AVIA SOLUTIONS GROUP PLC

Separate financial statements,
Independent Auditor's Report and
Management Report
for the year ended 31 December 2022

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Gediminas Žiemelis
Jonas Janukėnas
Žilvinas Lapinskas
Linas Dovydėnas
Vygaudas Ušackas (resigned on 1 February 2023)
Tom Klein
Pascal Jean Alexandre Picano (appointed on 1 February 2023)

Company Secretary:

Fidema Services

October 28th Avenue, 1
Engomi Business Center, BLC E, Floor 1, Flat 111
2414, Engomi
Cyprus

Registered office:

117 Arc. Makarios Avenue III
Floor 5, Flat 505
3021, Limassol
Cyprus

Registration number:

HE380586

Independent Auditor's Report

To the Members of Avia Solutions Group PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Avia Solutions Group PLC (the "Company"), which are presented in pages 7 to 54 and comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Avia Solutions Group PLC as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

N. A. Theodoulou.

Nicos A. Theodoulou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 31 March 2023

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022	2021
Revenue	5	**5 322**	**4 700**
Other income	6	2 948	4 200
Cost of services and goods	7	(763)	(655)
Employee related expenses	8	(6 844)	(5 219)
Other operating expenses	9	(4 882)	(15 632)
Depreciation and amortization	10	(881)	(740)
(Increase)/decrease in the provision for impairment of financial assets	3.1	(97)	480
Increase in the provision for impairment of non-financial assets	14, 16	(3 926)	(370)
Other gains - net	11	59 285	60 139
Operating profit		**50 162**	**46 903**
Finance income	12	1 178	24
Finance costs	12	(29 257)	(5 782)
Finance costs – net		**(28 079)**	**(5 758)**
Profit before income tax		**22 083**	**41 145**
Income tax credit/(expense)	13	282	(346)
Profit for the year		**22 365**	**40 799**
Other comprehensive income		-	-
Total comprehensive income		**22 365**	**40 799**

The notes on pages 12 to 54 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 31 March 2023.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

STATEMENT OF FINANCIAL POSITION

	Notes	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	14	6 493	1 754
Intangible assets	15	438	142
Financial assets	16	501 336	352 277
Deferred tax assets	13	1 048	767
Trade and other receivables	18	43 517	41 888
		552 832	**396 828**
Current assets			
Inventories		10	13
Trade and other receivables	18	18 076	20 165
Contract assets		176	74
Prepaid income tax		1	1
Short-term bank deposits	19	-	225 000
Cash and cash equivalents	19	128 152	77 645
		146 415	**322 898**
Total assets		**699 247**	**719 726**
EQUITY			
Share capital	20	22 556	22 556
Share premium	20	282 158	282 158
Other reserves		860	596
Retained earnings		39 135	46 769
Total equity		**344 709**	**352 079**
LIABILITIES			
Non-current liabilities			
Convertible preferred shares	24	325 726	300 920
Loans and borrowings	21	14 979	43 576
		340 705	**344 496**
Current liabilities			
Loans and borrowings	21	500	3 207
Trade and other payables	22	13 286	19 868
Contract liabilities		47	76
		13 833	**23 151**
Total liabilities		**354 538**	**367 647**
Total equity and liabilities		**699 247**	**719 726**

The notes on pages 12 to 54 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 31 March 2023.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 31 December 2020	**22 556**	**282 158**	**331**	**5 970**	**311 015**
Profit for the year	-	-	-	40 799	**40 799**
Allocation to other reserves	-	-	265	-	**265**
Balance at 31 December 2021	**22 556**	**282 158**	**596**	**46 769**	**352 079**
Profit for the year	-	-	-	22 365	**22 365**
Dividends declared (Note 20)	-	-	-	(29 999)	**(29 999)**
Allocation to other reserves	-	-	264	-	**264**
Balance at 31 December 2022	**22 556**	**282 158**	**860**	**39 135**	**344 709**

The notes on pages 12 to 54 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 31 March 2023.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

STATEMENT OF CASH FLOWS

	Notes	2022	2021
Operating activities			
Profit for the period		22 365	40 799
Income tax	13	(282)	346
Adjustments for:			
Depreciation and amortization	10	881	740
Increase/(decrease) in the provision for impairment of financial and non-financial assets	3.1, 16	4 023	(110)
Interest expenses	12	2 257	4 123
Interest income	6	(2 948)	(4 200)
Currency translations differences		1 691	353
Loss on disposal of PPE		166	3
Loss on termination/modification of lease agreements		6	-
Discounting effect on financial assets		2	306
Loss/(gain) on disposal of investment	11	882	(4 130)
Loss from fair value recognized in profit and loss	12	24 806	921
Dividend income	11	(59 730)	(55 843)
Changes in working capital:			
- Inventories		2	14
- Trade and other receivables		(4 982)	(5 994)
- Trade and other payables, advances received		(8 469)	10 542
- Security deposits received		-	(8)
Cash used in operating activities		**(19 330)**	**(12 138)**
Interest received		412	344
Interest paid		(750)	(563)
Net cash used in operating activities		**(19 668)**	**(12 357)**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1 070)	(399)
Loans granted	18	(90)	(4 002)
Repayments of loans granted	18	5 181	12 823
Deposits placed		-	-
Repayments of deposits placed		95	(225 000)
Repayment of bank deposits placed	19	225 000	-
Dividends received	11	59 120	55 843
Investment to joint venture	16	-	-
Purchase of subsidiaries	16	(2)	(7 149)
Proceeds from sale of interest in subsidiary with loss of control	11, 16	10	12 858
Establishment of subsidiaries	16	(1 201)	(1 907)
Share capital increase in subsidiaries	16	(150 489)	(223)
Net cash from/(used in) investing activities		**136 554**	**(157 156)**

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

STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2022	2021
Financing activities			
Issuance of convertible preferred shares	24	-	300 000
Dividends paid		(29 744)	-
Borrowings from related parties received	21	-	13 164
Repayment of borrowings from related parties received	21	(36 227)	(66 196)
Repayment of lease liabilities		(408)	(345)
Net cash generated from financing activities		**(66 379)**	**246 623**
Increase in cash and cash equivalents		**50 507**	**77 110**
Cash and cash equivalents at the beginning of the year		77 645	535
Cash and cash equivalents at the end of the year		**128 152**	**77 645**

The notes on pages 12 to 54 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 31 March 2023.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company Avia Solutions Group PLC (Former: Avia Solutions Group (Cy) PLC) (referred to as the Company) was incorporated in Cyprus on 28th February 2018 (registration number – HE380586) as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 117 Arch. Makariou Ave., 5th Floor, Office 505, 3021 Limassol, Cyprus.

On 8 October 2021, Avia Solutions Group PLC passed the resolution to increase the authorised share capital of the Company from EUR 22,555,555.33 divided into 77,777,777 ordinary shares of nominal value of EUR 0.29 each to EUR 28,194,444.09 divided into 77,777,777 ordinary shares of nominal value of EUR 0.29 each and 19,444,444 convertible preferred shares of nominal value of EUR 0.29 each. Newly authorized convertible preferred shares are a new class of shares with the rights set out in the new articles of association of the Company. The issued capital and allotment of the convertible preferred shares is at a total issue price of EUR 300,000,000. For accounting purposes, these shares do not meet the definition of an equity instruments and were classified as financial liabilities. For more details refer to Note 24.

The main shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2022 and 2021 of the Company were:

	2022		2021	
	Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
FZE Procyone	37 702 469	48,47%	38 371 469	49,33%
Vertas Aircraft Leasing Limited	17 078 622	21,96%	17 078 622	21,96%
Mesotania Holdings Ltd.	11 416 335	14,68%	11 416 335	14,68%
Other Shareholders	11 580 351	14,89%	10 911 351	14,03%
Total issued ordinary shares	**77 777 777**	**100,00%**	**77 777 777**	**100,00%**
Certares Compass LLC (Note 24)	19 444 444	100,00%	19 444 444	100,0%
Total issued convertible preferred shares	**19 444 444**	**100,00%**	**19 444 444**	**100,00%**

As at 31 December 2022 the ultimate controlling party of the Company is Gediminas Žiemelis. There were no changes in the ultimate controlling party during 2022.

The principal activity of the Company is to provide management services to its subsidiaries and other related companies.

As at 31 December 2022 Avia Solutions Group PLC had one permanent establishment in Republic of Lithuania, Dariaus ir Gireno st. 21a, LT-02189 Vilnius, Lithuania, one representative Office in Cyprus, 117 Makariou III & Sissifou Quarter of Apostoloi Petrou & Pavlou, 3021 Limassol and no branches.

The average number of full time staff employed by the Company during 2022 amounted to 131 (2021: 113).

1. General information (continued)

Along with these separate financial statements, the management of the Company has prepared the set of consolidated financial statements combining the balances and the financial results of the Company and its' controlled entities (the Group). The consolidated financial statements of the Group were issued and approved by Management of the Company and are available at the Company's registered office address.

The Company's financial year starts as at 1st of January and ends as at 31st of December of the corresponding calendar year.

The Company's Board of Directors have approved these financial statements and authorised them for issue on 31 March 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 European Union and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared on a going concern basis and under the historical cost convention, except for preferred shares, which are accounted at fair value.

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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 4.

2.2. Adoption of new or revised standards and interpretations

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022.

(a) N*ew and amended standards and interpretations adopted by the Company*

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The impact of the application of this amendment is not material for the Company.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

2. Summary of significant accounting policies (continued)

An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfill a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The amendments had no material impact on the financial statements of the Company.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 2022 that would be expected to have a material impact to the Company.

(b) *Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Company:*

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to

2. Summary of significant accounting policies (continued)

account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Company expects that the amendment will have no material impact on the financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Company expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements

2. Summary of significant accounting policies (continued)

would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company expects that the amendment will have no material impact on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company expects that the amendment will have no material impact on the financial statements.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9. The Company expects that the amendment will have no material impact on the financial statements.

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a

2. Summary of significant accounting policies (continued)

business, even if these assets are held by a subsidiary. The Company is currently assessing the impact of the amendments on its financial statements.

Other standards, interpretations and amendments that have not been endorsed by European Union and that have not been early adopted by the Company:

- IFRS 14, Regulatory Deferral Accounts;
- Classification of liabilities as current or non-current – Amendments to IAS 1;
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16.

The Company is currently assessing the impact of these amendments on their financial statements.

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

2.3. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company financial statements are presented in Euro (EUR), which is the functional and presentation currency of the Company.

Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 – net".

2.4. Property, plant and equipment

Property, plant and equipment are carried at their historical cost less any accumulated depreciation and accumulated impairment loss, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment.

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 Company 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.

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:

Vehicles	4 – 12 years
Other non-current tangible assets	3 – 15 years

2. Summary of significant accounting policies (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

2.5. Intangible assets

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

Licenses	3 - 20 years
Software	3 - 20 years

Useful lives and amortisation methods of the intangible assets are reviewed, and adjusted if appropriate, at each reporting date. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are included within 'Other gain / (loss) – net' in the statement of profit or loss.

2.6. Investments into subsidiaries and joint venture

Investments in subsidiaries and joint venture in the separate financial statements of the Company are accounted for at cost less impairment losses, if any.

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 instruments

Financial assets

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2. Summary of significant accounting policies (continued)

Recognition and initial measurement:

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

Classification and subsequent measurement:

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

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

During the current and previous periods all of the Company's financial assets were classified at amortised cost.

Write-off:

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

Impairment:

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3 for further details.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Presentation of allowance for ECL in the statement of financial position:

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

2. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

During the current and previous periods all of the Company's financial assets and liabilities were classified at amortised cost, except from the convertible preferred shares which were classified at FVTPL.

2.9. 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 Company 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.

2.10. Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits held within banks, other short-term highly liquid investments with original maturities less than three months.

Interest paid and received are shown under operating activity in the Company's statement of cash flows.

Cash and cash equivalents are carried at amortised cost because:
- (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and
- (ii) they are not designated at fair value through profit or loss.

2.11. Provisions

Provisions are recognised when the Company 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 Company 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.

2.12. Leases

Operating leases

The Company assesses whether a contract is or contains a lease based on IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

2. Summary of significant accounting policies (continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents lease liabilities in 'borrowings' in the statement of financial position.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.13. Right-of-use asset

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.14. Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the expected loss allowance for that guarantee measured in accordance with IFRS 9 or amount initially recognised less any cumulative amortisation. Revenue from the financial guarantee contracts are recognised in profit or loss over the period of the contract.

The loss allowance for expected credit losses on the financial guarantee is determined the estimated amount of expected credit losses (or credit risk) that would be payable to a third party for assuming the obligation.

2. Summary of significant accounting policies (continued)

2.15. Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to item 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 tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and legislation) that have been enacted or substantially enacted on the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

The standard rate of Cyprus corporate income tax for 2022 and 2021 is 12.5%. In accordance with Lithuanian regulatory legislation on taxation corporate income tax for 2022 and 2021 is 15%.

Income tax expense is calculated and accrued for in the financial statements based on information available at the moment of the preparation of the financial statements.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on the same taxable entity. Current tax assets and tax liabilities are offset where the same taxable entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.16. Revenue recognition

The Company's revenue mainly comprise income from management consultations, interest income and other holding activities.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue of the Company is shown net of value-added tax, returns, rebates and discounts, sales taxes. Revenue is measured based on the consideration specified in a contract with a customer.

Revenue from contracts with customers is recognised when a performance obligation by transferring a good or service to a customer is satisfied at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Consultancy services revenue

Revenue from providing consultancy services is recognised in the accounting period in which the services are rendered. A customer obtains benefit of a service when the benefits from the service meets the expectations specified in the contract with the customer. Revenue from consultancy services are recognized at point in time based on actual services provided.

Interest income

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

2. Summary of significant accounting policies (continued)

Dividend income

Dividend income from investments is recognized when the right to receive payment has been established.

2.17. Employee benefits

Social security contributions

The Company 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 Company 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.

Bonus plans

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

Supplementary health insurance

The Company 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 Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.18. Convertible preferred shares

The convertible preferred shares issued by the Company are classified as a financial liability, since they will or might be settled in the entity's own equity instruments and are a structured instrument for which the entity is or might be obliged to deliver a variable number of the entity's own equity instruments.

The Company designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized directly in profit or loss. Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized as finance costs in the income statement. Changes in fair value related to changes in the company's own credit risk are presented separately in other comprehensive income, with no subsequent recycling through profit or loss.

The Company does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss.

The issued convertible preferred shares are level 3 instruments according to criteria set out in the fair value hierarchy. More details on the features of the instrument are provided in Note 24.

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

2. Summary of significant accounting policies (continued)

The preferred shares can be redeemed in cash at the option of the Company with consent of the preferred shares holder. They are classified as non-current liabilities if the preferred shares holders cannot demand the Company to redeem the preferred shares for at least 12 months after the end of the reporting period. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

3. Financial risk management

3.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Company'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 Company.

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

Market risk

(a) Foreign exchange risk

The Company 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. Trade and other receivables include trade receivables, other financial receivables, security deposits, VAT receivables, deferred charges, prepayments and loans granted. Trade and payables include trade payables, other financial payables, salaries and social security payable and other accrued expenses.

The tables below provide summary on the Company's exposure to foreign exchange risk for year 2022:

2022	EUR	USD	Other	Total
Trade and other receivables (Note 17, 18)	37 830	23 240	-	**61 070**
Contract assets	176	-	-	**176**
Cash and cash equivalents (Note 19)	64 319	63 823	10	**128 152**
	102 325	**87 063**	**10**	**189 398**
Borrowings (Note 21)	-	9 774	-	**9 774**
Finance lease liabilities (Note 21)	5 705	-	-	**5 705**
Trade and other payables (Note 22)	13 230	3	13	**13 246**
	18 935	**9 777**	**13**	**28 725**
Net exposure	**83 390**	**77 287**	**(3)**	**160 673**

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

3. Financial risk management (continued)

The tables below provide summary on the Company's exposure to foreign exchange risk for year 2021:

2021	EUR	USD	Other	Total
Trade and other receivables (Note 17, 18)	36 487	25 341	37	**61 865**
Contract assets	74	-	-	**74**
Short-term bank deposits (Note 19)	225 000	-	-	**225 000**
Cash and cash equivalents (Note 19)	77 446	52	147	**77 645**
	339 007	**25 393**	**184**	**364 584**
Borrowings (Note 21)	12 744	32 862	-	**45 606**
Finance lease liabilities (Note 21)	844	-	333	**1 177**
Trade and other payables (Note 22)	19 673	81	114	**19 868**
	33 261	**32 943**	**447**	**66 651**
Net exposure	**305 746**	**(7 550)**	**(263)**	**297 933**

For calculation of foreign exchange risks' sensitivity trade and other receivables and trade and other payables, denominated at USD are multiplied by reasonably possible change of EUR to USD exchange rate. Reasonable possible change is provided in the table below:

	2022	2021
Reasonably possible change of EUR to US dollars	6%	8%

The impact to the profit and loss of reasonable possible change in the foreign currency rates is provided in the table below:

	2022	
	Profit or loss	
	Strengthening	Weakening
Reasonably possible change of EUR to US dollars	4 637	(4 637)

	2021	
	Profit or loss	
	Strengthening	Weakening
Reasonably possible change of EUR to US dollars	(604)	604

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

(b) Price risk

The preferred shares are convertible into a variable number of ordinary shares and hence expose the Company to the risk of changes in own share price, in the following years until the conversion.

(c) Cash flow and fair value interest rate risk

The Company is not bearing significant interest rate risk as all loans are granted and received with fixed interest rates.

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

3. Financial risk management (continued)

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

(a) Maximum credit risk exposure

The table below summarises credit risk exposures of the Company. Maximum exposure to credit risk before collateral held or other credit enhancements are presented below:

	2022	2021
Loans granted (Note 18)	43 567	45 780
Trade receivables (Note 18)	5 961	5 827
Contract assets	176	74
Other financial receivables (Note 18)	11 542	10 006
Short-term bank deposit (Note 19)	-	225 000
Cash and cash equivalents (Note 19)	128 152	77 645
Total	**189 398**	**364 332**

On 3 December 2019 Company's subsidiary ASG Finance DAC has completed a bonds issue process and issued USD 300 000 thousand of senior unsecured notes which included 7,875% USD interest and are due in 2024. The notes were issued in the Euronext Dublin. The Company together with its subsidiaries have provided a guarantee regarding issued bonds. As a guarantor, the Company guaranteed the due and punctual payment of all amounts from time to time payable by the issuer in respect of the bonds.

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

	2022	2021
Lithuania	5 440	5 260
Other countries	521	567
Total	**5 961**	**5 827**

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

	2022	2021
Customer B	1 381	1 395
Customer E	970	682
Customer F	700	478
Other (less than EUR 450 thousand separately)	2 910	3 272
Total	**5 961**	**5 827**

(b) Impairment of financial assets

Information about expected credit losses during the year 2022 and as at 31 December 2022 and as at 31 December 2021 is presented below.

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

3. Financial risk management (continued)

Grouping of financial assets for ECL measurement purposes

The Company has two groups of financial instruments:

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

The Company's loss allowance provision for financial assets measured at amortised cost as at 31 December 2021 and 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision		
	For trade receivables	**For other financial assets**	**Total**
As at 1 January 2021	**(1 651)**	**(13 444)**	**(15 095)**
Decrease in the provision recognised in profit or loss in other expenses during the year	158	322	**480**
Acquisition of credit impaired assets	-	(95)	**(95)**
As at 31 December 2021 (Note 18)	**(1 493)**	**(13 217)**	**(14 710)**

	Loss allowance provision		
	For trade receivables	**For other financial assets**	**Total**
As at 1 January 2022	**(1 493)**	**(13 217)**	**(14 710)**
(Increase)/decrease in the provision recognised in profit or loss in other expenses during the year	(372)	275	**(97)**
As at 31 December 2022 (Note 18)	**(1 865)**	**(12 942)**	**(14 807)**

Measurement of significant increase in credit risk

The Company measures the probability of default upon initial recognition of a financial asset and at each balance sheet date considers whether there has been a significant increase in credit risk since the initial recognition. To assess whether there is a significant increase in credit risk the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are assessed when analysing whether significant increase in credit risk has occurred:

- significant changes in internal credit rating (described below in paragraph "Other financial assets measured at amortised cost");
- significant change in external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the client's ability to meet its obligations;
- actual or expected significant changes in the operating results of a client.

A significant increase in credit risk is presumed when the following events are identified:

- for all debtors except for *start-up business companies* - if probability of default calculated based on the individual assessment model (described below) increases by more than 20 per cent;
- for *start-up business companies* (see definition below) – if the budgets are not followed three years in a row.

3. Financial risk management (continued)

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

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

Definition of default

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

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Stage	Company definition of category	Basis for recognition of expected credit loss provision
Category 1 Category 2	Stage 1	Financial assets whose credit risk is in line with original expectations.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Category 3 Category 4	Stage 2	Financial assets for which a significant increase in credit risk has occurred compared to original expectations. A significant increase in credit risk is presumed when the following events are identified: - for all debtors except for start-up business companies - if probability of default calculated based on the individual assessment model (described below) increases by more than 20 per cent; - for start-up business companies (see definition below) – if the budgets are not followed three years in a row.	Lifetime expected losses
Category 5	Stage 3	Financial assets for which a default is determined. A default on a financial asset is determined when either of these events take place: - probability of default calculated based on the internal model is more than 50 percent; - start-up business company does not meet its budgets for 5 years.	Lifetime expected losses
Category 6	Stage 3	It becomes probable that a customer will enter to bankruptcy and there is no reasonable expectation of recovery.	

Write-off policy

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

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

3. Financial risk management (continued)

Measurement of ECL- trade receivables and other contract assets

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

2022	**Not past due and past due up to 30 days**	**31-90 days past due**	**91-180 days past due**	**More than 180 days past due**	**Total**
Expected loss rate	16.32%	0.00%	0.00%	99.63%	**82.18%**
Gross carrying amount	288	-	-	1 087	**1 375**
Loss allowance provision	(47)	-	-	(1 083)	**(1 130)**

2021	**Not past due and past due up to 30 days**	**31-90 days past due**	**91-180 days past due**	**More than 180 days past due**	**Total**
Expected loss rate	8.29%	0.00%	50%	98.84%	**69.54%**
Gross carrying amount	205	-	2	430	**637**
Loss allowance provision	(17)	-	(1)	(425)	**(443)**

The Company uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Company's Management decision. For these exposures, individual assessment model is used as described below in the paragraph *Measurement of ECL - other financial assets at amortised cost*.
Lifetime expected credit loss is calculated for trade receivables applying the simplified approach and they are classified in Stage 2 in line with requirements of IFRS9.

The Company's loss allowance provision as at 31 December 2022 for large trade receivables, and receivables from strategic clients is determined as follows:

Internal credit rating	**Credit stage**	**Expected credit losses**	**Basis for recognition of expected credit loss provision**	**Gross carrying amount**	**Loss allowance provision**
Category 1	Stage 1	1.17%	12 months expected losses	2 460	(28)
Category 2	Stage 1	7.38%	12 months expected losses	2 416	(178)
Category 3	Stage 2	13.59%	Lifetime expected losses	966	(131)
Category 4	Stage 2	21.28%		85	(18)
Category 5	Stage 3	57.15%		331	(189)
Category 6	Stage 3	100.00%		190	(190)
Category 2 (for start-ups)	Stage 2	19.44%		3	(1)
		11.71%		**6 451**	**(735)**

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

3. Financial risk management (continued)

The Company's loss allowance provision as at 31 December 2021 for large trade receivables, and receivables from strategic clients is determined as follows:

Internal credit rating	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	0.89%	12 months expected losses	7 141	(56)
Category 2	Stage 1	5.20%	12 months expected losses	200	(10)
Category 3	Stage 2	12.21%	Lifetime expected losses	910	(111)
Category 4	Stage 2	27.31%		811	(222)
Category 5	Stage 3	62.05%		63	(39)
Category 6	Stage 3	99.98%		612	(612)
Category 2 (for start-ups)	Stage 2	6.32%		3	-
		10.98%		**9 740**	**(1 050)**

Measurement of ECL - other financial assets measured at amortised cost

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

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

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

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

The Company's loss allowance provision as at 31 December 2022 for other financial assets measured at amortised cost is determined as follows:

Internal credit rating*	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	1.16%	12 months expected losses.	6 800	(79)
Category 2	Stage 1	5.30%		28 670	(1 519)
Category 3	Stage 2	13.95%	Lifetime expected losses	560	(78)
Category 4	Stage 2	23.20%		1 750	(406)
Category 5	Stage 3	8.78%		15 012	(1 323)
Category 6	Stage 3	100.00%		9 027	(9 027)
Category 1 (for start-ups)	Stage 1	8.18%		6 232	(510)
		19.73%		**68 051**	**(12 942)**

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

3. Financial risk management (continued)

The Company's loss allowance provision as at 31 December 2021 for other financial assets measured at amortised cost is determined as follows:

Internal credit rating*	Credit stage	Expected credit losses	Basis for recognition of expected credit loss provision	Gross carrying amount	Loss allowance provision
Category 1	Stage 1	0.84%	12 months expected losses.	4 832	(41)
Category 2	Stage 1	5.01%		31 629	(1 584)
Category 3	Stage 2	12.49%	Lifetime expected losses	1 581	(197)
Category 4	Stage 2	27.19%		925	(252)
Category 5	Stage 3	11.04%		14 953	(1 651)
Category 6	Stage 3	99.92%		9 251	(9 247)
Category 1 (for start-ups)	Stage 1	4.20%		5 828	(245)
		19.87%		**68 999**	**(13 217)**

*Financial ratios are not calculated for *start-up business companies*. Nine internal credit rating categories for *start-up business companies* are assigned depending on the term of activity since establishment. Initially start-up businesses are measured based on 12-month ECL. According to the definition of significant increase in credit risk for start-up business companies, if a company does not meet its budgets for three years, it is treated as a significant increase in credit risk and lifetime ECL is calculated. 1-3 categories for *start-up business companies* are measured as 12-month ECL, 4-8 categories - lifetime expected losses and written off if they fall to the 9th category.

The loss allowance provision for other financial assets at amortised cost as at 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision			
	Corporate bonds	Loans	Other receivables	Total
As at 31 December 2020	**(7 345)**	**(3 879)**	**(2 220)**	**(13 444)**
(Increase)/decrease in the provision recognised in profit or loss	-	(1 114)	1 436	**322**
Acquisition of credit impaired assets	-	-	(95)	**(95)**
As at 31 December 2021	**(7 345)**	**(4 993)**	**(879)**	**(13 217)**
(Increase)/decrease in the provision recognised in profit or loss	-	(48)	325	**275**
Acquisition of credit impaired assets	-	-	-	**-**
As at 31 December 2022	**(7 345)**	**(5 041)**	**(556)**	**(12 942)**

Cash and cash equivalents

Major amounts of cash are held in the banks with a Standards & Poor's rating not lower than "B-", the impact of IFRS 9 has no significant effect on the measurement and valuation of the Company's cash and cash equivalents.
See the table below for analysis of the Company's cash and cash equivalents (Note 19) according to the credit quality.

	2022	2021
A+	67 315	2 363
BBB+	60 790	74 973
BBB-	6	-
BB+	-	132
Other	41	177
	128 152	**77 645**

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

3. Financial risk management (continued)

Liquidity risk
Liquidity risk management implies maintaining sufficient cash and the availability of funding through the shareholder or other group companies.

The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these. The table below allocates the Company'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.

	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2022			
Trade and other payables (Note 22)	11 059	-	-
Borrowings from related parties (Note 21, 24)	872	9 774	-
Lease liabilities	724	2 849	4 097
	12 655	**12 623**	**4 097**

	Less than 1 year	Between 1 – 5 years	Over 5 years
31 December 2021			
Trade and other payables (Note 22)	18 260	-	-
Borrowings from related parties (Note 21, 24)	6 705	50 944	-
Lease liabilities	451	892	-
	25 416	**51 836**	**-**

The preferred shares classified as a financial liability are mandatorily settled in shares and do not include a contractual obligation to deliver cash. They do not expose the Group to liquidity risk and hence are not included in the liquidity disclosure.

3.2 Fair value of financial assets and liabilities

The Company's financial assets and financial liabilities are accounted for at amortised cost and do not carry any financial instruments at their fair values, except for convertible preferred shares. Based on the Company's management estimation the carrying values of the trade receivables at the balance sheet date corresponds to their fair values. For the method used in determining fair value of convertible preferred shares (level 3) refer to Note 24.

