables for services and assets purchased.

Loans granted to related parties

		2015		2014
	USD	**EUR**	**USD**	**EUR**
Beginning of the year	**22,560**	**18,548**	**11,695**	**8,501**
Loans advanced during the year as monetary transactions	25,020	22,528	27,784	20,926
Loans advanced during the year by transferring trade receivables to loans	-	-	10,090	7,600
Loan repayments received as monetary transactions	(24,373)	(21,946)	(14,947)	(11,258)
Loan repayments received as non-monetary transactions	(3,559)	(3,205)	(12,302)	(9,266)
Interest charged	955	860	945	712
Interest received	(320)	(288)	(546)	(411)
Impaired loans and interest receivable	(112)	(101)	-	-
Exchange rate differences	(1,458)	731	(159)	1,744
End of the period	**18,713**	**17,127**	**22,560**	**18,548**

On 30 April 2015 USD 2,713 thousand (EUR 2,437 thousand) of payable dividends were set-off with loans granted (2014: USD 2,152 thousand (EUR 1,620 thousand)).

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

29 Related party transactions (continued)

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

		2015		2014
	USD	EUR	USD	EUR
EUR	12,136	11,108	10,331	8,494
LTL	-	-	3,390	2,787
USD	6,577	6,019	8,839	7,267
	18,713	**17,127**	**22,560**	**18,548**

As at 31 December 2015, weighted average effective interest rate of these loans is 5.1 per cent (2014: 5.8 per cent). The repayments are scheduled in 2016-2019.

30 Remuneration of the Group's key management personnel

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

		2015		2014
	USD	EUR	USD	EUR
Salaries	261	235	336	253
Social insurance expenses	80	72	92	69
	341	**307**	**428**	**322**

31 Investments into joint ventures

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

Nature of investment in joint venture:

Name of Entity	Place of business / country of incorporation	% of ownership interest	Measurement method
Regional Charter Capital Ltd.	Bermuda	50	Equity

The joint venture is a private company and there is no quoted market place available for its shares.

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

Set out below is the summarized unaudited financial information for Regional Charter Capital Ltd. which is accounted for using the equity method:

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

31 Investments into joint ventures (continued)

Balance sheet

	31 December 2015	
	USD	**EUR**
ASSETS		
Non-current assets		
Property, plant and equipment	5,984	5,477
	5,984	**5,477**
Current assets		
Trade and other receivables	31	28
	31	**28**
Total assets	**6,015**	**5,505**
LIABILITIES		
Non-current liabilities		
Borrowings	7,622	6,976
	7,622	**6,976**
Current liabilities		
Trade and other payables	633	580
	633	**580**
Total liabilities	**8,255**	**7,556**
Net assets	**(2,240)**	**(2,051)**

Statement of comprehensive income

		2015
	USD	**EUR**
Revenue	519	467
Cost of sales	(451)	(406)
Gross profit	**68**	**61**
General and administrative expenses	(765)	(689)
Operating profit (loss)	**(697)**	**(628)**
Finance costs- net	(273)	(246)
Profit (loss) before income tax	**(970)**	**(874)**
Income tax expenses	-	-
Profit (loss) for the period	**(970)**	**(874)**

Reconciliation of summarised financial information

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

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

31 Investments into joint venture (continued)

		2015
	USD	**EUR**
Opening net assets as at 1 January	**(1,270)**	**(1,046)**
Profit (loss) for the period	(970)	(874)
Currency exchange impact	-	(131)
Closing net assets as at 31 December	**(2,240)**	**(2,051)**
Interest in the joint venture (50%)	50%	
Investment value in the joint venture	-	-
Carrying value as at 31 December	**-**	**-**

32 Events after the balance sheet date

In January 2016 the Group accepted the redelivery of one Boeing 737-500 aircraft following the agreed termination of the lease. In February 2016 the Group completed the sale of this aircraft to one of its customers.

In January 2016 the Group acquired one Airbus A319 aircraft. In March 2016 the Group delivered this aircraft to one of its customers under the lease-to-purchase agreement.

In February 2016 the Group acquired one Airbus A319 aircraft and immediately delivered the subject aircraft to one of its customers under the operating lease agreement. Later that month the Group entered into the sale agreement in respect to sale of this aircraft with attached lease. The sale is expected to commence in May 2016.

In March 2016 the Group accepted the redelivery of one Boeing 737-500 aircraft following the agreed termination of the lease. In the same month the Group entered into the lease-to-purchase agreement in respect to this aircraft. The delivery is expected to commence in May 2016.

In March 2016 the Group entered into the sale agreement in respect to sale of two Airbus A319 aircraft with attached leases. The sale is expected to commence in April 2016.

In March 2016 the Group acquired one Airbus A320 aircraft.

In March 2016 The Group acquired 100% of the issued shares in Dikkys Investment Limited. The Group simultaneously entered into the cession of claims agreement with third party regarding loan provided to Dikkys Investment Limited. The consideration for aforementioned agreements amounted to USD 1.4 million (EUR 1.2 million).

The company is incorporated in the Republic of Cyprus and is engaged in the business of aircraft leasing and trading. The company owns one Boeing 737-500 aircraft. The book value of the aforementioned aircraft amounted to USD 1.8 million (EUR 1.6 million) as at the date of acquisition.

The operating results and assets and liabilities of the acquired company will be consolidated from 24 March 2016.

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

32 Events after the balance sheet date (continued)

(i) Purchase consideration

	24 March 2016	
	USD	**EUR**
Purchase consideration		
Cash paid	1,352	1,212
Contingent consideration	-	-
Total purchase consideration	**1,352**	**1,212**

The provisionally determined fair values of the assets and liabilities of Dikkys Investment Limited as at the date of acquisition are as follows:

	USD	**EUR**
Property, plant and equipment	1,750	1,569
Cash and cash equivalents	2	2
Loan from the Group	(1,814)	(1,626)
Payables	(6)	(5)
	(68)	**(60)**
Less: non-controlling interest	-	-
Net assets acquired	**(68)**	**(60)**
Profit from cession of claims	464	416
Net provisional profit from transaction	**396**	**356**

Based on the information available it is expected that the transaction will result to a total net gain of approx. USD 0.4 million (EUR 0.4 million) in the consolidated financial statements of the Group for the respective period.

(ii) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Dikkys Investment Limited. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalized.