AVIA SOLUTIONS GROUP PLC

Independent Auditor's Report,
Consolidated Financial Statements,
Consolidated Management Report
For the Year Ended 31 December 2019

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Gediminas Žiemelis (appointed on 12 July 2019)
Jonas Janukėnas (appointed on 28 February 2018)
Žilvinas Lapinskas (appointed on 12 July 2019)
Linas Dovydėnas (appointed on 12 July 2019)
Vygaudas Ušackas (appointed on 16 September 2019)
Aurimas Sanikovas (appointed on 16 August 2018, resigned on 12 September 2019)
Ricardas Laukaitis (appointed on 12 July 2019, resigned on 16 September 2019)

Company Secretary:

Fidema Services (appointed on 28 February 2018)

Registered office:

28 Oktovriou, 1
ENGOMI BUSINESS CENTER BLC E, Flat 111
Egkomi
2414, Nicosia
Cyprus

Registration number:

HE380586

Independent Auditor's Report

To the Members of Avia Solutions Group PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Avia Solutions Group PLC (the "Company"), and its subsidiaries (the "Group"), which are presented on pages 6 to 129 and comprise the consolidated balance sheet as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 consolidated management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

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Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated financial statements.

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

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, 27 May 2020

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2019	2018*
Revenue	5	**607 300**	**432 474**
Other income	5, 6	879	262
Cost of services and goods	5, 10	(412 602)	(312 579)
Employee related expenses	5, 7	(96 702)	(71 907)
Other operating expenses	5, 11	(34 741)	(22 952)
Depreciation and amortisation	5, 8, 16, 17	(34 732)	(6 853)
Impairment losses of financial assets	5, 14	(1 389)	(1 558)
Other impairment-related expenses	5, 14	(3 536)	(2 365)
Other gain/(loss) - net	5, 9	1 290	16
Operating profit (loss)	5	**25 767**	**14 538**
Finance income	12	3 050	67
Finance costs	12	(9 948)	(1 962)
Finance costs – net	12	**(6 898)**	**(1 895)**
Share of profit of equity-accounted investees, net of tax	18	(1 027)	-
Profit (loss) before income tax		**17 842**	**12 643**
Income tax	13	(5 712)	(2 952)
Profit (loss) for the period from continuing operations		**12 130**	**9 691**
Discontinued operations			
Profit (loss) for the year from discontinued operations net of tax	34	-	-
Profit (loss) for the year		**12 130**	**9 691**
Profit (loss) attributable to:			
Equity holders of the parent			
Profit (loss) for the year from continuing operations		11 287	10 697
Profit (loss) for the year from discontinued operations			-
Profit (loss) for the year attributable to equity holders of the parent		**11 287**	**10 697**
Non-controlling interests			
Profit (loss) for the year from continuing operations		843	(1 006)
Profit (loss) for the year from discontinued operations			-
Profit (loss) for the year attributable to non-controlling interests of the parent		**843**	**(1 006)**
Profit (loss) for the period from continuing operations		**12 130**	**9 691**

* *Restated, see Note 34.*

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Notes	Year ended 31 December 2019	2018*
Other comprehensive income			
Net (loss) gain on cash flow hedges		(567)	2
Income tax effect		133	-
		(434)	**2**
Exchange differences on translation of foreign operations		(2 896)	12
Other comprehensive income (loss) to be reclassified to profit/loss in subsequent periods from continuing operations		**(3 330)**	**14**
Discontinued operations			
Exchange differences on translation of foreign operations from discontinued operations		-	-
Other comprehensive income (loss) for the year		**(3 330)**	**14**
Total comprehensive income for the year attributable to:			
Equity holders of the parent			
Total comprehensive income (loss) for the year from continuing operations		8 107	10 706
Total comprehensive income (loss) for the year from discontinued operations		-	-
Total comprehensive income (loss) for the year attributable to equity holders of the parent		**8 107**	**10 706**
Non-controlling interests			
Total comprehensive income (loss) for the year from continuing operations		693	(1 001)
Total comprehensive income (loss) for the year from discontinued operations		-	-
Total comprehensive income (loss) for the year attributable to non-controlling interests		**693**	**(1 001)**
Total comprehensive income		**8 800**	**9 705**
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year			
Basic and diluted earnings per share	15		
From continuing operations		0.475	1.376
From discontinued operations		-	-
From profit (loss) for the year		**0.475**	**1.376**

* *Restated, see Note 34.*

Consolidated Financial Statements have been approved and signed on 27 May 2020:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

CONSOLIDATED BALANCE SHEET

	Notes	Year ended 31 December 2019	2018*
ASSETS			
Non-current assets			
Property, plant and equipment	16	363 286	62 449
Investment property	16	11 842	-
Intangible assets	17	74 412	6 963
Investments accounted for using the equity method	18	47 034	103
Deferred tax assets	30	9 615	6 914
Non-current derivative financial instruments	37	3 672	-
Long-term bank deposits		983	-
Non-current trade and other receivables	21	40 319	4 052
		551 163	**80 481**
Current assets			
Inventories	20	95 847	26 709
Trade and other receivables	21	142 850	65 585
Derivative financial instruments	37	377	-
Contract assets	22	7 376	3 047
Prepaid income tax		1 156	1 022
Short-term bank deposit		84 011	-
Cash and cash equivalents	3.1, 23	217 252	7 717
Assets of disposal group classified as held for sale	34	-	-
		548 869	**104 080**
Total assets	5	**1 100 032**	**184 561**

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Year ended 31 December 2019	2018*
EQUITY			
Equity attributable to the Group's equity shareholders			
Share capital	24	22 556	2 256
Share premium	24	282 158	33 133
Legal reserve	25	-	237
Other reserves	36	60	-
Treasury shares	24	(1 010)	-
Merger reserve	25	(456)	(457)
Fair value reserve	25	(432)	2
Cumulative translations differences		(2 956)	(210)
Retained earnings		41 122	30 456
Equity attributable to equity holders of the parent		**341 042**	**65 417**
Non-controlling interests	26	4 980	(662)
Total equity		**346 022**	**64 755**
LIABILITIES			
Non-current liabilities			
Lease liabilities	27	161 201	-
Borrowings	27	270 317	15 888
Government grants	19	773	1 016
Security deposits received	29	1 097	363
Trade and other payables	28	4 600	432
Deferred income tax liabilities	30	14 434	1 606
Derivative financial instruments	37	4 686	-
		457 108	**19 305**
Current liabilities			
Trade and other payables	28	121 769	41 040
Lease liabilities	27	75 992	-
Borrowings	27	6 817	35 210
Contract liabilities	37	66 098	20 200
Security deposits received	29	7 123	350
Current income tax liabilities		19 103	3 701
Liabilities of disposal group classified as held for sale	34	-	-
		296 902	**100 501**
Total liabilities	5	**754 010**	**119 806**
Total equity and liabilities		**1 100 032**	**184 561**

** Restated, see Note 34.*

Consolidated Financial Statements have been approved and signed on 27 May 2020.

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Group									
	Share capital	**Share premium**	**Merger reserve**	**Legal reserve**	**Fair value reserve**	**Currency translation differences**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**2 256**	**33 133**	**(457)**	**225**	**-**	**(217)**	**20 415**	**55 355**	**1 018**	**56 373**
Comprehensive income										
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	2	-	-	**2**	-	**2**
Currency translation difference from continuing operations	-	-	-	-	-	7	-	**7**	5	**12**
Profit (loss) for the period from continuing operations*	-	-	-	-	-	-	10 697	**10 697**	(1 006)	**9 691**
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**2**	**7**	**10 697**	**10 706**	**(1 001)**	**9 705**
Transactions with owners										
Transfer to legal reserve	-	-	-	12	-	-	(12)	**-**	-	**-**
Increase of shareholding in subsidiary (Note 33)	-	-	-	-	-	-	(644)	**(644)**	595	**(49)**
Disposal of subsidiary (Note 33)	-	-	-	-	-	-	-	**-**	(1 274)	**(1 274)**
Total transactions with owners	**-**	**-**	**-**	**12**	**-**	**-**	**(656)**	**(644)**	**(679)**	**(1 323)**
Balance at 31 December 2018	**2 256**	**33 133**	**(457)**	**237**	**2**	**(210)**	**30 456**	**65 417**	**(662)**	**64 755**

** Restated, see Note 34.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to equity holders of the Group											
	Share capital	Share premium	Treasury shares	Merger reserve	Legal reserve	Other reserve	Fair value reserve	Currency translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2018	**2 256**	**33 133**	**-**	**(457)**	**237**	**-**	**2**	**(210)**	**30 456**	**65 417**	**(662)**	**64 755**
Adjustment on initial application of IFRS 16 (net of tax) (Note 38)	-	-	-	-	-	-	-	-	(786)	**(786)**	-	**(786)**
Balance at 1 January 2019	**2 256**	**33 133**	**-**	**(457)**	**237**	**-**	**2**	**(210)**	**29 670**	**64 631**	**(662)**	**63 969**
Comprehensive income												
Net gain on cash flow hedge (Note 2.20)	-	-	-	-	-	-	(434)	-	-	**(434)**	-	**(434)**
Currency translation difference from continuing operations	-	-	-	-	-	-	-	(2 746)	-	**(2 746)**	(150)	**(2 896)**
Profit (loss) for the period from continuing operations	-	-	-	-	-	-	-	-	11 287	**11 287**	843	**12 130**
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(434)**	**(2 746)**	**11 287**	**8 107**	**693**	**8 800**
Transactions with owners												
Reorganization adjustments	-	-	-	1	(237)	-	-	-	237	**1**	-	**1**
Allocation to other reserves	-	-	-	-	-	60	-	-	-	**60**	-	**60**
Acquisition of treasury shares through acquired subsidiary	-	-	(1 010)	-	-	-	-	-	-	**(1 010)**	-	**(1 010)**
Share issue related to purchase of subsidiary (Note 33)	20 300	249 025	-	-	-	-	-	-	-	**269 325**	-	**269 325**
Purchase of subsidiary (Note 33)	-	-	-	-	-	-	-	-	-	**-**	4 881	**4 881**
Increase of shareholding in subsidiary (Note 33)	-	-	-	-	-	-	-	-	(72)	**(72)**	68	**(4)**
Total transactions with owners	**20 300**	**249 025**	**(1 010)**	**1**	**(237)**	**60**	**-**	**-**	**165**	**268 304**	**4 949**	**273 253**
Balance at 31 December 2019	**22 556**	**282 158**	**(1 010)**	**(456)**	**-**	**60**	**(432)**	**(2 956)**	**41 122**	**341 042**	**4 980**	**346 022**