4. Critical Accounting Estimates and Significant Judgments

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

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

4. Critical Accounting Estimates and Significant Judgments (continued)

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

a) Expected credit losses on accounts receivable

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

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

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

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

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

For more detailed information about ECL modules used by the Company and significant increase in credit risk details see Note 3.1 Credit Risk.

b) Going concern

Management reviewed the covenants of bonds and significant borrowings and concluded that the Company and the Group will be able to comply with them for at least twelve months from the date of approval of the financial statements.

As at 31 December 2022 the Group had EUR 324.7 million in cash and cash equivalents that are expected to remain the main source of liquidity during subsequent full market recovery.

In management's view, the above factors support the assertion that the Company and the Group will have sufficient resources to continue for a period of at least 12 months from the date of authorisation of these financial statements. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

c) Taxes

Significant judgment is required in determining the provision for taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company 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 Judgments (continued)

d) Impairment of investments in subsidiaries

The Company follows the guidance of IAS 36 on determining when an investment is other than temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

e) Valuation of convertible preferred shares

As at 15 December 2021 the Company has raised capital of EUR 300 million by issuing 19,444,444 convertible preferred shares. The structured equity instrument includes features of dividend rights, conversion and redemption options, liquidation preferences. Based on the financial reporting framework and selected accounting policy the convertible preferred shares are classified as financial liabilities accounted at fair value through profit (loss), while fair value changes relating to Gro'ps' own-credit risk are accounted in other comprehensive income.

As at 31 December 2022, management has applied judgement in determining the fair value of the unquoted equity instrument. The Group has used the discounted cash flow method to determine the underlying share value of the Group and adopted equity allocation model to determine the fair value of the preferred shares. Key inputs used in the valuation of own equity price include prospective financial information forecast, discount rate, terminal growth rate, discount for lack of marketability. The key inputs used in the equity allocation method are share price of own equity, risk-free rate, standard deviation of comparable equity prices, time estimate up to liquidity event and lack of control discount. Since part of the inputs are not observable, the valuation is subject to high uncertainty, therefore management has prepared sensitivity analysis on potential instrument valuation outcomes.

For more details on the instrument, refer to Note 24.

f) Russia-Ukraine war impact

On 24 February 2022 Russia started a military invasion of the independent state of Ukraine (the "Ukraine War"). The military attack affected not only Ukraine, Russia and Belarus, but also the Europe and the world. In response to the Ukraine War, the United States, the European Union, the United Kingdom and other countries have implemented the comprehensive sanctions against Russia and Belarus. The sanctions include prohibitions regarding, inter alia, the supply of aircraft and aircraft components directly or indirectly, to any natural or legal person, entity or body in Russia or for use in Russia.

As of 31 December 2022, the Company indirectly controls six entities in Ukraine, none in Russia or Belarus.

As of 31 December 2022, the Company had outstanding loans granted, accrued interest and receivables from Ukrainian subsidiaries at net exposure in amount of EUR 24 051 thousand.

In relation to making estimates and impairment testing the prospective financial information was taken into consideration of the impact of the Russia-Ukraine war.

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

5. Revenue from contracts with customers

Revenue from main activity of the Company amounted to EUR 5 322 thousand in 2022 and EUR 4 700 thousand in 2021.

	2022	2021
Business Consulting and Development Services	586	916
Information Technology Support Services	1 456	1 230
Marketing and Public Relations Services	1 081	689
Legal consulting revenue	778	649
Sales Services	83	60
Other revenue	1 338	1 156
	5 322	**4 700**

The revenue split by type of customers is provided below:

	2022	2021
Revenue from contracts with related parties (Note 23)	4 954	4 504
Revenue from contracts with third parties	368	196
Total	**5 322**	**4 700**

The revenue split by timing of revenue recognition is provided below:

	2022	2021
At a point in time	5 322	4 700
Over time	-	-
Total	**5 322**	**4 700**

The Company's revenue from external customers by geographical location of customers detailed below:

	2022	2021
Lithuania	2 953	3 458
Other countries	2 369	1 242
Total	**5 322**	**4 700**

The amount of revenue recognised during 2022 from performance obligations satisfied that was included in the contract liabilities as at the beginning of the period is EUR 14 thousand (2021: EUR 96 thousand).

6. Other income

	2022	2021
Interest income on loans and other financial assets	2 948	4 200
	2 948	**4 200**

7. Cost of services

	2022	2021
Rent and maintenance of premises and other equipment	(293)	(247)
Cost of purchased services	(470)	(408)
	(763)	**(655)**

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

8. Employee related expenses

	2022	2021
Wages and salaries	(6 707)	(5 080)
Social insurance expenses	(137)	(139)
	(6 844)	**(5 219)**
Average number of full time employees	**131**	**113**

9. Other operating expenses

	2022	2021
Business travel expenses	(219)	(116)
Office administrative, communications and IT expenses	(636)	(409)
Consulting expenses*	(2 603)	(14 269)
Transportation and related expenses	(142)	(141)
Marketing and sales expenses	(454)	(368)
Other expenses	(828)	(329)
	(4 882)	**(15 632)**

* On 15 December 2021 the Group issued convertible preferred shares amounting to EUR 300 million to investor Certares Compass LLC (Note 24). The majority of the consulting expenses is related to the transaction.

Under consulting expenses non-audit fees charged by the Company's statutory auditor for the year-ended 31 December 2022 amounted to EUR 4 thousand (2021: 35.2 thousand).

10. Depreciation and amortization

	2022	2021
Depreciation of tangible assets (Note 14)	(286)	(215)
Depreciation of right-of-use asset (Note 14)	(472)	(386)
Amortization of intangible assets (Note 15)	(123)	(139)
	(881)	**(740)**

11. Other gains - net

	2022	2021
(Loss)/gain on sales of financial assets (Note 16)	(882)	4 130
Dividend income (Note 23)	59 730	55 843
Foreign exchange gain on operating activities	437	28
Other gains	-	138
	59 285	**60 139**

In 2022 the Company received EUR 59 730 thousand of dividends from its subsidiaries: Chapman Freeborn Holding Limited, Baltic Ground Services UAB, FL Technics UAB and Jet Maintenance Solutions UAB.

In 2021 the Company received EUR 55 843 thousand of dividends from its subsidiary Chapman Freeborn Holding Limited.

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

12. Finance income and costs

	2022	2021
Interest income on cash and cash equivalents	1 153	-
Other finance income	25	24
Finance income	**1 178**	**24**
Interest expenses on borrowings	(2 095)	(4 050)
Loss from fair value change of convertible preferred shares (Note 24)	(24 806)	(920)
Interest expenses on lease liabilities	(162)	(73)
Fair value adjustment of financial assets placed	(2)	(306)
Foreign exchange loss on financing activities	(2 128)	(376)
Other finance costs	(64)	(57)
Finance costs	**(29 257)**	**(5 782)**
Finance costs – net	**(28 079)**	**(5 758)**

13. Income tax and deferred income tax

Income tax credit/(expense) to profit and loss are provided below:

	2022	2021
Current income tax	-	-
Change in deferred income tax	282	(346)
Total income tax credit/(expense)	**282**	**(346)**

The effective income tax calculation is provided below:

	2022	2021
Profit before tax	**22 083**	**41 145**
Tax calculated at a tax rate (Lithuania) 15 %	1 384	183
Tax calculated at a tax rate (Cyprus) 12,5 %	(3 919)	(5 296)
Tax effects of:		
- Expenses non-deductible for tax purposes	(6 272)	(2 072)
- Non-taxable income	9 184	7 557
- Write off of previously recognised deferred tax assets	(95)	(718)
Tax credit/(expense)	**282**	**(346)**

Deferred income tax asset for the year is recognised to the extent that the realization of the related tax benefit through the future taxable profit is probable. The movement in deferred tax assets and deferred tax liabilities of the Company is as follows:

Deferred tax assets	**Accumulated taxable losses**	**Discounting effect**	**Other**	**Total**
At 31 December 2020	**1 003**	**34**	**75**	**1 112**
Charged to the income statement	(325)	8	(28)	**(345)**
At 31 December 2021	**678**	**42**	**47**	**767**
Charged to the income statement	259	(3)	2	**282**
At 31 December 2022	**937**	**39**	**72**	**1 048**

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

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

14. Property, plant and equipment

	Vehicles	Other tangible fixed assets	Right-of-use assets	Total
Carrying amount as at 1 January 2021	**29**	**565**	**1 516**	**2 110**
Additions	62	192	-	**254**
Disposals	-	(9)	-	**(9)**
Lease termination	-	-	-	**-**
Depreciation (Note 10)	(13)	(202)	(386)	**(601)**
Carrying amount as at 31 December 2021	**78**	**546**	**1 130**	**1 754**
At 31 December 2021				
Acquisition cost	147	1 280	1 906	**3 333**
Accumulated depreciation	(70)	(734)	(775)	**(1 579)**
Carrying amount as at 31 December 2021	**77**	**546**	**1 131**	**1 754**
Carrying amount as at 1 January 2022	**77**	**546**	**1 131**	**1 754**
Additions	-	621	5 760	**6 381**
Disposals	-	(79)	-	**(79)**
Impairment	-	(21)	-	**(21)**
Lease termination	-	-	(784)	**(784)**
Depreciation (Note 10)	(19)	(267)	(472)	**(758)**
Carrying amount as at 31 December 2022	**58**	**800**	**5 635**	**6 493**
At 31 December 2022				
Acquisition cost	147	1 655	6 882	**8 684**
Accumulated depreciation and impairment	(89)	(855)	(1 247)	**(2 191)**
Carrying amount as at 31 December 2022	**58**	**800**	**5 635**	**6 493**

Right of use assets represent Company's leased office premises.

The Company's property, plant and equipment are not pledged to secure its financial obligation or restricted for use by any other means.

