`

AVIA SOLUTIONS GROUP AB

Independent Auditor's Report,
Separate and Consolidated Financial Statements,
Consolidated Annual Report
For the Year Ended 31 December 2012

`

CONTENTS

Pages

pwc

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

Independent Auditor's Report

To the shareholders of Avia Solutions Group AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Avia Solutions Group AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 61, which comprise the stand-alone and consolidated balance sheets as of 31 December 2012 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-01112 Vilnius, Lithuania
T: +370 (5) 239 2300, F:+370 (5) 239 2301, Email: vilnius@lt.pwc.com, www.pwc.com/lt

pwc

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 2012, 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 2012 set out on pages 62 to 77 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 2012.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
25 April 2013

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

STATEMENTS OF COMPREHENSIVE INCOME

Approved by the Annual General Meeting of Shareholders as at ____________________________ 2013

		Year ended 31 December			
		GROUP		COMPANY	
	Note	2012	2011	2012	2011
Continuing operations					
Revenue	6	**535 860**	**291 342**	**4 965**	**3 157**
Cost of sales	11	(462 212)	(241 482)	(1 206)	(1 340)
Gross profit		**73 648**	**49 860**	**3 759**	**1 817**
General and administrative expenses	11	(43 438)	(23 814)	(4 916)	(3 435)
Other income	7	412	110	2 749	1 712
Other gains / (losses) – net	10	1 004	1 177	(1 309)	(922)
Operating profit (loss)		**31 626**	**27 333**	**283**	**(828)**
Finance income		947	269	307	522
Finance costs		(2 090)	(1 828)	(1)	(40)
Finance costs – net	12	**(1 143)**	**(1 559)**	**306**	**482**
Share of profit (losses) of associates	32	(947)		-	-
Profit (loss) before income tax		**29 536**	**25 774**	**589**	**(346)**
Income tax expense	13	(3 482)	(3 734)	793	47
Profit (loss) for the year from continuing operations		**26 054**	**22 040**	**1 382**	**(299)**
Discontinued operations					
(Loss) for the year from discontinued operations	33	(6 978)	(13 318)	**-**	**-**
Profit (loss) for the year		**19 076**	**8 722**	**1 382**	**(299)**
Profit (loss) attributable to:					
Equity holders of the parent					
Profit (loss) for the year from continuing operations		26 087	22 102	1 382	(299)
Profit (loss) for the year from discontinued operations		(6 605)	(12 383)	-	-
Profit (loss) for the year attributable to equity holders of the parent		**19 482**	**9 719**	**1 382**	**(299)**
Non-controlling interests					
(Loss) for the year from continuing operations		(33)	(62)	-	-
(Loss) for the year from discontinued operations		(373)	(935)	-	-
(Loss) for the year attributable to non-controlling interests of the parent		**(406)**	**(997)**	**-**	**-**
		19 076	**8 722**	**1 382**	**(299)**

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

STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

Approved by the Annual General Meeting of Shareholders as at ____________________ 2013

		Year ended 31 December			
		GROUP		COMPANY	
	Note	2012	2011	2012	2011
Other comprehensive income					
Continuing operations					
Net gain on cash flow hedges	2.19, 24	(420)	-	-	-
Income tax	2.19, 28	63	-	-	-
		(357)	**-**	**-**	**-**
Exchange differences on translation of foreign operations		(827)	366	-	-
Other comprehensive income (loss) for the year from continuing operations		**(1 184)**	**366**	**-**	**-**
Discontinued operations					
Exchange differences on translation of foreign operations from discontinued operations		(213)	295	-	-
Other comprehensive income (loss) for the year		**(1 397)**	**661**	**-**	**-**
Total comprehensive income for the year attributable to:					
Equity holders of the parent					
Total comprehensive income (loss) for the year from continuing operations		24 912	22 461	1 382	(299)
Total comprehensive income (loss) for the year from discontinued operations		(6 808)	(12 101)	-	-
Total comprehensive income (loss) for the year attributable to equity holders of the parent		**18 104**	**10 360**	**1 382**	**(299)**
Non-controlling interests					
Total comprehensive income (loss) for the year from continuing operations		(42)	(55)	-	-
Total comprehensive income (loss) for the year from discontinued operations		(383)	(922)	-	-
Total comprehensive income (loss) for the year attributable to non-controlling interests of the parent		**(425)**	**(977)**	**-**	**-**
		17 679	**9 383**	**1 382**	**(299)**
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year					
Basic earnings per share					
From continuing operations	14	4.427	3.878	0.235	(0.052)
From discontinued operations	14	(1.121)	(2.173)	-	-
From profit (loss) for the year	14	**3.306**	**1.705**	**0.235**	**(0.052)**

The notes on pages 13 to 61 form an integral part of these financial statements. The financial statements on pages 5 to 61 have been approved for issue by the Board as at 25 April 2013 and signed on their behalf by the General Director and the Chief Financial Officer:

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

BALANCE SHEETS

Approved by the Annual General Meeting of
Shareholders as at ______________________ 2013

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2012**	**2011**	**2012**	**2011**
ASSETS					
Non-current assets					
Property, plant and equipment	15	64 920	52 615	818	653
Intangible assets	16	6 904	10 044	156	11
Investments in subsidiaries	17	-	-	4 936	11 487
Investments in associates	32	-	-	1 872	-
Deferred income tax assets	28	7 631	7 533	235	49
Trade and other receivables	19	3 690	15 274	2 343	25 812
		83 145	**85 466**	**10 360**	**38 012**
Current assets					
Inventories	18	75 592	35 619	143	94
Trade and other receivables	19	93 623	97 222	54 817	26 311
Amount due from customers for contract work	20	8 076	6 512	-	-
Prepaid income tax		809	299	-	-
Short-term bank deposit		-	268	-	-
Cash and cash equivalents	21	8 913	17 781	548	904
		187 013	**157 701**	**55 508**	**27 309**
Assets of disposal group classified as held for sale	33	**29 137**	**-**	**1 008**	**-**
Total assets		**299 295**	**243 167**	**66 876**	**65 321**

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

BALANCE SHEETS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	**2012**	**2011**	**2012**	**2011**
EQUITY					
Equity attributable to the Group's equity shareholders					
Share capital	22	5 893	5 893	5 893	5 893
Share premium	23	58 770	58 770	58 770	58 770
Legal reserve	24	256	256	-	-
Merger reserve	24	(2 868)	(2 739)	-	-
Fair value reserve	24	(357)	-	-	-
Cumulative translations differences		(397)	624	-	-
Retained earnings		53 040	33 531	950	(432)
		114 337	**96 335**	**65 613**	**64 231**
Non-controlling interests		(742)	18	-	-
Total equity		**113 595**	**96 353**	**65 613**	**64 231**
LIABILITIES					
Non-current liabilities					
Borrowings	25	25 785	28 245	-	-
Trade and other payables	26	1 686	2 109	-	-
Deferred income tax liabilities	28	388	289	-	-
Derivative financial instruments	2.19	420	-	-	-
Financial guarantees	17, 34	-	-	58	289
Security deposits received	27	-	10 238	-	-
		28 279	**40 881**	**58**	**289**
Current liabilities					
Borrowings	25	47 956	24 891	-	-
Trade and other payables	26	68 383	60 694	909	684
Advances received		6 944	8 162	-	-
Current income tax liabilities		2 070	4 661	-	-
Financial guarantees		-	-	296	117
Security deposits received	27	279	7 525	-	-
		125 632	**105 933**	**1 205**	**801**
Total liabilities		**153 911**	**146 814**	**1 263**	**1 090**
Liabilities of disposal group classified as held for sale	33	**31 789**	**-**	**-**	**-**
Total equity and liabilities		**299 295**	**243 167**	**66 876**	**65 321**

The notes on pages 13 to 61 form an integral part of these financial statements.

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

STATEMENTS OF CHANGES IN EQUITY

Approved by the Annual General Meeting of Shareholders
as at ________________________________ 2013

THE GROUP

	Equity attributable to equity holders of the Group								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Legal reserve	Fair value reserve	Currency translation differences	Retained earnings	Total		
Balance at 1 January 2011	**4 420**	**-**	**(3 517)**	**44**	**-**	**(16)**	**24 001**	**24 932**	**119**	**25 051**
Comprehensive income										
Currency translation difference	-	-	-	-	-	640	-	**640**	21	**661**
Profit (loss) for the period	-	-	-	-	-	-	9 719	**9 719**	(997)	**8 722**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**640**	**9 719**	**10 359**	**(976)**	**9 383**
Transactions with owners								-	-	-
Increase in share capital (Notes 22, 23)	1 473	66 282	-	-	-	-	-	**67 755**	-	**67 755**
Cost of capital increase (Note 23)	-	(7 512)	-	-	-	-	-	**(7 512)**	-	**(7 512)**
Transfer to legal reserve (Note 24)	-	-	7	212	-	-	(219)	**-**	-	**-**
Decrease of merger reserve and non-controlling interests pursuant to the disposal of subsidiary (Note 32)	-	-	771	-	-	-	-	**771**	140	**911**
Effect on transactions with non-controlling interests (Note 17)	-	-	-	-	-	-	30	**30**	735	**765**
Total transactions with owners	**1 473**	**58 770**	**778**	**212**	**-**	**-**	**(189)**	**61 044**	**875**	**61 919**
Balance at 31 December 2011 / Balance at 1 January 2012	**5 893**	**58 770**	**(2 739)**	**256**	**-**	**624**	**33 531**	**96 335**	**18**	**96 353**
Comprehensive income										
Net loss on cash flow hedge	-	-	-	-	(357)	-	-	(357)	-	**(357)**
Currency translation difference	-	-	-	-	-	(1 021)	-	(1 021)	(19)	**(1 040)**
Profit for the period	-	-	-	-	-	-	19 482	19 482	(406)	**19 076**
Total comprehensive income	**-**	**-**	**-**	**-**	**(357)**	**(1 021)**	**19 482**	**18 104**	**(425)**	**17 679**
Transactions with owners										
Acquisition of non-controlling interests (Note 17)	-	-	(129)	-	-	-	6	**(123)**	**(7)**	**(130)**
Disposal of non-controlling interests (Note 17)	-	-	-	-	-	-	21	**21**	**59**	**80**
Disposal of interest in subsidiary with loss of control (Note 32)	-	-	-	-	-	-	-	**-**	**(387)**	**(387)**
Total transactions with owners	**-**	**-**	**(129)**	**-**	**-**	**-**	**27**	**(102)**	**(335)**	**(437)**
Balance at 31 December 2012	**5 893**	**58 770**	**(2 868)**	**256**	**(357)**	**(397)**	**53 040**	**114 337**	**(742)**	**113 595**