Consolidated Financial Statements have been approved and signed on 27 May 2020:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2019	2018*
Operating activities			
Profit for the year		12 130	9 691
Income tax	13	5 712	2 952
Adjustments for:			
Depreciation and amortisation	5, 8, 16, 17	34 732	6 853
Impairment-related expenses	5, 14	4 925	3 923
Interest expenses	12	8 969	1 512
Currency translations differences		(2 354)	(40)
Discounting effect on financial assets		290	8
Fair value (gain) loss		(3)	2
Changes in other reserves		60	-
(Profit)/loss of PPE disposals		(879)	108
(Gain) of subsidiaries disposal		-	(166)
Amortisation of government grants	2.20, 6, 19	(243)	(254)
Interest income	6	(552)	(134)
Share of loss from associates		1 027	-
Changes in operating assets and liabilities:			
- Inventories		(24 084)	1 217
- Trade and other receivables, contract assets		(1 533)	(10 783)
- Security deposits placed		(6 119)	(679)
- Accrued expenses for certain contracts		6 241	1 021
- Trade and other payables, advances received/contract liabilities		10 783	7 612
- Security deposits received		1 345	14
Cash generated from (used in) operating activities		**50 447**	**22 857**
Interest received		2	1
Interest paid		(7 718)	(1 456)
Income tax paid		(3 536)	(931)
Net cash generated from (used in) operating activities from continuing operations		**39 195**	**20 471**
Net cash generated from (used in) operating activities from discontinued operations	34	-	-
Net cash generated from (used in) operating activities		**39 195**	**20 471**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December 2019	2018*
Investing activities			
Purchase of PPE and intangible assets		(39 674)	(25 222)
Proceeds from PPE and intangible assets disposal		3 422	215
Loans granted		(2 729)	(1 471)
Repayments of loans granted		312	1 023
Bank deposits placed		(84 994)	-
Purchase of subsidiaries (net of cash acquired)	33	83 741	(3 239)
Sales of subsidiaries (net of cash disposed)	33	-	(1 983)
Investment into associate	18	(1 430)	(103)
Net cash from/(used in) investing activities from continued operations		**(41 352)**	**(30 780)**
Net cash generated from (used in) investing activities from discontinued operations	34	-	-
Net cash (from) used in investing activities		**(41 352)**	**(30 780)**
Financing activities			
Acquisition of interest in a subsidiary (no change in control)	33	(4)	(49)
Bank borrowings received	27	5 728	14 047
Repayments of bank borrowings	27	(9 493)	(8 976)
Borrowings from related parties received	27	7 699	2 434
Repayments of borrowings from related parties	27	(6 634)	(193)
Proceeds received from bonds issue	27	264 457	-
Repayments of lease liabilities	27	(30 873)	(2 072)
Net cash from/(used in) financing activities from continued operations		**230 880**	**5 191**
Net cash generated from/(used in) financing activities from discontinued operations	34	-	-
Net cash from/(used in) financing activities		**230 880**	**5 191**
Increase in cash and cash equivalents		**228 723**	**(5 118)**
At beginning of year	23	(16 634)	(11 516)
At end of year	23	**212 089**	**(16 634)**

* *Restated, see Notes 34.*

The notes on pages 14 to 129 form an integral part of these financial statements.

Consolidated Financial Statements have been approved and signed on 27 May 2020:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

NOTES TO THE CONSOLIDATED 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 28 Oktovriou, 1, ENGOMI BUSINESS CENTER BLC E, Flat 111, Egkomi, 2414, Nicosia, Cyprus.

As at 7 September 2018 the Company has changed its legal status from private limited liability company (LTD) to public limited liability company (PLC) and the name from Avia Solution Group AB (CY) LTD to Avia Solution Group AB (CY) PLC. As at 15 October 2019 the name was changed to AVIA SOLUTIONS GROUP PLC.

Until 16 July 2019 the 99,98% of the Company's share capital was owned by Avia Solutions Group AB, which was a public limited liability company incorporated at State Enterprise Centre of Registers of the Republic of Lithuania as at 31 August 2010 (Company code – 302541648). The Company was domiciled in Vilnius, the capital of Lithuania. The address of its registered office was as follows: Smolensko St. 10, LT-03201, Vilnius.

On 15 July 2019 Avia Solutions Group AB was dissolved without going into liquidation and was deregistered from the Register of Legal Entities of the Republic of Lithuania. On 9 July 2019 Avia Solutions Group PLC registered a permanent establishment of a foreign legal entity in Lithuania (identification number (code): 9001538174, VAT code: LT100012497310), which after the merger is operating in the territory of the Republic of Lithuania.

On 28 March 2019, the Board of Avia Solutions Group AB, implementing the decisions of the general meeting of shareholders of the Company, dated 28 December 2018, regarding the participation in the cross-border merger has prepared the merger terms of the Company and AVIA SOLUTIONS GROUP (CY) PLC. As of 16 July 2019, in accordance with these common cross-border merger terms, all Avia Solutions Group AB assets, rights and liabilities were taken over by Avia Solutions Group PLC that continues its activities thereafter and as of 16 July 2019 Avia Solutions Group AB assets and liabilities, rights and obligations under the transactions, are included in the accounting records of Avia Solutions Group PLC.

The consolidated financial statements for the year ended 31 December 2019 are prepared in the name of Avia Solutions Group PLC but these financial statements represent a continuation of the financial statements of Avia Solutions Group AB.