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

15. Intangible assets

	Licenses	Software	Total
Opening net book amount as 1 January 2021	**77**	**9**	**86**
Additions	173	22	**195**
Amortization (Note 10)	(126)	(13)	**(139)**
Closing net book amount as at 31 December 2021	**124**	**18**	**142**
At 31 December 2021			
Cost	572	355	**927**
Accumulated amortization	(448)	(337)	**(785)**
Carrying amount as at 31 December 2021	**124**	**18**	**142**
Opening net book amount as 1 January 2022	**124**	**18**	**142**
Additions	155	351	**506**
Dispoals	(87)	-	**(87)**
Amortization (Note 10)	(114)	(9)	**(123)**
Closing net book amount as at 31 December 2022	**78**	**360**	**438**
At 31 December 2022			
Cost	611	706	**1 317**
Accumulated amortization	(533)	(346)	**(879)**
Carrying amount as at 31 December 2022	**78**	**360**	**438**

16. Investments in subsidiaries

Movement of the investments into subsidiaries and associate during the respective year is provided below:

	2022	2021
At the beginning of the period	**352 277**	**337 024**
Purchase of interest in subsidiaries	1 200	15 499
Impairment of investments*	(3 905)	(370)
Sales of investment	(1 979)	(8 728)
Share capital increase of subsidiaries	152 271	6 680
Option agreements	265	265
Subsidiaries established	1 207	1 907
At the end of the period	**501 336**	**352 277**

*During 2022 impairment of EUR 5 905 thousand was charged based on the investment impairment tests of subsidiaries *Kidy Tour UAB* and *Kidy Tour OU*, in addition impairment reversal of EUR 2 000 thousand was accounted for subsidiary *Eyjafjoll*. The recoverable amount of the investments approximated its recoverable amount as of 31 December 2022.

During 2021 impairment of EUR 370 thousand was charged based on the investment impairment test of subsidiary *Panevėžio Arena UAB*. The recoverable amount of the investment approximated its recoverable amount as of 31 December 2021.

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

16. Investments in subsidiaries (continued)

The list of the Company's direct holdings into subsidiaries and associates are provided below:

Name of subsidiary / associate	Country of establishment	Carrying value		Ownership %		Activity
		2022-12-31	2021-12-31	2022-12-31	2021-12-31	
AviaAM Leasing Service Centre AB	Republic of Lithuania	169 698	169 433	98.84	98.84	Aircraft Trading and Portfolio Management
ASG Finance Designated Activity Company	Republic of Ireland	150 000	-	100.00	100.00	Financing activities
Smart Aviation Holding SIA	Republic of Latvia	75 983	75 983	100.00	100.00	Aviation Logistics and Distribution Services
Chapman Freeborn Holdings Limited	United Kingdom	49 113	49 113	95.41	95.41	Aviation Logistics and Distribution Services
Eyjafjoll SAS	France	24 503	22 503	100.00	100.00	Aviation Logistics and Distribution Services
Avia Solutions Group Arena UAB	Republic of Lithuania	12 301	12 301	100.00	100.00	Arena rent services
KlasJet UAB	Republic of Lithuania	4 641	3 442	100.00	85.00	Aviation Logistics and Distribution Services
Loop Holding UAB	Republic of Lithuania	3 481	3 481	100.00	100.00	Real estate management services
Aviator Airport Alliance AB	Kingdom of Sweden	1 921	1 921	100.00	100.00	Aviation Supporting Services
Helisota UAB	Republic of Lithuania	1 601	1 601	100.00	100.00	Maintentance Repair Overhaul (MRO) services for helicopters.
BAA Training UAB	Republic of Lithuania	1 464	1 464	100.00	100.00	Aircraft crew training services.
FL Technics UAB	Republic of Lithuania	1 454	1 454	100.00	100.00	MRO services.
BBN BBN Cargo Airlines Holdings UAB	Republic of Lithuania	1 200	1 200	100.00	100.00	Aviation Logistics and Distribution Services
Digital Aero Technologies UAB	Republic of Lithuania	1 157	375	100.00	100.00	Holding
Sensus Aero UAB	Republic of Lithuania	837	-	100.00	100.00	Aircraft parts locator and IT solutions for MRO
Locatory UAB	Republic of Lithuania	390	5	100.00	95.58	Aircraft parts locator and IT solutions for MRO
Baltic Ground Services UAB	Republic of Lithuania	349	349	100.00	100.00	Aircraft ground handling and fuelling services.
BAA Training China Co., Ltd	Republic of China	272	272	50.00	50.00	Joint venture. Aircraft crew training services
Re Invest BH Limited	The United Kingdom	232	232	100.00	100.00	Real estate management services
Aero City Group UAB	Republic of Lithuania	200	-	100.00	-	Real estate management services
Panevėžio arena UAB	Republic of Lithuania	160	160	100.00	100.00	Arena rent services
JetMS Holdings Ltd.	Republic of Ireland	145	-	100.00	-	Aviation Supporting Services
Skyllence, UAB	Republic of Lithuania	100	100	100.00	100.00	Aviation Logistics and Distribution Services
Air Holding Limited	Republic of Malta	65	65	97.00	97.00	Aviation Logistics and Distribution Services
Avia Solutions Group (ASG) PLC	Republic of Ireland	25	-	100.00	-	Holding
KIDY Tour SIA	Republic of Latvia	10	10	100.00	100.00	Tour operator services.
BGS Rail Holdings UAB	Republic of Lithuania	10	10	100.00	100.00	Railway logistics
Aviation Services Fze	United Arab Emirates	9	9	100.00	100.00	Aviation Supporting Services
BPC Travel UAB	Republic of Lithuania	7	7	99.0	99.0	Aviation Logistics and Distribution Services
ASG Asset Management UAB	Republic of Lithuania	3	3	100.00	100.00	Asset management services
BUSNEX UAB	Republic of Lithuania	3	3	100.00	100.00	Electronic vehicles distribution
SEVEN Live UAB	Republic of Lithuania	2	2	100.00	100.00	Entertainment services
Jet Maintenance Solutions UAB	Republic of Lithuania	-	892	-	100.00	Maintenance services for business aircraft
KIDY Tour UAB	Republic of Lithuania	-	2 083	100.00	100.00	Tour operator services.
KIDY Tour OÜ	Republic of Estonia	-	2 722	100.00	100.00	Tour operator services.
AviationCV.com UAB	Republic of Lithuania	-	482	-	100.00	Aviation personnel solutions.
JetMS Regional UAB	Republic of Lithuania	-	300	-	100.00	Aviation Supporting Services
AeroClass UAB	Republic of Lithuania	-	300	-	100.00	Aviation Supporting Services

16. Investments in subsidiaries (continued)

Sensus Aero UAB was established on 23 September 2021 with the reorganization of Locatory UAB, which was split and registered into two separate entities.

Acquisitions, establishments and disposals in 2022

On 19 January 2022, the Company sold its 100% of shares in the subsidiary AeroClass UAB to a group subsidiary. Sales proceeds from the disposal amounted to EUR 300 thousand. No gain/loss recognised.

On 21 January 2022, the Company sold its 100% of shares in the subsidiary AviationCV.com UAB to a group subsidiary. Sales proceeds from the disposal amounted to EUR 482 thousand. No gain/loss recognised.

During January 2022, the Company has contributed to the share capital of Digital Aero Technologies UAB by EUR 782 thousand.

On 9 February 2022, the Company has contributed to the share capital of KIDY Tour UAB by EUR 1 100 thousand.

On 18 May 2022, the Company established new subsidiary Aero City Group UAB. Registered capital is EUR 200 thousand. The subsidiary is acting as a real estate management company.

On 1 August 2022, the Company has contributed to the share capital of Sensus Aero UAB by EUR 831 thousand.

On 10 October 2022, the Company established new subsidiary Avia Solutions Group (ASG) PLC. Registered capital is EUR 25 thousand. The subsidiary is acting as a holding company.

On 11 October 2022, the Company established new subsidiary JetMS Holdings Ltd. Registered capital is EUR 145 thousand. The subsidiary is acting as a holding company.

On 27 October 2022, the Company sold its 100% of shares in the subsidiary JetMS Regional UAB to a group subsidiary. Sales proceeds from the disposal amounted to EUR 300 thousand. No gain/loss recognised.

On 11 November 2022, the Company acquired an additional 15% of share capital of KlasJet UAB for consideration amount of EUR 1 199 thousand.

On 8 December 2022, the Company has contributed to the share capital of Locatory UAB by EUR 389 thousand.

On 30 December 2022, the Company sold its 100% of shares in the subsidiary Jet Maintenance Solutions UAB to a third party. Sales proceeds from the disposal amounted to EUR 10 thousand resulting in a loss on disposal amounted to EUR 882 thousand (Note 11).

During the year 2022, the Company has several times contributed to the share capital of ASG Finance DAC in total of EUR 150 000 thousand.

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

16. Investments in subsidiaries (continued)

Testing of impairment

As of 31 December 2022, management has conducted a review of investments in subsidiaries to assess any indications of impairment. In situations where the equity was lower than the carrying amount of the investment, value in use tests were carried out based on management 5 year business plan of the entities. The value in use is calculated as the present value of the estimated future cash flows expected from the investments.

The testing was peformed with the following investments: *ASG Finance DAC, Smart Aviation Holding SIA, Eyjafjoll SAS, Avia Solutions Group Arena UAB, Loop Holding UAB, KlasJet UAB, KIDY Tour UAB, KIDY Tour OÜ,Aviator Airport Alliance AB,Helisota UAB, BAA Training UAB, Sensus Aero UAB.*

The key assumptions used in the tests mentioned above included a terminal growth rate ranging from 2.0% to 2.6%, a weighted average cost of capital in range of 3% to 20%, and an average EBITDA margin from 5% to 40%.