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

THE COMPANY	Share capital	Share premium	Retained earnings	Total equity
Balance at 31 December 2010	**4 420**	**-**	**(133)**	**4 287**
Net loss - total comprehensive income for the year	-	-	(299)	**(299)**
Transaction with owners				
Increase in share capital (Notes 22, 23)	1 473	66 282	-	**67 755**
Cost of capital increase (Note 23)	-	(7 512)	-	**(7 512)**
Total transactions with owners	**1 473**	**58 770**	**-**	**60 243**
Balance at 31 December 2011	**5 893**	**58 770**	**(432)**	**64 231**
Net profit - total comprehensive income for the year	-	-	1 382	**1 382**
Balance at 31 December 2012	**5 893**	**58 770**	**950**	**65 613**

The notes on pages 13 to 61 form an integral part of these financial statements.

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

STATEMENTS OF CASH FLOWS

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

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2012	2011	2012	2011
Operating activities					
Profit (loss) for the year		19 076	8 722	1 382	(299)
Income tax	13	3 482	3 734	(793)	(47)
Adjustments for:		-			
Depreciation and amortisation	9,11,15,16	11 053	7 617	202	86
Impairment of accounts receivable, inventories	11,15,18,19	4 684	178	3	12
Interest expenses	12	1 814	997	-	39
Share of loss/(profit) from associates	32	947	-	-	-
Fair value loss on derivative financial instruments	2.19, 28	63	-	-	-
Discounting effect on deposits placed		(14)	-	-	-
Accruals of c-check costs, hangar lease payments		(176)	178	-	-
Interest income	7	(406)	-	(2 571)	(1 668)
Currency translations differences		(1 427)	759	-	(833)
(Profit)/loss on disposal of PPE		(7 953)	4	-	-
Net fair value loss on investments in subsidiaries classified as held for sale at fair value	10	-	-	1 291	-
Amortisation of financial guarantees	17, 34	-	-	(178)	-
Changes in working capital:					
- Inventories		(40 958)	(22 872)	(49)	(94)
- Trade and other receivables		(34 688)	(25 938)	(2 237)	(336)
- Trade and other payables, advances received		21 566	16 882	230	76
- Security deposits received		283	-	-	-
Cash generated from (used in) operations		**(22 654)**	**(9 739)**	**(2 720)**	**(3 064)**
Interest received		206	38	2 230	598
Interest paid		(1 764)	(1 213)	-	(39)
Income tax paid		(5 965)	(2 451)	-	-
Net cash generated from (used in) operating activities from continuing operations		**(30 177)**	**(13 365)**	**(490)**	**(2 505)**
Net cash generated from (used in) operating activities from discontinued operations		8 881	5 486	-	-
Net cash generated from (used in) operating activities		**(21 296)**	**(7 879)**	-	-
Investing activities					
Purchase of PPE and intangible assets		(22 892)	(21 583)	(516)	(425)
Proceeds from PPE and intangible assets		15 377	-	2	-
Loans granted		(7 418)	(15 601)	(26 073)	(72 370)
Repayments of loans granted		15 774	1 774	25 632	19 450
Deposits placed		(956)	(748)	(24)	(9)
Repayments of deposits placed		128	-	-	-
Proceeds from sale of interest in subsidiary with loss of control	17, 32	-	-	1 243	-
Purchase of subsidiary companies (net of cash acquired)	32	-	(4 001)	-	(10)
Proceeds from sale of subsidiary	32	-	-	-	700
Proceeds from sale of interest in subsidiary without loss of control	32	-	-	-	532
Net cash used in investing activities from continuing operations		**13**	**(40 159)**	**264**	**(52 140)**
Net cash used in investing activities from discontinued operations		(3 317)	(12 410)	-	-
Net cash used in investing activities		**(3 304)**	**(52 569)**	-	-

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

STATEMENTS OF CASH FLOWS (CONTINUED)

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2012	2011	2012	2011
Financing activities					
(Acquisition) of non-controlling interests	17, 33	(130)	-	(130)	-
Bank borrowings received		29 350	40 859	-	-
Repayments of bank borrowings		(7 242)	(14 043)	-	-
Borrowings from related parties received		835	796	-	76
Repayments of borrowings from related parties		(782)	(17 027)	-	(4 774)
Other borrowings received		5	-	-	-
Repayment of other borrowings		(1)	-	-	-
Repayments of lease liabilities		(3 343)	(2 821)	-	-
Contribution to share capital in cash	22, 23	-	66 282	-	66 282
Cost directly related to issue of share capital	23	-	(7 512)	-	(7 512)
Increase of share capital	1, 22	-	1 473	-	1 473
Net cash generated from financing activities from continuing operations		**18 692**	**68 007**	**(130)**	**55 545**
Net cash generated from financing activities from discontinued operations		-	(2 744)	-	-
Net cash generated from financing activities		**18 692**	**65 263**	**-**	**-**
Increase in cash and cash equivalents		**(5 908)**	**4 815**	**(356)**	**900**
At beginning of year	21	14 821	10 006	904	4
Increase (decrease) in cash and cash equivalents		(5 908)	4 815	(356)	900
At end of year	21	**8 913**	**14 821**	**548**	**904**

The notes on pages 13 to 61 form an integral part of these financial statements.

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

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

	2012		2011	
	Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
ZIA Valda Cyprus Ltd.	1 939 275	32.906%	1 939 275	32.906%
Indeco: Investment and Development UAB	1 292 850	21.938%	1 292 850	21.938%
Harberin Enterprises Limited	609 051	10.33%	777 375	13.191%
ING Otwarty Fundusz Emerytalny	390 000	6.618%	390 000	6.618%
Hubert Bojdo	100 000	1.697%	100 000	1.697%
Vytautas Kaikaris	55 250	0.938%	55 250	0.938%
Jonas Butautis	44 200	0.750%	44 200	0.750%
Aurimas Sanikovas	11 050	0.188%	11 050	0.188%
Other	368 324	6.25%	200 000	3.39%
Other free float	1 083 333	18.38%	1 083 333	18.38%
Total	**5 893 333**	**100.00%**	**5 893 333**	**100.00%**

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

The number of full time staff employed by the Group at the end of 2012 amounted to 1095 (2011: 1027). The number of employees of the Group without Charter Operations segment at the end of 2012 amounted to 951 (2011: 900). The number of full time staff employed by the Company at the end of 2012 amounted to 28 (2011: 17).

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

			Share of equity, %		
The Group's companies	**Country of establishment**	**Operating segment**	**2012**	**2011**	**Date of acquiring/establishment and activity**
AviationCV.com UAB	Lithuania	Pilot and Crew Training	100	91	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
Baltic Aviation Academy UAB	Lithuania	Pilot and Crew Training	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
Baltic Ground Services UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fueling services in Lithuania.
Baltic Ground Services Sp.z.o.o.	Poland	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fueling services in Poland.

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

1 General information (continued)

The Group's subsidiaries and associates	Country of establish-ment	Operating segment	Share of equity, % 2012	2011	Date of acquiring/establishment and activity
Baltic Ground Services s.r.l.	Italy	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in winter of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling services in Italy.
Baltic Ground Services UA TOV	Ukraine	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Ground Handling CIS UAB. The subsidiary does not conduct active operations.
Ground Handling CIS UAB	Lithuania	Aircraft Ground Handling and Fuelling	100	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of Baltic Ground Services UAB. The subsidiary does not conduct active operations.
FL Technics AB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the company started aircraft maintenance, repair and overhaul (MRO) services.
FL Technics Jets UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
FL Technics Line OOO	Russia	Aircraft maintenance, repair and overhaul (MRO)	93	100	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services and sells spare parts in Russia and the CIS.
FL Technics Ulyanovsk OOO	Russia	Aircraft maintenance, repair and overhaul (MRO)	99	99	The subsidiary was established in summer of 2011. It is a direct subsidiary of FLT Trading House UAB. Currently it has started preparations for aircraft maintenance activity in Ulyanovsk, Russia.
FLT Trading House UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 19 November 2010. The subsidiary does not conduct active operations.
Locatory.com UAB	Lithuania	Aircraft maintenance, repair and overhaul (MRO)	95	95	The subsidiary was established on 7 December 2010. Starting summer 2011, the company provides on-line platform for the aviation industry to search, buy and sell aviation inventory.
Small Planet Airlines UAB	Lithuania	Charter operations (classified as discontinued)	95.5	95.5	The subsidiary was established on 14 March 2007. In autumn of 2008 the company started charter operations in Lithuania.
Small Planet Airlines Sp.z.o.o.	Poland	Charter operations (classified as discontinued)	95.5	95.5	The subsidiary was established on 25 November 2009. In spring of 2010 the company started charter operations in Poland.
Small Planet Airlines s.r.l.	Italy	Charter operations	35.5	85.5	The subsidiary was established on 17 February 2010. In summer of 2011 the company started charter operations in Italy. On 3 January 2012 the Company sold 50 per cent shareholding in the subsidiary.
Storm Aviation Ltd.	The United Kingdom	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics AB. The company provides aircraft line station services.
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aircraft maintenance, repair and overhaul (MRO)	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements have been prepared on a going concern basis and under the historical cost convention.