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 elected members of the Board at the balance sheet date:

- Gediminas Žiemelis;
- Jonas Janukėnas;
- Žilvinas Lapinskas;
- Linas Dovydėnas;
- Vygaudas Ušackas.

All of them were members of the Board throughout the year 2019, except Mr Linas Dovydenas, Mr. Gediminas Ziemelis, and Mr Zilvinas Lapinskas, who were appointed as Directors on the 12th of July 2019. Mr. Vygaudas Usackas who was appointed as Director on the 16th of September 2019. Mr. Ricardas Laukaitis who was appointed as Director on the 12th of July 2019 and resigned on the 16th of September 2019. Mr. Aurimas Sanikovas who held office as of 16th of August 2018, resigned on 12th of September 2019.

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

1 General information (continued)

As at 16 September 2019 the share capital of the Company was increased to EUR 22 555 555 divided into 77 777 777 shares of a nominal value of EUR 0,29 each.

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

	2019		2018	
	Number of shares	**Percentage owned**	**Number of shares**	**Percentage owned**
FZE PROCYONE	39 199 969	50,40%	-	-
VERTAS AIRCRAFT LEASING LIMITED	15 706 725	20,19%	-	-
Mesotania Holdings Ltd.	11 416 335	14,68%	699 115	8,99%
Vertas Cyprus Ltd. (previously ZIA Valda Cyprus Ltd.)	2 780 272	3,57%	2 175 045	27,96%
Indeco: Investment and Development UAB	872 663	1,12%	832 666	10,71%
Aurimas Sanikovas (the Member of the Board until 14 July 2019, CFO)	529 210	0,68%	69 377	0,89%
Linas Dovydėnas (the Member of the Board of Directors)	322 478	0,41%	-	-
Žilvinas Lapinskas (the Member of the Board of Directors)	312 480	0,40%	32 960	0,42%
Jonas Janukėnas (the Member of the Board of Directors, CEO)	174 535	0,22%	-	-
Vygaudas Ušackas (the Member of the Board of Directors)	65 000	0,08%	-	-
HAIFO LTD	4	0,00%	1 947 578	25,04%
Harberin Enterprises Limited	-	-	605 227	7,78%
Other Shareholders	6 398 106	8,23%	1 415 809	18,20%
Total issued	**77 777 777**	**100.00%**	**7 777 777**	**100.00%**
Treasury shares	270 014	0,35%	-	-
Total	**77 507 763**	**100.00%**	**7 777 777**	**100.00%**

From February 2019, the ultimate controlling party of the Group is Gediminas Žiemelis. Before February 2019, there was no ultimate controlling party, just entities having significant influence.

Companies of the Group operate in the following activity areas: aviation supporting services, aviation logistics and distribution services, aircraft trading and portfolio management and unallocated (holding and financing activities).

The number of full time staff from continuing operations employed by the Group at the end of 2019 amounted to 3 467 (2018: 2 556).