After assessment, it was determined to charge full impairment of *Kidy Tour UAB* and *Kidy Tour OU* investments, reverse impairment in amount of EUR 2 000 thousand for subsidiary *Eyjafjoll*. No additional impairment charge was recognized.

17. Financial instruments by category

All financial assets are classified by the Company under category of amortised cost. The split of the financial assets are provided below in the table:

	2022	**2021**
Loans granted (Note 18)	43 567	45 780
Trade receivables (Note 18)	5 961	5 827
Contract assets	176	74
Other financial receivables (Note 18)	11 542	10 006
Short-term bank deposits (Note 19)	-	225 000
Cash and cash equivalents (Note 19)	128 152	77 645
	189 398	**364 332**

All financial liabilities, except for convertible preferred shares (Note 24), are classified by the Company under the category of amortised cost. The split of the financial liabilities is provided below in the table.

	2022	**2021**
Leases and borrowings (Note 21)	15 479	46 783
Trade and other payables (Note 22)	13 246	19 868
	28 725	**66 651**

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

18. Trade and other receivables

	2022	2021
Trade receivables from third parties	1 201	1 165
Less: provision for impairment of trade receivables from third parties	(1 132)	(1 045)
Trade receivables from third parties – net	**69**	**120**
Trade receivables from related parties	6 625	6 156
Less: provision for impairment of trade receivables from related parties	(733)	(449)
Trade receivables from related parti–s - net (Note 23)	**5 892**	**5 707**
Security deposits plac–d - gross	3	98
Less: provision for impairment of security deposits	(3)	(3)
Security deposits placed– net	**-**	**95**
Loans granted to third parties	1 419	1 425
Less: provision for impairment of loans granted to third parties	(1 419)	(1 419)
Loans grant–d - net	**-**	**6**
Loans granted to related parties	47 189	49 349
Less: provision for impairment of loans granted to related parties	(3 622)	(3 575)
Loans granted to related parti–s - net (Note 23)	**43 567**	**45 774**
Receivables from investment in bonds	7 345	7 345
Less: provision for impairment of investment in bonds	(7 345)	(7 345)
Receivables from investment in bonds – net	**-**	**-**
Other receivables	165	386
Less: discounting effect of other receivables	-	-
Less: provision for impairment of other receivables	(1)	(247)
Other receivabl–s - net	**164**	**139**
Other receivables from related parties	11 933	10 493
Less: discounting effect of other receivables from related parties	-	-
Less: provision for impairment of other receivables from related parties	(555)	(626)
Other receivables from related parties – net (Note 23)	**11 378**	**9 867**
Security deposits placed to related companies (Note 23)	65	65
Deferred charges	185	50
VAT receivables	143	92
Prepayments	97	93
Prepayments to related parties for services provided (Note 23)	33	45
	61 594	**62 053**
Less non-current portion:	**(43 517)**	**(41 888)**
Current portion:	**18 076**	**20 165**

Movement of loans granted during the year 2021 is provided below:

	Loans granted to third parties	Loans granted to related parties
Beginning of the period	**6**	**53 062**
Loan granted cash	-	4 002
Acquisition of loan	-	-
Loan granted non-cash*	-	3 805
Expected credit losses	-	(80)
Loans repayments received cash	-	(12 823)
Loans repayments received non- cash*	-	(3 707)
Currency difference	-	1 515
End of the period	**6**	**45 774**

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

18. Trade and other receivables (continued)

Movement of loans granted during the year 2022 is provided below:

	Loans granted to third parties	Loans granted to related parties
Beginning of the period	**6**	**45 774**
Loan granted cash	-	90
Loan granted non-cash	-	4 338
Expected credit losses	-	(47)
Loans repayments received cash	-	(5 181)
Loans repayments received non-cash*	(6)	(2 546)
Currency difference	-	1 139
End of the period	**-**	**43 567**

*Non-cash movements maily relate to set-offs with other balances.

Non-current portion of other receivables is disclosed below:

	2022	2021
Security deposits plac–d – gross	-	28
Less: provision for impairment of security deposits	-	-
Security deposits placed– net	**-**	**28**
Loans granted	1 394	1 394
Less: provision for impairment of loans granted	(1 394)	(1 394)
Loans grant–d – net	**-**	**-**
Loans granted to related parties	45 903	43 005
Less: provision for impairment of loans granted to related parties	(3 018)	(1 757)
Loans granted to related parti–s – net (Note 23)	**42 885**	**41 248**
Receivables from investment in bonds	7 345	7 345
Less: provision for impairment of investment in bonds	(7 345)	(7 345)
Receivables from investment in bonds – net	**-**	**-**
Other receivables	133	129
Less: provision for impairment of other receivables	(1)	(1)
Other receivabl–s – net	**132**	**128**
Other receivables from related parties	438	421
Less: provision for impairment of other receivables from related parties	(2)	(2)
Other receivables from related parties – net (Note 23)	**436**	**419**
Security deposits placed to related companies (Note 23)	65	65
Total	**43 517**	**41 888**

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

18. Trade and other receivables (continued)

Classification of trade and other receivables to non-financial and financial is disclosed below:

Financial trade and other receivables	2022	2021
Trade receivables	69	120
Trade receivables from related parties (Note 23)	5 892	5 707
Loans granted	-	6
Loans granted to related parties (Note 23)	43 567	45 774
Other receivables	164	139
Other receivables from related parties (Note 23)	11 378	9 867
Non-financial trade and other receivables		
Security deposits placed	-	95
Security deposits placed to related companies (Note 23)	65	65
Deferred charges	185	50
VAT receivables	143	92
Prepayments	98	93
Prepayments to related parties for services provided (Note 23)	33	45
Total	**61 594**	**62 053**

All non-current receivables are due until 2026. The fair values of trade and other receivables are approximate to their carrying values. Weighted average interest rate of loans granted was 4.11% (2021: 4.10%). Weighted average interest rate of loans granted to related parties was 6.13% (2021: 6.32%).

The carrying amounts of the Company's trade and other financial receivables, trade receivables and other financial receivables from related parties, loans granted, loans granted to related parties are denominated in the following currencies:

	2022	2021
EUR	37 830	36 326
US dollars	23 240	25 273
SEK	-	14
	61 070	**61 613**

19. Cash and cash equivalents, short term bank deposits

The Company is holding all its cash in the current accounts at the bank. The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	2022	2021
EUR	64 319	77 446
US dollars	63 823	-
Other	10	199
	128 152	**77 645**

As at 31 December 2021 the Company had outstanding short-term bank deposits in amount of 225 000 thousand EUR, which were held at A+ rated banks. Maturity – at least 3 months. No such short-term deposits exist as at 31 December 2022.

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

20. Share capital, Share premium and Reserves

On 31 December 2022 and on 31 December 2021 the share capital of *the Company* amounted to EUR 22 555 555 and consisted of 77 777 777 ordinary registered shares with a nominal value of 0.29 Euro each. All shares were fully paid up and authorised share capital is the same as issued and paid-up share capital.

None of the ordinary shareholders of the Company have any special controlling rights. Rights of all ordinary shareholders are equal. One ordinary registered share of AVIA SOLUTIONS GROUP PLC gives one vote in the General Meeting of Shareholders. One of the Company's' subsidiary owned 128 514 shares of the Company as at 31 December 2022 (31 December 2021: 10 014 shares).

The Company is not aware of any agreements between the shareholders that could limit transfer of securities and/or their ability to exercise their voting rights.

On 31 December 2022 and on 31 December 2021 the share premium of the Company amounted to EUR 282 158 thousand. During 2022 there was no movement of share premium.

On 24 May 2022, the Company declared a dividend amounting to EUR 29 999 to its shareholders out of the profits of the year 2021.

Other reserves are formed for option agreements which give the right for the Group employees to put back acquired shares of the Company during the period from 2019 to 2024 (Note 24).

21. Borrowings

	2022	2021
Non-current		
Lease liabilities	647	249
Lease liabilities to related parties (Note 23)	4 558	546
Borrowings from related parties (Note 23)	9 774	42 781
	14 979	**43 576**
Current		
Lease liabilities	62	106
Lease liabilities to related parties (Note 23)	438	276
Borrowings from related parties (Note 23)	-	2 825
	500	**3 207**
Total borrowings	**15 479**	**46 783**

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

	2022	2021
EUR	5 705	13 836
USD	9 774	32 862
Other currencies	-	85
	15 479	**46 783**

The table below analyses the Company's borrowings by relevant maturity groupings based on the contractual maturity date:

	2022	2021
Less than 1 year	500	3 207
Between 1 and 5 years	11 882	43 576
Over 5 years	3 097	-

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

21. Borrowings (continued)

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

	2022	2021
Lease liabilities	8.00%	7.79%
Lease liabilities from related parties	5.26%	4.15%
Borrowings from related parties	8,93%	9.09%

As at 31 December 2022 and 2021 borrowings from related parties are not secured.

Movement of lease liabilities and borrowings during the respective year is provided below:

	Lease liabilities	Lease liabilities from related parties	Borrowings from related parties	Total
Balance as at 1 January 2021	**433**	**1 089**	**81 533**	**83 055**
Borrowings received cash	-	-	13 164	**13 164**
Borrowings received non-cash	-	-	15 128	**15 128**
Borrowings repayments cash	(80)	(266)	(66 196)	**(66 542)**
Other non-cash changes	2	(1)	1 977	**1 978**
End of the period	**355**	**822**	**45 606**	**46 783**
Less: non-current portion	(249)	(546)	(42 781)	**(43 576)**
Balance as at 31 December 2021	**106**	**276**	**2 825**	**3 207**
Balance as at 1 January 2022	**355**	**822**	**45 606**	**46 783**
Borrowings received non-cash	709	5 051	-	**5 760**
Borrowings repayments cash	(64)	(344)	(36 227)	**(36 635)**
Other non-cash changes	(291)	(533)	395	**(429)**
End of the period	**709**	**4 996**	**9774**	**15 479**
Less: non-current portion	(647)	(4 558)	(9 774)	**(14 979)**
Balance as at 31 December 2022	**62**	**438**	**-**	**500**

Non-cash movements are mainly related to set-offs of other outstanding balances, lease terminations and new lease additions.