These financial statements include the consolidated financial statements of the Group and stand-alone financial statement of the company for the year ended 31 December 2012.

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

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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group and the Company.

(b) Standards, amendments and interpretations to existing standards effective in 2012 but not relevant to the Group and the Company:

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

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

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

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.

2.1 Basis of preparation (continued)

IFRS 11, Joint Arrangements, (effective for annual periods beginning on or after 1 January 2014), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group and the Company do not expect this standard to have any material effect on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (effective for annual periods beginning on or after 1 January 2014), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group and the Company are currently assessing the impact of the standard on its financial statements.

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

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014). The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group and the Company are currently assessing the impact of the standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014). The standard was revised following the issue of IFRS 11 and it now includes the requirements for joint ventures, as well as associates, to be equity accounted. The Group and the Company do not expect this standard to have any material effect on its financial statements.

Amended IAS 19, Employee Benefits, (effective for annual periods beginning on or after 1 January 2013, makes significant changes (i) to the recognition and measurement of defined benefit pension expense and termination benefits, and (ii) to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) re-measurements in other comprehensive income. The Group and the Company are currently assessing the impact of the standard on its financial statements.

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

2.1 Basis of preparation (continued)

Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2013). The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The Group and the Company do not expect the amendments to have any material effect on its financial statements.

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

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

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

2.2 Consolidation

Subsidiaries

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

A subsidiary is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date on which control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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.

2.2 Consolidation (continued)

Non-controlling interest

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

Transactions with non-controlling interest

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Lithuanian Litas (LTL), which is the functional currency of the Company and the Group.

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

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

Group companies

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

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

2.4 Segment information

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

2.5 Property, plant and equipment

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

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

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

Buildings and structures	8 – 22 years
Vehicles	5 – 10 years
Machinery	5 – 7 years
Other non-current tangible assets	3 – 7 years

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

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

2.6 Intangible assets

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

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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

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

2.6 Intangible assets (continued)

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

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

Goodwill

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

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

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

Loans and receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

2.12 Inventories

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

2.13 Trade receivables

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

2.14 Cash and cash equivalents

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

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

2.15 Share capital

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

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

2.16 Trade payables

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

2.17 Borrowings

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

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

2.18 Provisions

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

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

2.19 Derivative financial instruments and hedge accounting

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

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

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

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

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

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets. Grants relating to the expenses are included in non-current liabilities and are credited to the profit or loss on basis to match the appropriate expenses.

2.21 Accounting for leases

a) Accounting for leases where the Group is the lessee

Operating leases

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

Finance leases

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

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

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

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

c) Accounting for leases where the Group is the lessor

Operating leases

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

2.22 Current and deferred income tax

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

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

Profit for 2012 is taxable at a rate of 15% (2011: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2012 is taxable at a rate of 19% (2011: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2012 is taxable at a rate of 19% (2011: 19%) in accordance with Ukrainian regulatory legislation on taxation. Profit for 2012 is taxable at a rate of 20% (2011: 26%) in accordance with United Kingdom regulatory legislation on taxation. Profit for 2012 is taxable at a rate of 20% (2011: 20%) in accordance with Russian regulatory legislation on taxation. Profit for 2011 is taxable at a rate of 27.5% in accordance with Italian regulatory legislation on taxation

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

2.22 Current and deferred income tax (continued)

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

According to Lithuanian and British legislation, tax losses accumulated as of 31 December 2012 are carried forward indefinitely; according to Polish legislation, tax losses accumulated as of 31 December 2012 are carried forward during 5 years.

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

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

2.23 Revenue recognition

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

Sales of services

Revenue of the Group consists of passenger's revenue (discontinued operations), aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, aircraft ground handling services, into-plane fuelling and web-site subscription services.

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

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

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

2.23 Revenue recognition (continued)

Sales of goods

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

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on loans granted are classified as „other income", while interest income on cash and cash equivalents are classified as „finance income" in the consolidated statement of comprehensive income.

2.24 Employee benefits

Social security contributions

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

The social security contributions are recognized as an expense on an accrual basis and are included within employee related expenses.

Bonus plans

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

Supplementary health insurance

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

Termination benefits

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

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

2.25 Financial guarantee contracts

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

Market risk

(a) Foreign exchange risk

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

For calculation of foreign exchange risk's sensitivity trade and other receivables and trade and other payables, denominated at US-dollars are multiplied by reasonably possible change of EUR (to which LTL is pegged) to US dollars. Reasonable possible change is provided in the table below:

	GROUP		Company	
	2012	**2011**	**2012**	**2011**
Reasonably possible change of EUR to US dollars	2 %	2 %	-	-

At 31 December 2012 the Group's post-tax profit for the year would have been LTL 1 087 thousand (2011: LTL 890 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade and other receivables and trade and other payables.

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

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

3.1 Financial risk factors (continued)

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

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

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

Borrowings received at variable interest rates and denominated in the LTL, EUR and GBP currencies expose the Group to cash flow interest rate risk. As at 31 December 2012 and 2011 Group's non-current borrowings at variable rate of 6 month EURIBOR plus fixed margin were denominated in EUR and finance lease liabilities at variable rate of 6 months EURIBOR plus fixed margin were denominated in EUR and GBP.

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

Currency of borrowings	**Reasonable shift**
LTL	4.00 %
EUR	1.00 %

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes LTL 637 thousand in 2012 (2011: LTL 311 thousand) impact on profit or loss.

Credit risk

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

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

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

3.1 Financial risk factors (continued)

(a) Maximum exposure of credit risk

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Trade receivables (Note 19)	62 969	56 984	1 404	60
Cash and cash equivalents (Note 21)	8 913	17 781	548	904
Loans provided (Note 19)	4 007	14 706	3 887	13 396
Loans provided to related parties (Notes 19, 34)	2 930	750	46 322	36 323
Trade receivables from related parties (Notes 19, 34)	1 837	4 190	3 980	1 239
Security deposit with lessor (Note 19)	1 780	14 754	33	9
Other receivables (Note 19)	1 187	1 561	223	146
Other receivables from related parties (Note 19)	72	21	1 187	930
	83 695	**110 747**	**57 584**	**53 007**

(b) Financial assets neither past due nor impaired

Trade receivables and trade receivables from related parties

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

For analysis of credit quality of neither past due not impaired trade receivables and trade receivables from related parties based see the table below:

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Group 1: new customers/related parties (less than 6 months)	4 459	4 303	1	15
Group 2: old customers/related parties (more than 6 months)	19 713	18 935	1 239	369
	24 172	**23 238**	**1 240**	**384**

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

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

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

3.1 Financial risk factors (continued)

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

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
AA-	589	-	-	-
A+	5 738	12 057	485	834
A-	60	1 195	60	56
BBB+	374	1 526	-	-
BBB	1 532	1 540	-	-
BB	3	-	3	-
B	-	165	-	-
other	124	687	-	14
Cash on hand	493	611	-	-
	8 913	**17 781**	**548**	**904**

Security deposit with lessor, loans to related parties

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

(c) Financial assets past due but not impaired

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Overdue up to 3 months	27 534	27 421	1 581	749
overdue from 4 to 6 months	5 197	5 638	835	110
overdue over 6 months	7 903	4 877	1 729	57
	40 634	**37 936**	**4 145**	**916**

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

3.1 Financial risk factors (continued)

d) Impaired financial assets

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Impaired trade receivables – gross amount	3 932	3 647	-	-
Less: provision for impairment of trade receivables related to continuing operations (Note 19)	(3 932)	(197)	-	-
Less: provision for impairment of trade receivables related to discontinued operations (Note 19)	-	(2 932)	-	-
Impaired trade receivables – net amount	**-**	**518**	**-**	**-**
Impaired other receivables – gross amount	-	364	-	2
Less: provision for impairment of trade receivables related to continuing operations (Note 19)	-	(4)	-	(2)
Less: provision for impairment of other receivables related to discontinued operations (Note 19)	-	(360)	-	-
Impaired other receivables – net amount	**-**	**-**	**-**	**-**
Impaired loans provided – gross amount	-	10	-	10
Less: provision for impairment of loans provided related to continuing operations (Note 19)	-	(10)	-	(10)
Impaired loans provided – net amount	**-**	**-**	**-**	**-**
Movements on the Group's provision for impairment of receivables:				
At 1 January	3 503	1 420	12	-
Transferred of provision for impairment of receivables to assets held for sale	(3 292)	-	-	-
Provision for receivables impairment (continuing operations, Note 19)	3 932	211	-	12
Provision for receivables impairment (discontinued operations)	-	3 292		
Receivables written off during the year as uncollectible	(211)	(1 420)	-	-
At 31 December (Note 19)	**3 932**	**3 503**	**-**	**12**

Liquidity risk

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

As at 31 December 2012 current liabilities in eleven subsidiaries of the Group exceeded the current assets. Management of the Group believes that this will not have any impact on the ability of subsidiaries of the Group to continue as going concern. In addition the parent company – Avia Solutions Group AB – is able to provide financial support to enable subsidiaries to continue operations for at least twelve months from the date of approval of the financial statements, if needed.

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

3.1 Financial risk factors (continued)

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

GROUP	**Less than 1 year**	**Between 1 - 5 years**	**Over 5 years**
31 December 2012			
Borrowings from related parties	-	27	-
Bank loans	45 261	19 007	-
Other borrowings	-	7	-
Security deposits received	279	-	-
Finance lease liabilities	2 695	6 744	-
Trade and other payables	68 383	1 311	375
	116 618	**27 096**	**375**
31 December 2011			
Borrowings from related parties	6	289	-
Bank loans	23 689	22 432	2 705
Other borrowings	3	364	-
Security deposits received	7 525	10 366	-
Finance lease liabilities	2 660	5 381	-
Trade and other payables	60 694	2 109	-
	94 577	**40 941**	**2 705**

COMPANY			
31 December 2012			
Trade and other payables	**909**	**-**	**-**
31 December 2011			
Trade and other payables	**684**	**-**	**-**

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

3.2 Capital risk management

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

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

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Total borrowings (Note 25)	73 741	53 136	-	-
Less: cash and cash equivalents (Note 21)	(8 913)	(17 781)	(548)	(904)
Net debt	64 828	35 355	(548)	(904)
Total equity	113 595	96 353	65 613	64 231
Total capital	**178 423**	**131 708**	**65 065**	**63 327**
Gearing ratio	36%	27%	-	-

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company and private limited liability company must be not less than LTL 150,000 and LTL 10,000, respectively, and the shareholders' equity should not be lower than 50 per cent of the entity's registered share capital. As at 31 December 2012 four Group companies did not comply with these requirements.