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

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Avia Solutions Group PLC (previously Avia Solutions Group (CY) LTD)	Republic of Cyprus	Unallocated	-	99.98	The Company was established on 28 February 2018. The Company did not conducted active operations until the merger. On 15 July 2019 Avia Solutions Group AB merged into Avia Solutions Group PLC which continues its activities as the Group's holding company.
ASG Finance Designated Activity Company	Ireland	Unallocated	100	-	The subsidiary was established on 16 September 2019. The company provides financing activities to subsidiaries of the Group.
AviationCV.com UAB	Republic of Lithuania	Aviation Supporting Services (previously Crew Training and Staffing)	100	100	The subsidiary was established in spring of 2011. The company provides aviation personnel solutions.
BAA Training UAB	Republic of Lithuania	Aviation Supporting Services (previously Crew Training and Staffing)	100	100	The Group company was established on 22 November 2006. The company provides aircraft crew training services.
BAA Simulators 2 UAB	Republic of Lithuania	Aviation Supporting Services (previously Crew Training and Staffing)	100	100	The subsidiary was established on 8 January 2018. The company is providing lease of full flight simulators and other training equipment.
BAA Training Vietnam LLC	Socialist Republic of Vietnam	Aviation Supporting Services (previously Crew Training and Staffing)	100	100	The subsidiary was established on 02 February 2018. The company is providing training services and lease of full flight simulators.
ASG Asset Management UAB	Republic of Lithuania	Aviation Supporting Services (previously Crew Training and Staffing)	100	-	The subsidiary was established on 21 May 2019. The company is planning to provide asset management services.
DG21 UAB	Republic of Lithuania	Aviation Supporting Services (previously Private Jet Charter, Flight, Tour Operations and Hospitality services)	100	-	The subsidiary was acquired on 3 April 2019. Company is engaged in the business of real estate management.
SIA Rezidence Kapteini	Republic of Latvia	Aviation Supporting Services (previously Private Jet Charter, Flight, Tour Operations and Hospitality services)	100	-	The subsidiary of DG21 UAB was acquired on 3 April 2019. Company is engaged in the business of real estate management.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	Share of equity, % 31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Helisota UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was acquired on 16 December 2013. The company provides maintenance, repair and overhaul services for helicopters.
Kauno aviacijos gamykla UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was acquired on 16 December 2013. It is a direct subsidiary of BAA Training UAB. The subsidiary does not conduct any significant active operations.
Jet Maintenance Solutions UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was acquired on 1 December 2010. The company provides maintenance services for business aircraft.
KlasJet UAB	Republic of Lithuania	Aviation Logistics and Distribution Services (previously Private Jet Charter, Flight and Tour Operations)	100	100	The subsidiary was established on 9 October 2013. The subsidiary has started business charter activity in summer 2014. From April 2017 it is a direct subsidiary of Jet Maintenance Solutions UAB.
KIDY Tour UAB	Republic of Lithuania	Aviation Logistics and Distribution Services (previously Private Jet Charter, Flight and Tour Operations)	100	100	The subsidiary was established on 3 December 2015. The company provides tour operator services.
KIDY Tour OÜ	Republic of Estonia	Aviation Logistics and Distribution Services (previously Private Jet Charter, Flight and Tour Operations)	100	100	The subsidiary was acquired on 16 September 2016. The company provides tour operator services.
KIDY Tour OOO	Russian Federation	Aviation Logistics and Distribution Services (previously Private Jet Charter, Flight and Tour Operations)	100	100	The subsidiary was established on 6 March 2017. The company is providing tour operator services.
KIDY Tour SIA	Republic of Latvia	Aviation Logistics and Distribution Services (previously Private Jet Charter, Flight and Tour Operations)	100	100	The subsidiary was established on 9 October 2017. The company is providing tour operator services.
Laserpas UAB	Republic of Lithuania	Private Jet Charter, Flight and Tour Operations	-	-	The subsidiary was established in summer of 2011. The Group had a control over an investee due to right to nominate the management of the company. On 22 August 2018 the company was sold to the management of Laserpas UAB.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Locatory.com UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	99	95	The subsidiary was established on 7 December 2010. Starting summer 2012, the company is acting as an aircraft parts locator and offers innovative IT solution for MRO business segment.
Sky Knights SIA (from 24 February 2020 BGS ADR SIA)	Republic of Latvia	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	-	The subsidiary was established on 22 January 2019. The subsidiary does not conduct active operations.
Baltic Ground Services UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was acquired on 31 October 2008. The company provides aircraft ground handling and fuelling services in Lithuania.
Baltic Ground Services Sp.z.o.o.	Republic of Poland	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was established in spring of 2010. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling and fuelling services in Poland.
Baltic Ground Services UA TOV	Ukraine	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	50	50	The subsidiary was established in summer of 2011. On 29 September 2015, 50% of share capital was sold to a third party. The subsidiary provides fuelling services in Ukraine. The Group has a control over an investee due to right to nominate the management of the company.