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

22. Trade payables and other liabilities

	2022	2021
Trade payables	261	11 257
Amounts payable to related parties (Note 23)	361	382
Salaries and social security payable	1 085	1 130
Other payables to related parties (Note 23)	10 437	6 621
Other accrued expenses	948	163
Other payables	194	315
	13 286	**19 868**
Less: non-current portion	-	-
Current portion	**13 286**	**19 868**

The carrying amounts of the Company's trade and other financial payables, amounts payable to related parties are denominated in the following currencies:

	2022	2021
EUR	11 042	18 088
GBP	13	21
US dollars	4	81
Other currencies	-	70
	11 059	**18 260**

Fair value of trade and other payables approximates their carrying amount as at 31 December 2022 and 2021.

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

23. Related party transactions

Related parties of the Company include all the entities directly or indirectly controlled by *Avia Solutions Group PLC*, entities having significant influence over the Company, key management personnel and other related parties. Avia Solutions Group PLC subsidiaries are entities under common control which are directly or indirectly controlled by Avia Solutions Group PLC. Entities having significant influence over the Company are *Vertas Aircraft Leasing Limited* and *Vertas Management AB*. Parent entity - *Procyone FZE*. Transactions with these companies are presented separately. Other related parties include entities controlled by key management personnel and entities indirectly controlled by the same ultimate beneficial owner. The following transactions were carried out with related parties:

Sales of services to (Note 5):	**2022**	**2021**
Avia Solutions Group PLC subsidiaries	4 869	4 458
Entities having significant influence	9	11
Other related parties	76	35
	4 954	**4 504**
Sales of assets to:		
ASG Group companies	1 250	-
	1 250	**-**
Purchases of services and goods from:		
Avia Solutions Group PLC subsidiaries	(1 866)	(1 066)
Other related parties	(17)	(67)
	(1 883)	**(1 133)**
Other income from:		
Avia Solutions Group PLC subsidiaries	2 925	4 118
Entities having significant influence	-	-
Other related parties	19	35
	2 944	**4 153**
Dividend income (Note 11):		
Avia Solutions Group PLC subsidiaries	59 730	55 843
	59 730	**55 843**
Other costs		
Avia Solutions Group PLC subsidiaries	(32)	-
	(32)	**-**
Finance costs (to):		
Avia Solutions Group PLC subsidiaries	(2 267)	(4 090)
Other related parties	-	(303)
	(2 267)	**(4 393)**
Finance income from:		
Avia Solutions Group PLC subsidiaries	26	25
	26	**25**

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

23. Related party transactions (continued)

Amounts receivable from the related parties as at 31 December were as follows:

Trade receivables from (Note 18):	**2022**	**2021**
Avia Solutions Group PLC subsidiaries	6 458	6 048
Entities having significant influence	58	46
Other related parties	109	62
Impairment	(733)	(449)
	5 892	**5 707**
Loans granted to (Note 18):		
Avia Solutions Group PLC subsidiaries	47 189	49 349
Impairment	(3 622)	(3 575)
	43 567	**45 774**

Other financial receivables from (Note 18):	**2022**	**2021**
Avia Solutions Group PLC subsidiaries	9 342	7 917
Entities having significant influence	2 153	2 153
Other related parties	438	423
Impairment	(555)	(626)
	11 378	**9 867**

Contract assets from:	**2022**	**2021**
Avia Solutions Group PLC subsidiaries	194	67
Entities having significant influence	-	1
Impairment	(36)	(6)
	158	**62**
Security deposits paid to (Note 18):		
Avia Solutions Group PLC subsidiaries	65	65
	65	**65**
Advances paid to (Note 18):		
Other related parties	33	45
	33	**45**

Non-current receivables as at 31 December 2022 and 2021 were due until 2025. The weighted average interest rate of current and non-current loans granted to ASG subsidiaries was 6.13% (2021: 6.26%). Loans granted have no pledged assets as a collateral.

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

23. Related party transactions (continued)

Amounts payable to the related parties as at 31 December were as follows:

	2022	2021
Borrowings from (Note 21):		
Avia Solutions Group PLC subsidiaries	9 774	45 606
	9 774	**45 606**
Lease liabilities to (Note 21):		
Avia Solutions Group PLC subsidiaries	4 996	591
Other related parties	-	231
	4 996	**822**
Other financial payables to (Note 22):		
Avia Solutions Group PLC subsidiaries	10 335	6 621
Other related parties	102	-
	10 437	**6 621**
Trade payables to (Note 22):		
Avia Solutions Group PLC subsidiaries	344	361
Parent	17	17
Other related parties	-	4
	361	**382**

Non-current payables as at 31 December 2022 were due until 2025. The weighted average interest rate of current and non-current borrowings from ASG subsidiaries was 8.93% (2021: 9.09%). The weighted average interest rate of lease liabilities from ASG subsidiaries was 5.26% (2021: 4.15%). Borrowings are not secured.

31 December 2022	**Less than 1 year**	**Between 1 - 5 years**	**Over 5 years**
Borrowings from ASG subsidiaries	872	9 774	-
Lease liabilities to ASG subsidiaries	438	1 821	2 737
	1 310	**11 595**	**2 737**
31 December 2021			
Borrowings from ASG subsidiaries	2 825	42 781	-
Finance lease liabilities to ASG subsidiaries	276	546	-
	3 101	**43 327**	**-**

In December 2021, the Company issued convertible preferred shares (Note 24), which resulted in the investor being classified as a related party. This is due to the fact that the counterparty holds the ability to exercise significant influence over the Company through the appointment of a selected member to the Board of Directors.

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

23. Related party transactions (continued)

Remuneration of the Company's key management

Key management includes General Director and Chief Financial Officer of the Company and members of the Board of Directors. Transactions with Company's key management are as follows:

	2022	2021
Salaries including termination benefits	704	798
Social insurance expenses	27	27
	731	**825**
Loans granted to key management at the end of year	**174**	**167**
The number of key management personnel at the end of year	**6**	**7**

As at 31 December 2022, the Group had signed put option agreements with 21 employees, which allow the right to put back acquired shares of the Company between 2019 and 2026. These contracts are signed with the Group employees, related to the Management of the Group, and have service conditions included. Additionally, these contracts have a lock up mechanism over ability to sell shares of the entity to the 3rd parties during a four years period. Shares underlying those contracts were sold on a discount to the interest of managers of the group, which therefore is an indication for share based payment accounting. The management of the Group has evaluated the above-mentioned option agreements and calculated the benefit received by the managers for an amount of EUR 1 059 thousand, which is amortized during 4-year vesting period in equal parts. During 2022 the part of benefit included in the consolidated statement of comprehensive income amounts to EUR 265 thousand (EUR 265 thousand during 2021).

In 2022 the Group granted loans to the above-mentioned Management personnel of the Group in relation to the share acquisitions as described above, in the amount of EUR 1 277 thousand (2021: EUR 877 thousand.

24. Convertible preferred shares

On 15 December 2021 the Group issued non-voting convertible preferred shares amounting to EUR 300 million to investor Certares Compass LLC. The key terms of the convertible preferred shares are:

- **Dividend rights.** Preferred shares are with a fixed dividend of 8% per annum, which is accrued (i.e. not payable in cash). After the fourth year, the dividend rate will increase by 1% per year;
- **Conversion feature and liquidation preferences.** Upon a qualified liquidity event, the convertible preferred shares are mandatory converted into variable number of ordinary shares; The variable number of shares depends on the outcome of share price at liquidity event date.
- **Redemption option.** The group may redeem the preferred shares (including accrued dividends) after 1 year based on trailing 12 months EBITDA, however the preferred shares investor at their sole discretion would be able to convert into 20% of Groups common equity.

Based on IFRS accounting requirements they are classified as a financial liability, since the preferred shares do not pass the "fixed-for-fixed" test (i.e. instrument to be settled by the issuer delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash) and therefore do not meet the definition of equity instrument. The preferred shares are a senior security to all existing common equity of the Company but junior to the Group existing debt and senior bonds.

The preferred shares include embedded conversion options and the Group irrevocably designated the entire instrument to be measured at fair value through profit or loss, except for change in fair value due to change in own credit risk, which is accounted in other comprehensive income. In general, the fair value measurement is within level 3 of the fair value hierarchy due to unobservable inputs.

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

24. Convertible preferred shares (continued)

The movement of the convertible preferred shares is set out as below:

	Convertible preferred shares
Opening balance 1 January 2021	**-**
Issuance of convertible preferred shares	300 000
Change in fair value recognised in profit or loss	920
Change in fair value recognised in OCI (own credit risk)	-
Closing balance 31 December 2021	**300 920**
Change in fair value recognised in profit or loss	24 806
Change in fair value recognised in OCI (own credit risk)	-
Closing balance 31 December 2022	**325 726**

As at 31 December 2021, given the short period between the issue date and the reporting date, the fair value of the instrument was determined as the nominal amount plus the accrued mandatory dividend. The preferred shares were issued at fair value 15 December 2021 and from the issue date up to year end, there were no known events which could have material impact on the valuation of the instrument, in particular, the changes in unobservable inputs. Management considered that fair value changes in the convertible preferred shares that are attributable to changes of credit risk of this liability are not material.