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

3.3 Fair value estimation

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

Fair value of interest free security deposit with the lessor approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate. Loans to related parties were granted at market interest rates, therefore, their carrying value approximate fair value.

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

4 Critical Accounting Estimates and Significant Judgements

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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) C-check costs accruals

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

(b) Premises lease payments accruals

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

(c) Related-party transactions

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

(d) Income taxes

Tax authorities have a right to examine accounting records of the Group at any time during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances that might result in a potential material liability in this respect to the Group.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 Critical Accounting Estimates and Significant Judgements (continued)

(e) Provision for impairment of accounts receivable

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

(f) Intangible assets

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

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

(g) Property, plant and equipment

Estimates concerning useful lives of property, plant and equipment may change due to constant technology advancement. Useful lives of property, plant and equipment are disclosed Note 2.5 and depreciation charge for the year is disclosed in Note 15. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by the management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Most of property, plant and equipment of the Group comprise machinery, buildings and vehicles.

(h) Estimated impairment of goodwill

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

5 Segment information

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

Aircraft Maintenance, Repair and Overhaul (MRO)

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

Aircraft Ground Handling and Fuelling

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

Pilot and Crew Training

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

Unallocated Sales

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

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Management analyses the activities of the Group both from geographic and business perspective.

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

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

Financial activities and income taxes are managed on a Group level and are not allocated to the operating segments as well. Management also regularly reviews capital investments on segment basis therefore additions to non-current assets has been separately disclosed according to each operating segment.

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

5 Segment information (continued)

Geographically, Management separately considers operations in Lithuania, Estonia, Italy, Poland and the Great Britain by sales volume depending on where the Group's companies are located.

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

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

	Charter operations	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallo cated	**Inter-segment elimina-tions**	**Total continuing operations**
Year ended 31 December 2012							
Continuing operations							
Revenue							
Sales to external customers	-	289 490	218 389	27 533	448	-	535 860
Inter-segment sales	-	3 599	83 639	69	4 517	(91 824)	-
Total revenue	**-**	**293 089**	**302 028**	**27 602**	**4 965**	**(91 824)**	**535 860**
Cost of sales	-	(236 426)	(293 035)	(19 379)	(1 206)	87 834	(462 212)
Segment gross profit	**-**	**56 663**	**8 993**	**8 223**	**3 759**	**(3 990)**	**73 648**
Impairment of receivables, inventories	-	(4 464)	(139)	(78)	(3)	-	(4 684)
Other income							412
General and administrative expenses, excluding impairment of receivables, inventories (see details in the table below)							(38 754)
Other gains/(losses) - net							1 004
Operating profit							**31 626**
Finance costs - net							(1 143)
Share of profit of associates							(947)
Profit before income tax							**29 536**
Income tax							(3 482)
Net profit for the period from continuing operations							**26 054**
As at 31 December 2012							
Segment assets	29 137*	188 988	60 069	11 981	9 120		**299 295**
Segment liabilities	31 789*	111 294	33 994	8 152	471		**185 700**
Acquisition of non-current assets (continuing operations, Note 15,16)	-	22 168	7 896	1 617	516		**32 197**
Depreciation and amortization (continuing operations, Note 11,15,16)	-	6 868	2 617	1 366	202		**11 053**

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

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

5 Segment information (continued)

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

	Charter operations	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Pilot and crew training	Unallocated	**Inter-segment eliminations**	**Total continuing operations**
Year ended 31 December 2011							
Continuing operations							
Revenue							
Sales to external customers	-	162 206	104 868	23 829	439	-	291 342
Inter-segment sales	-	2 984	8 951	257	2 718	(14 910)	-
Total revenue	**-**	**165 190**	**113 819**	**24 086**	**3 157**	**(14 910)**	**291 342**
Cost of sales	-	(124 816)	(111 103)	(15 814)	(1 340)	11 591	(241 482)
Segment gross profit	**-**	**40 374**	**2 716**	**8 272**	**1 817**	**(3 319)**	**49 860**
Impairment of receivables, inventories	-	(127)	(40)	-	(11)	-	(178)
Other income							110
General and administrative expenses, excluding impairment of receivables, inventories (see details in the table below)							(23 636)
Other gains/(losses) - net							1 177
Operating profit							**27 333**
Finance costs - net							(1 559)
Profit before income tax							**25 774**
Income tax							(3 734)
Net profit for the period from continuing operations							**22 040**
As at 31 December 2011							
Segment assets	49 480	122 314	44 666	10 700	16 006		**243 166**
Segment liabilities	42 859	72 260	22 373	8 640	682		**146 814**
Acquisition of non-current assets	2 708	9 796	14 415	4 570	425		**31 914**
Depreciation and amortization (from continuing operations, Note 11)	-	5 265	1 804	462	86		**7 617**

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

	GROUP	
	2012	**2011**
Administration employee related expenses	15 363	9 600
Consultation expenses	2 660	948
Rent and maintenance of administration premises	2 414	1 954
Depreciation and amortization of assets related to administration	2 102	642
Other operating expenses indirectly related to the operating segments	16 215	10 492
General and administrative expenses, excluding impairment expense	**38 754**	**23 636**

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

5 Segment information (continued)

The Group's revenue from external customers by geographical location of subsidiaries on 31 December 2012 and 31 December 2011 detailed below:

	GROUP	
	2012	**2011**
Lithuania	402 421	270 953
Poland	96 961	13 220
Great Britain	32 590	7 169
Russian Federation	3 867	-
Italy	21	-
	535 860	**291 342**

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

	GROUP	
	2012	**2011**
The aircraft ground handling and fuelling segment		
Customer T	35 177	17 955
Other customers	183 212	86 913
	218 389	**104 868**
The aircraft maintenance, repair and overhaul (MRO) segment		
Customer E	27 192	17 747
Customer H	24 223	23 476
Other customers	238 075	121 646
	289 490	**162 869**
The pilot and crew training segment		
Customer R	6 054	7 476
Other customers	21 479	16 353
	27 533	**23 829**

The Group's sales to external customers in 2012 and in 2011 are not derived from the single customers.

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

		GROUP		COMPANY	
6	**Revenue**	**2012**	**2011**	**2012**	**2011**
	MRO business segment revenue				
	Spare parts and consumable sales	118 565	47 112	-	-
	Base maintenance services	51 004	58 548	-	-
	Engine management services	47 692	19 960	-	-
	Line maintenance services	46 618	17 925	-	-
	Engineering services	13 040	9 872	-	-
	Business jet MRO	7 835	1 484	-	-
	Technical training and consulting services	3 423	5 408	-	-
	Other MRO services	1 313	1 897	-	-
	Aircraft GH & fuelling business segment revenue				
	Aircraft fuel revenue	190 606	85 207	-	-
	Aircraft ground handling services	27 783	19 661	-	-
	Pilot and crew training business segment revenue				
	Pilot and crew training revenue	27 533	23 829	-	-
	Unallocated business segment revenue				
	Sales commissions and fees	448	439	4 965	3 157
		535 860	**291 342**	**4 965**	**3 157**

7	**Other income**				
	Interest income on loans	406	-	2 571	1 688
	Late payment and other penalties	6	110	-	-
	Amortisation of financial guarantees	-	-	178	44
		412	**110**	**2 749**	**1 712**

8	**Employee related expenses**				
	Wages and salaries	67 731	39 195	2 242	1 643
	Social insurance expenses	13 926	10 178	627	478
		81 657	**49 373**	**2 869**	**2 121**
	Number of employees at the end of year	**951**	**856**	**28**	**26**

In 2012 employee related expense from discontinued operations amounted to LTL 11 554 (in 2011: LTL 16 452 thousand).

9	**Depreciation and amortization**				
	Depreciation of tangible assets (Note 15)	9 789	7 019	177	81
	Amortisation of intangible assets (Note 16)	1 264	598	25	5
		11 053	**7 617**	**202**	**86**

10	**Other gain – net**				
	Net foreign exchange gain/(loss) on operating activities	481	1 096	(18)	-
	Gain on sales of non-current assets	328	(4)	-	(6)
	Gain on sales of inventory and other current assets	195	85	-	
	Gain (loss) on subsidiary disposed	-	-	-	6
	Investments in subsidiaries classified as held for sale at fair value through profit or loss (Note 17, 33):				
	Fair value loss	-	-	(1 291)	-
	Net fair value of acquiree's net assets over cost	-	-	-	(922)
		1 004	**1 177**	**(1 309)**	**(922)**

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

11 Expense by nature

Considering the needs of consolidated accounts' analysis by gross profit margin, the Management of the Group and the Company has decided to re-classify their expenses by function. The comparative amounts were reclassified accordingly.

	As reported prieviously	**Reclassification of**					
		revenue	other income	cost of sales	general expense	other gains – net	finance costs
Revenue	**476 769**	**476 769**	**-**	**-**	**-**	**-**	**-**
Other income	1 730	-	1 684	-	-	46	-
Aircraft fuel expenses	(126 304)	-	-	(126 304)	-	-	-
Rent of aircrafts and equipment	(58 302)	-	-	(58 302)	-	-	-
Employee related expenses	(65 825)	-	-	(49 913)	(15 912)	-	-
Aircraft servicing and handling expenses	(46 930)	-	-	(46 930)	-	-	-
Spare parts and consumables expenses	(51 084)	-	-	(51 084)	-	-	-
Rent and maintenance of premises	(8 070)	-	-	(5 359)	(2 711)	-	-
Training and related expenses	(15 830)	-	-	(15 449)	(381)	-	-
Aircraft maintenance expenses	(20 182)	-	-	(20 182)	-	-	-
Depreciation and amortization	(8 073)	-	-	(7 231)	(842)	-	-
Cost of services resold	(18 057)	-	-	(18 057)	-	-	-
Impairment of receivables, inventories	(3 753)	-	-	-	(3 753)	-	-
Other operating expenses	(46 086)	-	125	(27 645)	(18 367)		(199)
Other gain/(loss) - net	3 910	-	-	-	-	3 910	-
Finance cost	(3 535)	-	-	-	-	-	(3 535)
		476 769	**1 809**	**(426 456)**	**(41 966)**	**3 956**	**(3 734)**
Transferred to the discontinued operations		(185 427)	(1 699)	184 974	18 152	(2 779)	1 906
Transferred to the continuing operations		**291 342**	**110**	**(241 482)**	**(23 814)**	**1 177**	**(1 828)**

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

11 Expense by nature (continued)

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Aircraft fuel expenses	176 703	82 895	-	-
Spare parts and consumables expenses	118 004	48 730	-	-
Employee related expenses (Note 8)	81 657	49 373	2 869	2 121
Cost of services resold	28 864	17 959	-	-
Training and related expenses	15 983	15 213	6	10
Rent and maintenance of premises	12 232	8 000	313	249
Depreciation and amortisation (Note 9)	11 053	7 617	202	86
Aircraft maintenance expenses	10 914	6 658	-	-
Aircraft servicing and handling expenses	9 206	2 916	-	-
Business travel expenses	7 903	4 606	228	192
Impairment-related expenses	4 684	178	3	12
Transportation and related expenses	4 529	6 071	379	315
Consultation expenses	3 292	1 946	440	450
Marketing and sales expenses	3 188	2 084	1 101	793
Rent and maintenance of training simulators	2 032	581	-	-
Rent of aircraft and equipment	1 864	1 430	-	-
Communications expenses	1 835	1 153	205	145
Insurance expenses	1 441	659	11	5
Employee lease expenses	1 305	1 202	-	-
Office administrative expenses	1 281	929	118	142
VAT in business use expenses	866	863	(74)	74
IT expenses	739	674	59	7
Bank services	594	366	12	11
Audit expenses	428	279	59	116
Other expenses	5 053	2 914	191	47
Total of cost of sales, general and administrative expenses	**505 650**	**265 296**	**6 122**	**4 775**

12 Finance income and costs

Foreign exchange gain on financing activities	775	-	297	461
Interest income on cash and cash equivalents	34	132	10	61
Other finance income	138	137	-	-
Finance income	**947**	**269**	**307**	**522**
Interest expenses on borrowings	1 814	997	-	39
Late payment interest - costs	248	207	1	1
Fair value adjustment of financial guarantees issued	(69)	(16)	-	-
Foreign exchange loss on financing activities	-	263	-	-
Other finance costs	97	377	-	-
Finance costs	**2 090**	**1 828**	**1**	**40**
Finance costs – net	**(1 143)**	**(1 559)**	**306**	**482**

13 Income tax

Continuing operations				
Current income tax	5 269	5 336	-	-
Deferred income tax (Note 28)	(1 787)	(1 602)	(793)	(47)
Total income tax expenses	**3 482**	**3 734**	**(793)**	**(47)**

13 Income tax (continued)

Domestic income tax is calculated at 15 per cent (2011: 15 per cent) of the annual profit for the year, in Poland income tax – 19 per cent (2011: 19 per cent), in Italy – 27.5 per cent (2011: 27.5 per cent). The annual profit earned by companies located in Estonia is not taxed. The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Profit (loss) before tax from continuing operations	**29 536**	**25 773**	**589**	**(346)**
Tax calculated at a tax rate of 15% in Lithuania	4 629	4 638	(88)	(52)
Tax calculated at a tax rate of 19% in Poland	(629)	(1 065)	-	-
Tax calculated at a tax rate of 19% in Ukraine	(11)	-	-	-
Tax calculated at a tax rate of 24% in Russia	(103)	(30)	-	-
Tax calculated at a tax rate of 20% in Great Britain	(1 758)	(185)	-	-
Tax calculated at a tax rate of 27.5% in Italy	(71)	(4)	-	-
Tax effects of:				
- Expenses not deductible for tax purposes	2 011	273	(292)	11
- Non-taxable incomes	111	(83)	114	(6)
- Effect of changes on tax losses	(65)	-	-	-
- Deferred tax assets not recognised on tax losses	(662)	125	148	-
- Adjustment in respect of prior year	30	65	(675)	-
Total income tax expenses	**3 482**	**3 734**	**(793)**	**(47)**

14 Earnings per share

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

Weighted average number of ordinary shares (thousand)	**5 893**	**5 700**	**5 893**	**5 700**
Basic earnings per share				
From continuing operations	4.427	3.878	0.23	(0.05)
From discontinued operations	(1.121)	(2.173)	-	-
From profit (loss) for the year	**3.306**	**1.705**	**0.23**	**(0.05)**

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

15 Property, plant and equipment

THE GROUP	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Lease-hold improve-ments	Aircraft	Prepay-ments to tangible assets	**Total**
Opening net book amount as at 1 January 2011	**13 278**	**5 129**	**6 759**	**3 035**	**-**	**-**	**997**	**29 198**
Acquisitions / Disposals of subsidiaries	-	565	610	118	-	-	-	**1 293**
Additions	366	16 960	7 440	3 813	837	85	284	**29 785**
Disposals	-	(20)	-	(73)	-	-	-	**(93)**
Reclassifications	-	5 959	(5 302)	(192)	-	-	(465)	**-**
Write-offs	-	-	-	(3)	-	-	-	**(3)**
Cumulative currency differences	-	(130)	(258)	(15)	-	-	(72)	**(475)**
Depreciation charge	(1 122)	(3 757)	(619)	(1 588)	-	(4)	-	**(7 090)**
Closing net book amount as at 31 December 2011	**12 522**	**24 706**	**8 630**	**5 095**	**837**	**81**	**744**	**52 615**
At 31 December 2011								
Cost	17 086	36 020	9 719	9 118	837	85	744	**73 609**
Accumulated depreciation	(4 564)	(11 314)	(1 089)	(4 023)	-	(4)	-	**(20 994)**
Net book amount	**12 522**	**24 706**	**8 630**	**5 095**	**837**	**81**	**744**	**52 615**
Opening net book amount as at 1 January 2012	**12 522**	**24 706**	**8 630**	**5 095**	**837**	**81**	**744**	**52 615**
Disposals of subsidiaries (Note 32)	-	-	(2)	(55)	-	-	-	**(57)**
Additions (continuing operations)	1 563	18 516	3 614	5 110	526	1 388	863	**31 580**
Additions (discontinued operations)	-	10	-	83	-	-	-	**93**
Disposals (continuing operations)	-	(7 807)	(25)	(507)	-	-	-	**(8 339)**
Disposals (discontinued operations)	-	(2)	-	-	-	-	-	**(2)**
Reclassifications	2 279	(975)	(418)	(105)	-	-	(781)	**-**
Write-offs	-	-	-	(663)	-	-	-	**(663)**
Cumulative currency differences	64	141	303	24	-	-	38	**570**
Depreciation charge (continuing operations, Note 9, 11)	(1 242)	(5 056)	(1 405)	(2 019)	-	(67)	-	**(9 789)**
Depreciation charge (discontinued operations)	-	(8)	-	(62)	(606)	-	-	**(676)**
Transferred to disposal group classified as held for sale (Note 33)	-	(16)	-	(165)	(231)	-	-	**(412)**
Closing net book amount as at 31 December 2012	**15 186**	**29 922**	**10 284**	**6 736**	**526**	**1 402**	**864**	**64 920**
At 31 December 2012								
Cost	20 992	47 869	12 046	13 682	1 132	1 473	864	**98 058**
Accumulated depreciation	(5 806)	(17 947)	(1 762)	(6 946)	(606)	(71)	-	**(33 138)**
Net book amount	**15 186**	**29 922**	**10 284**	**6 736**	**526**	**1 402**	**864**	**64 920**

As at 31 December 2012 buildings of the Group with the carrying amounts of LTL 12.1 million (as at 31 December 2011: LTL 12.5 million), machinery of the Group with the carrying amounts of LTL 3.5 million were pledged to the bank as collateral for borrowings (Note 25).