As at 31 December 2022, the fair value of the preferred shares was estimated using the option pricing model. The unobservable inputs will include price of own equity, time up to liquidity event, risk-free rate, standard deviation of comparable equity instruments and discount for lack of control. The key assumptions used in the valuation model were the following:

Risk free rate	4.0%	The Group estimated the risk-free interest rate based on the yield of US Government Bond with maturity life close to the timing as of valuation date.
Volatility	33.8%	Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration.
Discount for lack of control	5.0%	Decrease in the allocated value of own equity as a result of a shareholder's inability to exercise control over the company.

Probability weight under each of the conversion feature, redemption feature and liquidation preferences was based on the Group's best estimates. The key assumptions used in the valuation of own equity were the following:

Discount rate	10.9%	Discount rate (post-tax) was estimated by weighted average cost of capital as of each valuation date.
Average EBITDA margin	19.0%	Based on 5-year business plan projections.
Discount for lack of marketability	15.0%	Discount deducted from the value of own equity to reflect the relative absence of marketability.
Average Revenue growth	14.0%	Average annual growth rate over the five-year forecast period; based on management industry knowledge, strategic plans and including long-term inflation forecasts.
Terminal growth rate	2.6%	This is the weighted average growth rate used to extrapolate cash flows beyond the business plan period.

The fair value of Preferred Shares on the valuation date was determined by taking into account not only the assumptions mentioned earlier but also the estimates of future performance, CAPEX, relative to sales net working capital, and lease repayments, which were based on the management's business plan and industry expertise

24. Convertible preferred shares (continued)

Management has performed a sensitivity analysis for the valuation of the preferred shares instrument:

- If the Discount rate used would be lower by 1.0% (other assumptions remaining unchanged), the valuation would result in liability increase and loss from revaluation by EUR 19 800 thousand.
- If the projected average EBITDA margin would be 2.0% higher (other assumptions remaining unchanged), the valuation would result in liability increase and loss from revaluation by EUR 51 557 EUR thousand.
- If the discount for lack of marketability would be 5.0% lower (other assumptions remaining unchanged), the valuation would result in liability increase and loss from revaluation by EUR 7 500 EUR thousand.

25. Events after the reporting date

On 1 February 2023, Mr Vygaudas Ušackas resigned as a director of the Company. On the same date, Mr Pascal Jean Alexandre Picano appointed as a director of the Company.

On 1 March 2023 a cross-border merger between Avia Solutions Group PLC and Avia Solutions Group (ASG) PLC was completed. As of 1 March 2023 all assets, rights and liabilities of Avia Solutions Group PLC were acquired and taken over by Avia Solutions Group (ASG) PLC which will continue business and activities of Avia Solutions Group PLC.

There were no other significant post balance sheet events that would have a bearing on the understanding of these financial statements.

Financial Statements have been approved and signed on 31 March 2023:

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus

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

MANAGEMENT REPORT

I. GENERAL INFORMATION

Reporting period	**Year ended 31 December 2022**

Issuer and its contact details

Name of the Issuer	**AVIA SOLUTIONS GROUP PLC** (hereinafter – '*Company Avia Solutions Group PLC*' or 'the Company')
Legal form	Public limited company
Date of registration	28th February 2018
Code of enterprise	HE380586
Registered office	October 28th Avenue, 1 Engomi Business Center, BLC E, Floor 1, Flat 111 2414, Engomi Cyprus
Telephone number	+44 20 808 99777
E-mail	info@aviasg.com
Internet address	www.aviasg.com

Management presents its report together with the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities and nature of operations of the Company

AVIA SOLUTIONS GROUP PLC is a holding company together with its engaged in delivering clients integrated aviation related services. The principal activity of the Company is to provide management services to its main shareholder and its subsidiaries.

Changes in group structure

Acquisitions and disposals of subsidiaries are disclosed in Note 16 of the financial statements.

Branches

As at 31 December 2022 *Avia Solutions Group PLC* was headquartered in 117 Arc. Makarios Avenue III, Floor 5, Flat 505, 3021, Limassol Cyprus and had permanent establishment in Republic of Lithuania, Dariaus ir Gireno st. 21a, LT-02189 Vilnius, Lithuania.

Review of developments, position and performance of the Company's business

The financial statements of the Company have been prepared according to International Financial Reporting Standards as adopted by the European Union.

In 2022 *Avia Solutions Group PLC* generated profit of EUR 22 365 thousand (in 2021 net profit of EUR 40 799 thousand). The revenue has increased up to EUR 5 322 thousand as compared with EUR 4 700 thousand in 2021.

Key figures of the Company

Financial figures	2022	2021
Revenue (EUR thousand)	5 322	4 700
Operating profit (EUR thousand)	50 162	46 903
Profit before income tax (EUR thousand)	22 083	41 145
Net profit for the year (EUR thousand)	22 365	40 799

For the year ended 31 December 2022, the Company increased its turnover by 13.2% as a result of which its turnover amounted to EUR 5 322 thousand compared to EUR 4 700 thousand during previous year. The Company's operating profit increased by EUR 3 223 thousand compared to 2021 mainly due to dividend income from subsidiaries and its net profit decreased by EUR 18 434 thousand compared to 2021 mainly due to loss from fair value change of convertible preferred shares.

During the year ended 31 December 2022, the Company invested in share capital of existing and newly incorporated subsidiaries amounting to EUR 155 011 thousand, which was financed by cash received from prior year issuance of convertible preferred shares.

As at 31 December 2022, the Company's total assets amounted to EUR 699 247 thousand (2021: EUR 719 726 thousand), the slight decrease was a result of ordinary course of business.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in Notes 3 and 4 of the financial statements.

The main risk factors associated with the activities of the Company and its subsidiaries (together "The Group") are as follows:

- Strategic risk;
- Changes in the legal regulation of the group's activities;
- Competition with other market players;
- Currencies' exchange rates fluctuation;
- Safety, Health and Environmental (SHE) risks.

Strategic risk arises from adverse or erroneous business decisions, improper decisions implementation or lack of response to any political or regulatory developments. In 2021 the Company was constantly monitoring its' strategic risk.

Changes in the legal regulation of the group's activities risk is a risk of an increase in the loss and (or) loss of goodwill and a decrease of trust which can be due to external factors (such as law violations, regulatory non-compliance, failure to comply with contractual obligations with third parties) or internal factors (such as violations of ethical standards, failure to comply with internal regulations internal fraud, etc.). Legal department manages legal compliances risks – lawyers are involved in agreement review process.

An economic downturn could have a significant detrimental effect on the achievement of the targets. This effect could be aggravated by *volatility in currencies*. The sensitivities to variations in several key currencies are analysed at the end of the year. The Company will proceed with its profit protection plans, including further control on operating working capital.

The subsidiaries of the Company has strict safety policies which mitigate *Safety, Health and Environmental (SHE) risks*.

Competition with other market players risk arises when price pressure and other competitive challenges may cause the profitability of the Group's activities to deviate from the projected levels. Group's management is constantly monitoring the market and relevant decisions to increase competitiveness are being made.

The Company's activities expose it to the following financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk.

The Company's Policy for Treasury Management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

Information about the Company's financial risk management is provided in Note 3 of the Company's Financial Statements for the year ended 31 December 2022.

Future developments of the Company

During the year 2022 recovery of aviation market and returning level of flights continued, however the market was turbulent due to Ukraine-Russia war, rising inflation and interest rates. Despite the mixed environment the Group sustained strong financial performance for 2022 comparing the year 2022 to 2021.

Results

The Company's results for the year are set out on Statement of profit or loss and other comprehensive income in Page 7. The net profit for the year is carried forward.

Dividends

In 2022, the Company declared dividends of EUR 29 999 thousand to its shareholders out of the profits of 2021.

Share capital

On 31 December 2022 the share capital of the Company amounted to EUR 22 555 555 and consisted of 77 777 777 ordinary registered shares with a nominal value of 0.29 Euro each and 19,444,444 convertible preferred shares of nominal value of EUR 0.29 each. All shares were fully paid up.

On 31 December 2022 and on 31 December 2021 the share premium of the Company amounted to EUR 282 158 thousand. During 2022 there was no movement of share premium.

Treasury shares

As at 31 December 2022 own subsidiary holds 128 514 shares of the Company. On 31 December 2021 own subsidiary held 10 014 shares of the Company.

Board of Directors

Board of Directors is a collegial management body of the Company consisting of five members. The election of Directors ensures that the principle of proper representation of the rights of all shareholders in the Board of Directors is ensured.

The table below indicates the elected members of the Board at the balance sheet date:

Name	Position within the Company
Gediminas Žiemelis	Chairman of the Board of Directors
Jonas Janukėnas	Member of the Board of Directors, CEO of Avia Solutions Group
Žilvinas Lapinskas	Member of the Board of Directors, CEO of FL Technics UAB
Linas Dovydėnas	Member of the Board of Directors
Vygaudas Ušackas	Member of the Board of Directors
Tom Klein	Member of the Board of Directors

All of them were members of the Board throughout the year 2022. On 1 February 2023, Mr Vygaudas Ušackas resigned as a director of the Company. On the same date, Mr Pascal Jean Alexandre Picano appointed as a director of the Company.

Climate change

The management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the financial statements, but Management continues to monitor developments in this area.

Events after the balance sheet date

All significant post balance sheet events of the Company are presented in the Note 25 in the Financial Statements for the year ended 31 December 2022.

Independent auditors

Auditors from PricewaterhouseCoopers Limited audited the balance sheet of the Company for the year ended 31 December 2022 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended.

The Independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Managing Director
Jonas Janukėnas

Director
Žilvinas Lapinskas

Chief Financial Officer
Robertas Čipkus