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

15 Property, plant and equipment (continued)

THE COMPANY	Vehicles	Other tangible fixed assets	**Total**
Opening net book amount as at 1 January 2011	**62**	**257**	**319**
Additions	270	145	**415**
Depreciation charge	(20)	(61)	**(81)**
Closing net book amount as at 31 December 2011	**312**	**341**	**653**
At 31 December 2011			
Cost	333	410	**743**
Accumulated amortisation	(21)	(69)	**(90)**
Net book amount	**312**	**341**	**653**
Opening net book amount as at 1 January 2012	**312**	**341**	**653**
Additions	-	347	**347**
Disposals	-	(2)	**(2)**
Write-offs	-	(3)	**(3)**
Depreciation charge	(45)	(132)	**(177)**
Closing net book amount as at 31 December 2012	**267**	**551**	**818**
At 31 December 2012			
Cost	333	749	**1 082**
Accumulated depreciation	(66)	(198)	**(264)**
Net book amount	**267**	**551**	**818**

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

	GROUP		**COMPANY**	
	2012	**2011**	**2012**	**2011**
Cost – capitalised finance lease				
Vehicles	5 959	2 652	-	-
Machinery	6 717	5 194	-	-
	12 676	**7 846**	**-**	**-**
Accumulated depreciation				
Vehicles	(741)	(642)	-	-
Machinery	(1 937)	(359)	-	-
	(2 678)	**(1 001)**	**-**	**-**
Net book value	**9 998**	**6 845**	**-**	**-**

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

16 Intangible assets

THE GROUP	Licences	Software	Other intangible assets	Website	Goodwill	Prepayments relating to intangible assets	**Total**
Opening net book amount as at 1 January 2011	**1 135**	**1 588**	**-**	**-**	**-**	**-**	**2 723**
Acquisitions through business combination (Note 32)	3 528	-	-	-	2 763	-	**6 291**
Additions	1 933	92	5	99	-	-	**2 129**
Cumulative currency differences	(116)	-	-	-	-	-	**(116)**
Amortisation charge	(514)	(463)	(1)	(5)	-	-	**(983)**
Closing net book amount as at 31 December 2011	**5 966**	**1 217**	**4**	**94**	**2 763**	**-**	**10 044**
At 31 December 2011							
Cost	6 681	2 394	5	99	2 763	-	**11 942**
Accumulated amortisation	(715)	(1 177)	(1)	(5)	-	-	**(1 898)**
Net book amount	**5 966**	**1 217**	**4**	**94**	**2 763**	**-**	**10 044**
Opening net book amount as at 1 January 2012	**5 966**	**1 217**	**4**	**94**	**2 762**	**-**	**10 044**
Disposals of subsidiaries (Note 32)	(1 028)	-	(4)	-	-	-	**(1 032)**
Additions (continuing operations)	253	247	-	67	-	50	**617**
Additions (discontinued operations)	186	-	-	-	-	-	**186**
Write-offs	-	-	-	-	(337)	-	**(337)**
Cumulative currency differences	193	68	-	-	-	-	**261**
Amortisation charge (continuing operations, Note 9, 11)	(833)	(402)	-	(29)	-	-	**(1 264)**
Amortisation charge (discontinued operations)	(438)	(6)	-	-	-	-	**(444)**
Transferred to disposal group classified as held for sale (Note 33)	(1107)	(20)	-	-	-	-	**(1 127)**
Closing net book amount as at 31 December 2012	**3 192**	**1 104**	**-**	**132**	**2 425**	**50**	**6 904**
At 31 December 2012							
Cost	5 101	2 867	-	167	2 762	50	**10 948**
Accumulated amortisation	(1 909)	(1 763)	-	(35)	(337)	-	**(4 044)**
Net book amount	**3 192**	**1 104**	**-**	**132**	**2 425**	**50**	**6 904**

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

16 Intangible assets (continued)

THE COMPANY	Licences	Software	Prepayments relating to intangible assets	**Total**
Opening net book amount as 1 January 2011	**-**	**7**	**-**	**7**
Additions	9	-	-	**9**
Amrtisation charge	(3)	(2)	-	**(5)**
Closing net book amount as at 31 December 2011	**6**	**5**	**-**	**11**
At 31 December 2011				
Cost	9	7	-	**16**
Accumulated amortisation	(3)	(2)	-	**(5)**
Net book amount	**6**	**5**	**-**	**11**
Opening net book amount as 1 January 2012	**6**	**5**	**-**	**11**
Additions	8	112	50	**170**
Amortisation charge	(5)	(20)	-	**(25)**
Closing net book amount as at 31 December 2012	**9**	**97**	**50**	**156**
At 31 December 2012				
Cost	17	119	50	**186**
Accumulated amortisation	(8)	(22)	-	**(30)**
Net book amount	**9**	**97**	**50**	**156**

17 Investments in subsidiaries	**COMPANY 2012**	**COMPANY 2011**
At the beginning of the period	**11 487**	**8 195**
Increase of share capital in subsidiaries	130	4 982
Fair value of intra-group financial guarantees (Note 2.25, 34)	126	449
Disposal of interest in subsidiary with loss of control	(2 636)	-
Transferred to the assets classified as held for sale (Note 33)	(2 299)	-
Transferred to the associates (Note 32)	(1 872)	-
Subsidiary established (Note 1)	-	10
Disposal of subsidiary	-	(1 622)
Disposal of interest in subsidiary without loss of control	-	(527)
At the end of the period	**4 936**	**11 487**

Disposals and acquisitions in 2012

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

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

Disposals and acquisitions in 2011

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

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

17 Investments in subsidiaries (continued)

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

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

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

18 Inventories	**GROUP 2012**	**GROUP 2011**	**COMPANY 2012**	**COMPANY 2011**
Spare parts and materials	44 727	20 397	-	-
Less: reduction to net realisable value of spare parts	(89)	(250)	-	-
Spare parts and materials - net	**44 638**	**20 147**	**-**	**-**
Aircraft fuel	3 988	5 091	-	-
Goods for sale	24 480	9 459	-	-
Goods in transit	1 363	390	-	1
Other inventories	1 123	532	143	93
	75 592	**35 619**	**143**	**94**

As at 31 December 2012 spare parts and materials of the Group with the carrying amounts of LTL 15.9 million (as at 31 December 2011: LTL 15.9 million), and aircraft fuel of the Group with the carrying amounts of LTL 3.2 million were pledged to the bank as collateral for borrowings (Note 25).

19 Trade and other receivables

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Trade receivables	66 901	60 113	1 404	60
Less: provision for impairment of trade receivables	(3 932)	(3 129)	-	-
Trade receivables – net	**62 969**	**56 984**	**1 404**	**60**
Security deposit with lessor	1 780	15 232	33	9
Discounting of security deposit	-	(478)	-	-
Security deposit – net	**1 780**	**14 754**	**33**	**9**
Other receivables	1 187	1 925	223	148
Less: provision for impairment of other receivables	-	(364)	-	(2)
Other receivables - net	**1 187**	**1 561**	**223**	**146**
Loans granted	4 007	14 716	3 887	13 396
Less: provision for impairment of loans granted	-	(10)	-	(10)
Loans granted - net	**4 007**	**14 706**	**3 887**	**13 396**
Prepayments	11 576	5 510	100	4
VAT receivables	8 760	5 161	14	-
Loans to related parties (Note 34)	2 930	750	46 322	36 323
Deferred charges	2 191	8 859	10	16
Receivables from related parties - net (Note 34)	1 837	4 190	3 980	1 239
Other receivables from related parties (Note 34)	72	21	1 187	930
Prepayments from related parties	4	-	-	-
	97 313	**112 496**	**57 160**	**52 123**
Less non-current portion :	(3 690)	(15 274)	(2 343)	(25 812)
Current portion :	**93 623**	**97 222**	**54 817**	**26 311**

All non-current receivables are due in 2014.

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

19 Trade and other receivables (continued)

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

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
EUR	34 683	30 713	1 459	49
US dollars	21 080	20 246	1	-
LTL	3 118	3 068	3 924	1 250
PLN	1 059	1 782	-	-
Other	4 866	5 365	-	-
	64 806	**61 174**	**5 384**	**1 299**

20 Contracts in progress

Contract costs incurred and recognised profits (less losses) to date	8 076	7 763	-	-
Advances received on contracts in progress	-	(1 251)	-	-
Amounts due from customers on contracts in progress	**8 076**	**6 512**	**-**	**-**

21 Cash and cash equivalents

Cash in bank	8 420	17 170	548	904
Cash on hand	493	611	-	-
Cash and cash equivalents	**8 913**	**17 781**	**548**	**904**
Bank overdraft (Note 25)	-	(2 960)	-	-
	8 913	**14 821**	**548**	**904**

22 Share capital

On 31 December 2012 the share capital of the Company amounts to 5,893,333 litas and consists of 5,893,333 ordinary registered shares with a nominal value of one litas each (on 31 December 2011 – 5,893,333 ordinary registered shares). It was increased from 4,420,000 litas to 5,893,333 litas by issue additional 1,473,333 ordinary shares with a par value LTL 1 each (Note 23). All shares are fully paid up.

23 Share premium

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

The balance of share premium as at 31 December 2010	**-**
Contribution to share premium in cash (LTL 44.99 per share)	66 282
Cost directly related to issue of share capital	(7 512)
The balance of share premium as at 31 December 2012	**58 770**

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

24 Reserves

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

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

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
25 Borrowings				
Non-current				
Bank borrowings	19 007	23 309	-	-
Finance lease liabilities	6 744	4 340	-	-
Borrowings from related parties	27	266	-	-
Other non-current borrowings	7	330	-	-
	25 785	**28 245**	**-**	**-**
Current				
Bank borrowings	45 261	19 418	-	-
Bank overdraft	-	2 960	-	-
Finance lease liabilities	2 695	2 505	-	-
Borrowings from related parties	-	6	-	-
Other current borrowings	-	2	-	-
	47 956	**24 891**	**-**	**-**
Total borrowings	**73 741**	**53 136**	**-**	**-**

As at 31 December 2012 buildings and machinery (Note 15), inventories (Note 18) and trade receivables (note 19) of the Group with the carrying amounts of LTL 39.9 million were pledged to the bank as collateral for bank borrowings. As at 31 December 2011 buildings (Note 15) and spare parts (Note 18) of the Group with the carrying amounts of LTL 28.4 million were pledged to the bank as collateral for bank borrowings. These bank borrowings are secured under the Suretyship of the Company as well (Note 34).

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

EUR	72 241	44 472	-	-
GBP	1 388	2 909	-	-
LTL	34	5 755	-	-
Other currency	78	-	-	-
	73 741	**53 136**	**-**	**-**

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

Less than 1 year	36 315	24 891	-	-
Between 1 and 5 years	37 426	15 180	-	-
Over 5 years	-	13 065	-	-
	73 741	**53 136**	**-**	**-**

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

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

	GROUP		COMPANY	
25 Borrowings (continued)	**2012**	**2011**	**2012**	**2011**
Bank overdraft	-	6.30%	-	-
Finance lease liabilities	5.42%	6.22%	-	-
Borrowings from related parties	5.24%	4.96%	-	-
Bank borrowings	1.89%	3.72%	-	-
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	3 317	2 660	-	-
After 1 year but not later than 5 years	7 757	5 380	-	-
After 5 years	-	-	-	-
Less: future finance lease charges	(1 636)	(1 195)	-	-
Present value of finance lease liabilities	**9 438**	**6 845**	**-**	**-**
Present value of finance lease liabilities:				
Not later than 1 year	2 695	2 505	-	-
After 1 year but not later than 5 years	6 743	4 340	-	-
After 5 years	-	-	-	-
	9 438	**6 845**	**-**	**-**

26 Trade and other payables

Trade payables	52 672	38 251	189	101
Accruals for c-check, hangar lease payments and other accrued expenses	8 016	13 789	351	368
Salaries and social security payable	3 723	5 456	143	169
Deferred revenue	2 740	2 389	-	-
Amounts payable to related parties (Note 34)	1 035	1 514	151	15
Provisions	402	122	-	-
Other payables	1 481	1 282	75	31
	70 069	**62 803**	**909**	**684**
Less: non-current portion	(1 686)	(2 109)	-	-
Current portion	**68 383**	**60 694**	**909**	**684**

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

US dollars	33 276	24 249	1	1
LTL	18 181	20 460	839	674
EUR	12 982	7 117	42	7
GBP	4 667	2 871	-	
RUB	485	-	-	-
PLN	444	5 708	21	-
EEK	-	2 225	-	-
Other currencies	34	173	6	2
	70 069	**62 803**	**909**	**684**

27 Security deposits received

Security deposits repayable after one year at nominal value	-	10 563	-	-
Less: discounting effect	-	(325)	-	-
Security deposits repayable after one year	**-**	**10 238**	-	-
Security deposits repayable within one year	279	7 525	-	-
	279	**17 763**	**-**	**-**

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

28 Deferred income taxes

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Deferred tax assets				
At beginning of the period	7 533	1 157	49	2
Currency translation differences	138	(20)	-	-
Disposal of subsidiary	(962)	-	-	-
(Charged) credited to the income statement (continuing operations, Note 13)	2 137	1 630	793	47
(Charged) credited to the income statement (discontinued operations)	238	1 677	-	-
(Charged) credited directly to the equity (Note 24)	63	-	-	-
Transferred to the disposal group classified as held for sale (Note 33)	(1 516)	-	-	-
Tax loss transferred within the Group	-	-	(607)	-
Acquisition through business combination	-	2 861	-	-
At end of year	**7 631**	**7 533**	**235**	**49**
Deferred tax liabilities				
At beginning of the period	**(289)**	**(33)**	**-**	**-**
Currency translation differences	(7)	-	-	-
Disposal of subsidiary	18	-	-	-
Charged to the income statement (continuing operations)	(350)	(28)	-	-
Charged to the income statement (discontinued operations)	(293)	(228)	-	-
Transferred to the disposal group classified as held for sale (Note 33)	533	-	-	-
At end of year	**(388)**	**(289)**	**-**	**-**

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

Deferred tax assets				
Deferred income tax to be recovered within 1 year	563	3 355	-	49
Deferred income tax to be recovered after 1 year	7 068	4 178	235	-
	7 631	**7 533**	**235**	**49**
Deferred tax liabilities				
Deferred income tax to be recovered within 1 year	331	(289)	-	-
Deferred income tax to be recovered after 1 year	57	-	-	-
	388	**(289)**	**-**	**-**

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 LTL '000 unless otherwise stated)

28 Deferred income taxes (continued)

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

GROUP - deferred tax assets	Accumulated taxable losses	Impairment of receivables	Discounting effect	Accruals for unused vacation	Other accrued expenses	Fair value loss	**Total**
At 31 December 2010	**508**	**153**	**(60)**	**158**	**398**	**-**	**1 157**
Acquisition through business combination	2 861	-	-	-	-	-	**2 861**
Currency translation differences	(20)	-	-	-	-	-	**(20)**
(Charged) credited to the profit or loss	3 000	(13)	78	75	395	-	**3 535**
At 31 December 2011	**6 349**	**140**	**18**	**233**	**793**	**-**	**7 533**
Currency translation differences	193	-	-	(3)	(52)	-	**138**
Disposal of subsidiary	(780)	-	-	-	(182)	-	**(962)**
(Charged) credited to the income statement (continuing operations, Note 13)	1 497	473	-	16	151	-	**2 137**
(Charged) credited to the income statement (discontinued operations)	422	131	(3)	8	(320)	-	**238**
(Charged) credited directly to the equity (Note 24)	-	-	-	-	-	63	**63**
Transferred to the disposal group classified as held for sale	(1 347)	(271)	(15)	(60)	177	-	**(1 516)**
At 31 December 2012	**6 334**	**473**	**-**	**194**	**567**	**63**	**7 631**

GROUP - deferred tax liabilities	**Other accrued expenses**	**Total**
At 31 December 2010	**33**	**33**
Charged to the profit or loss	256	256
At 31 December 2011	**289**	**289**
Currency translation differences	7	7
Disposal of subsidiary	(18)	(18)
Charged to the income statement (continuing operations)	350	350
Charged to the income statement (discontinued operations)	293	293
Transferred to the disposal group classified as held for sale	(533)	(533)
At 31 December 2012	**388**	**388**

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

COMPANY - deferred tax assets	Accruals for unused vacation	Accumulated taxable losses	**Total**
At 31 December 2010	**-**	**2**	**2**
Credited to the profit or loss	7	40	**47**
At 31 December 2011	**7**	**42**	**49**
Credited to the profit or loss	3	790	**793**
Tax loss transferred within the Group	-	(607)	**(607)**
At 31 December 2012	**10**	**225**	**235**

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

28 Deferred income taxes (continued)

Tax authorities have confirmed the deductible temporary difference of LTL 7.5 million directly related to issue of share capital in 2011 (Note 23) in respect of a deferred tax assets that was not recognised at the balance sheet of the Company in previous financial year. The Company has transferred the part (amounted to LTL 4.5 million) of these accumulated taxable losses to the profitable subsidiary (the transaction fee was LTL 607 thousand).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. Deferred income tax asset and liability related to the entities operating in Lithuania are calculated at 15% rate (2011: 15% rate), in Poland - at 19% rate (2011: 19% rate), in Great Britain – at 20% rate (2011: 26% rate), in Russia – at 20% rate (2011: 20% rate), in Ukraine – at 19% rate (2011: 19% rate), in Italy - at 27.5% rate (2011: 27.5% rate). Due to the nature of the taxation system, the companies registered in Estonia don't have any differences between the tax bases of assets and their carrying amounts, no deferred income tax assets and liabilities arise.

29 Financial instruments by category

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Category – Loans and receivables				
Trade receivables (Note 19)	62 969	56 984	1 404	60
Cash and cash equivalents (Note 21)	8 913	17 781	548	904
Loans provided (Note 19)	4 007	14 706	3 887	13 396
Loans provided to related parties (Notes 19, 34)	2 930	750	46 322	36 323
Trade receivables from related parties (Notes 19, 34)	1 837	4 190	3 980	1 239
Security deposit with lessor (Note 19)	1 780	14 754	33	9
Other receivables (Note 19)	1 187	1 561	223	146
Other receivables from related parties (Note 19)	72	21	1 187	930
	83 695	**110 747**	**57 584**	**53 007**
Category – financial liabilities measured at amortised cost				
Bank loans (Note 25)	64 268	42 727	-	-
Trade payables (Note 26)	52 672	38 251	189	101
Finance lease liabilities (Note 25)	9 439	6 845	-	-
Other payables (Note 26)	1 481	1 282	75	31
Trade payables to related parties (Notes 26, 33)	1 035	1 514	151	169
Borrowings from related parties (Note 25)	27	272	-	-
Other borrowings	7	332	-	-
Bank overdraft (Notes 21, 25)	-	2 960	-	-
	128 929	**94 183**	**415**	**301**

30 Operating lease

The Group leases two aircraft hangars, training building, flight simulator, premises, commercial vehicles and warehouse under operating lease agreements. The lease terms are between one and ten years, and the majority of lease agreements are renewable at the end of this lease period at market value. The operating lease expenditure charged to the income statement during the year are as follows:

Aircraft hangars	3 153	3 927	-	-
Premises	2 618	126	49	60
Flight simulator	1 924	504	-	-
Commercial vehicles	229	188	-	-
Warehouse	159	39	-	-
	8 083	**4 784**	**49**	**60**

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

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

	GROUP		COMPANY	
30 Operating lease (continued)	**2012**	**2011**	**2012**	**2011**
Not later than 1 year	7 494	5 984	43	66
Later than 1 year but not later than 5 years	18 393	19 799	41	33
Later than 5 years	12 753	15 737	-	-
	38 640	**41 520**	**84**	**99**

31 Management compensation

Following the acquisition of *Storm Aviation Ltd.* in September 2011 some members of the management of the subsidiary have disposed their shares at discounted value. According to the acquisition agreement, the difference between the fair value of the shares disposed by the members of the subsidiary's management and their discounted value at the acquisition date would be recognized as post-combination employee services in profit or loss during the three years period, if the Management of subsidiary achieve appointed EBIDTA targets. According to the Group's management estimate, the least effect on profit or loss during the whole period would be LTL 0.14 million (2011: LTL 0.9 million).

32 Business combination and disposal

Disposal in 2012

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

Details of sale price and assets and liabilities arising from the disposal are as follows:

	Small Planet Airlines s.r.l. - disposal's carrying amount
Cash and cash equivalents	2 670
Property, plant and equipment	57
Intangible assets	1 032
Deferred income tax assets	962
Receivables	6 231
Payables	(7 896)
Borrowings	(389)
Net assets disposed	**2 667**
Proceeds from sale of interest in subsidiary with loss of control	2 637
Less: cost of investment in subsidiary (50 per cent of net assets disposed)	(1 333)
Gain on disposal in Group's financial statements (discontinued operations):	**1 304**

The Company's investments in associate *Small Planet Airlines S.r.l.* at 31 December 2012 amounted to LTL 1 872 thousand.

The Group's investments in its associates at 31 December 2012 amounted to LTL 0 thousand through post-acquisition changes in the Group's share of net assets of the associate.

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

32 Business combination and disposal (continued)

Acquisitions in 2011

On 30 September 2011, the Group acquired 100% of the share capital of *Storm Aviation Ltd.* and 100% of the share capital of its subsidiary *Storm Aviation Cyprus Ltd.* from third parties. As a result of the acquisition, the Group is expected to increase its presence in the MRO segment, in the line maintenance sub-segment. The identified intangible assets of LTL 3 528 thousand are attributable to acquired line maintenance approvals and basic licence base (see Notes 2.6, 4). Goodwill represents intangible assets that do not qualify for separate recognition.

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

	Storm Aviation Ltd. - acquiree's fair value
Cash and cash equivalents	1 204
Property, plant and equipment	1 313
Intangible assets	3 528
Deferred income tax assets	2 861
Receivables	5 203
Payables	(4 639)
Borrowings	(7 028)
Total identifiable net assets acquired	**2 442**
Goodwill	**2 763**
Total purchase consideration - paid in cash	**5 205**
Total purchase consideration - paid in cash	(5 205)
Cash and cash equivalents in subsidiary acquired	1 204
Cash outflow on acquisition	**(4 001)**

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

Disposal in 2011

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

	Small Planet Airlines AS - disposal's carrying amount
Cash and cash equivalents	**46**
Property, plant and equipment	21
Receivables	910
Payables	(3 379)
Borrowings	(699)
Net assets disposed	**(3 101)**
Total sale price - received in cash (discontinued operations)	**700**
Gain on disposal	**3 801**
Gain on disposal:	
Recognised in profit (loss) (discontinued operations)	2 890
Recognised directly in equity	911
	3 801

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

33 Non-current assets held for sale and discontinued operations

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

GROUP

	31 December 2012
(a) Assets of disposal group classified as held for sale	
Property, plant and equipment	412
Other intangible assets	1 127
Deferred income tax assets	1 516
Security deposits placed	5 681
Inventory	540
Prepaid income tax	441
Trade receivables	9 926
Loans provided	580
Other current assets	1 237
Deferred charges	6 139
Cash and cash equivalents	1 538
Total, excluding IC transactions with the Group	**29 137**
IC transactions with the Group	6 222
Total, including IC transactions with the Group	**35 359**
(b) Liabilities of disposal group classified as held for sale	
Non-current liabilities	457
Deferred income tax liabilities	533
Trade and other payables	25 328
Other current liabilities	5 471
Total, excluding IC transactions with the Group	**31 789**
IC transactions with the Group	19 715
Total, including IC transactions with the Group	**51 504**

The Group has disposed of *Charter operations* business segment (Note 35), which qualifies to be treated as discontinued as at the balance sheet date. The disposal group has operations with all business segments of the Group: it purchases aircraft maintenance, ground handling, fuelling, crew training and business management services at market prices. The value of charter operations purchased by the disposal group during 2012 was LTL 54.4 million (2011: LTL 29.9 million). As the arrangement for purchase from the Group's companies will continue in the future, the results of aircraft maintenance, ground handling, fuelling and crew training operations include the amount of LTL 54.0 million that will become external revenue in 2012 (2011: LTL 29.4 million). The remaining LTL 0.4 million (2011: LTL 0.5 million) is the business management revenue that will no longer accrue to the Group following the disposal.

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

33 Non-current assets held for sale and discontinued operations (continued)

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

	GROUP	
	2012	**2011**
Revenue	232 824	185 426
Cost of sales	(225 354)	(184 974)
Gross profit (loss) from discontinued operations	**7 470**	**452**
Profit (loss) before income tax for the year from discontinued operations	(6 924)	(14 910)
Income tax expense	(54)	1 592
Profit (loss) for the year from discontinued operations	**(6 978)**	**13 318**

COMPANY

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

Investments in subsidiaries classified as held for sale (note 17)	2 299
Net fair value loss of investments in subsidiaries classified as hel for sale through profit or loss (Note 10)	(1 291)
Assets of disposal group classified as held for sale	**1 008**

34 Related party transactions

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

The following transactions were carried out with related parties:

	GROUP		COMPANY	
Sales of assets:	**2012**	**2011**	**2012**	**2011**
Subsidiaries of the Group	-	-	2	27
Other related parties	235	-	2	-
	235	**-**	**4**	**27**
Sales of services to:				
Entities having significant influence	2	-	2	-
Subsidiaries of the Group	-	-	4 542	2 718
Associates of the Group	3 493		5	-
Other related parties	2 341	4 184	367	273
	5 836	**4 184**	**4 916**	**2 991**
Total sales of assets and services	**6 071**	**4 184**	**4 920**	**3 018**

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

34 Related party transactions (continued)

In year 2012 amount of sales of consulting and management services from the Company to its related parties was LTL 4 916 thousand (2011: LTL 2 991 thousand).

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Purchases of assets from:				
Entities having significant influence	-	59	-	59
Subsidiaries of the Group	-	-	-	2
Other related parties	1 776	-	-	-
	1 776	**59**	**-**	**61**
Purchases of services from:				
Entities having significant influence	80	-	25	-
Subsidiaries of the Group	-	-	126	48
Other related parties	5 376	20 420	15	-
	5 456	**20 420**	**166**	**48**
Total purchases of assets and services	**7 232**	**20 479**	**166**	**109**

In year 2012 amount of purchases of premises lease services from VA Reals AB was LTL 5 263 thousand (in 2011: LTL 5 856 thousand).

Trade receivables from related parties				
Trade receivables from entities having significant influence	-	1	-	-
Trade receivables from subsidiaries of the Group	-	-	3 881	1 239
Trade receivables from other related parties	1 837	4 189	99	-
Other related parties – net (Note 19)	**1 837**	**4 190**	**3 980**	**1 239**
Other trade receivables from subsidiaries of the Group (Note 19)	-	-	1 115	915
Other trade receivables from related parties (Note 19)	72	21	72	15
Prepayments from entities having significant influence (Note 19)	1	-	-	-
Prepayments from other related parties (Note 19)	3	-	-	-
	1 913	**4 211**	**5 167**	**2 169**
Payables and advances received from related parties				
Amounts payable to entities having significant influence (Note 26)	7	13	1	12
Amounts payable to subsidiaries of the Group (Note 26)	-	-	19	3
Amounts payable to other related parties (Note 26)	1 028	1 501	131	-
	1 035	**1 514**	**151**	**15**

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

34 Related party transactions (continued)

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Loans received from related parties				
Beginning of the period	**272**	**18 317**	**-**	**4 698**
Transferred to the liabilities classified as held for sale	(266)	-	-	-
Loans received from subsidiaries of the Group	-	-	-	76
Loans received from other related parties	287	458	-	-
Loan repayments to entities having significant influences	-	-	-	(4 468)
Loan repayments to subsidiaries of the Group	-	-	-	(306)
Loans repayments to other related parties / set-offs	(266)	(18 375)	-	-
Interest on loans charged (2011 - at 5%)	14	111	-	39
Interest on loans repaid / set-offs	-	(239)	-	(39)
End of the period	**41**	**272**	**-**	**-**
Less: non-current portion	(27)	(266)	-	-
Current portion (including accrued interest expense):	**14**	**6**	**-**	**-**

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Loans to related parties				
Beginning of the period	**784**	**654**	**37 264**	**73**
Reclassification of loans advanced to loans advanced to related parties at the beginning of the year	1 200	-	-	-
Loans advanced to subsidiaries of the Group	-	-	18 441	58 934
Loans advanced to other related parties	710	729	718	611
Loans advanced to the associate	691	-	691	-
Loan repayments received/set-offs from subsidiaries of the Group	-	-	(9 864)	(23 259)
Loan repayments received from other related parties (set-offs)	(420)	(616)	-	(24)
Interest charged to subsidiaries of the Group	-	-	2 235	1 474
Interest charged to other related parties	60	28	55	14
Interest received / set-off from subsidiaries of the Group	-	(11)	(2 031)	(559)
End of the period	**3 025**	**784**	**47 509**	**37 264**
Less non-current portion:	(1 424)	(605)	(1 031)	(25 809)
Current portion (including accrued interest income):	**1 601**	**179**	**46 478**	**11 455**

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

In 2011 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank loans amounting to LTL 48 million as at 31 December 2012, related towards working capital financing and to the refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of buildings and spare parts owned by a subsidiary (Note 25).

In 2012 the Company issued an intra-group financial guarantee on behalf of its subsidiary for bank loans amounting to LTL 30 million as at 31 December 2012, related towards working capital financing and to the refinancing of existing financial obligations. The liabilities secured by these guarantees were also secured by pledge of machinery, aircraft fuel and trade receivables owned by a subsidiary (Note 25).

Date of issue	**Issued to**	**On behalf of**	**Valid till**	**Amounts as of 2012.12.31, LTL thousand**
2011.09.30	The Bank	The Subsidiary	2017.08.31	48 185
2012.01.12	The Bank	The Subsidiary	2014.01.12	29 385

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

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

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

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Salaries	8 103	6 125	720	525
Social insurance expenses	2 457	1 724	222	163
Bonuses	206	195	-	-
	10 766	**8 044**	**942**	**688**
The number of key management at the end of year	56	60	3	3

36 Events after the balance sheet date

The Company sold it's 95,5% stakes in *Small Planet Airlines UAB* (Lithuania) and *Small Planet Airlines Sp. z o. o.* (Poland) to the management of these companies Mr. Vytautas Kaikaris (65,5%) and Mr. Andrius Staniulis (30%). Before the transaction Mr. Vytautas Kaikaris already owned 4,5% stake in both companies.

On the 8 April 2013 the Company issued guarantee to a bank on behalf of a subsidiary in the amount of EUR 5.32 million to secure the bank loan for financing the cost related to the aviation hangar construction.

General Manager
Linas Dovydėnas

Chief Financial Officer
Aurimas Sanikovas