Baltic Ground Services RU OOO	Russian Federation	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was established on 23 March 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides aircraft ground handling, fuelling and transportation services in Russia.
Baltic Ground Services EE OÜ	Republic of Estonia	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was established on 31 July 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Estonia.
Baltic Ground Services LV SIA	Republic of Latvia	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	51	51	The subsidiary was acquired on 1 October 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company provides fuelling services in Latvia.
Baltic Ground Services CZ s.r.o.	Czech Republic	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was established on 18 December 2015. It is a direct subsidiary of Baltic Ground Services UAB. The company is providing fuelling services in Czech Republic.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
BGS Rail Lease LLC (previously BGS Trans UA LLC)	Ukraine	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was established on 3 July 2017. From 10 July 2019 it is the subsidiary of BGS Rail Holdings UAB. The company is involved in semi wagon lease.
Baltic Ground Services DE GmbH	Federal Republic of Germany	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was established on 11 January 2018. The company is providing fuel logistic services.
OMV Adriatic Marketing d.o.o. (from 3 April 2020 Baltic Ground Services HR d.o.o.)	Republic of Croatia	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	-	The subsidiary was acquired on 16 December 2019. The company is planning to provide aircraft ground handling services.
BGS Rail Holdings UAB (previously BAA Simulators UAB)	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	99.99	99.99	The subsidiary was established on 24 October 2017. The company is acting as a holding company for subsidiary BGS Rail LLC.
BGS Rail LLC	Ukraine	Aviation Supporting Services (previously Aircraft Ground Handling, Fuelling and Logistics)	100	100	The subsidiary was acquired on 13 June 2018. The company is involved in semi wagon lease.
FL Technics UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was established on 22 December 2005. In summer of 2007 the company started aircraft maintenance, repair and overhaul (MRO) services.
FL Technics Hong Kong Limited	Hong Kong	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was established on 27 September 2018. The subsidiary does not conduct active operations.
FL Technics Line OOO	Russian Federation	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	93	93	The subsidiary was established in summer of 2011. It is a direct subsidiary of FL Technics UAB.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Avia Technics Dirgantara PT.	Republic of Indonesia	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	67	67	An investee of FL Technics UAB was established on 5 August 2014. The Group has a control over an investee due to right to nominate the management of the company. The company provides line and base maintenance services in Jakarta. On 30 November 2018 the Company additionally acquired 18 per cent shareholding in the subsidiary from third party.
FL Technics Asia Co. Ltd.	Kingdom of Thailand	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	99.997	99.997	The subsidiary was established on 4 January 2016. It is a direct subsidiary of FL Technics UAB. The subsidiary is planning to provide aircraft maintenance services in Thailand.
FL Technics GmbH	Austria	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was established on 15 December 2018. The subsidiary is planning to provide aircraft maintenance services in Austria.
FL Technics Ukraine TOV	Ukraine	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	-	The subsidiary was established on 17 April 2019. It is a direct subsidiary of FL Technics UAB.
FL Technics Georgia LLC	Georgia	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	-	The subsidiary was established on 26 November 2019. It is a direct subsidiary of FL Technics UAB.
FL Technics Engine Services UAB	Republic of Lithuania	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	-	The subsidiary was established on 23 April 2019. It is a direct subsidiary of FL Technics UAB.
FL Technics Ireland Ltd.	Republic of Ireland	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	-	The subsidiary was established on 1 February 2019. The subsidiary is planning to provide engine and other maintenance services.
Storm Aviation Ltd.	The United Kingdom	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of FL Technics UAB. The company provides aircraft line station services.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Storm Aviation (Cyprus) Ltd.	Republic of Cyprus	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was acquired on 31 December 2011. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Cyprus.
Storm Aviation (Nigeria) Ltd.	Federal Republic of Nigeria	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was established on 26 August 2016. It is a direct subsidiary of Storm Aviation Ltd. The company provides aircraft line station services in Nigeria.
Storm Aviation (Germany) GmbH	Federal Republic of Germany	Aviation Supporting Services (previously Aircraft Maintenance, Repair and Overhaul (MRO))	100	100	The subsidiary was established on 29 March 2017. It is a direct subsidiary of Storm Aviation Ltd. The company is providing aircraft line station services in Germany.
BSTS & Storm Aviation Limited	Republic of Bangladesh	Joint venture	49	49	The company was established as at 30 September 2018 and is providing aircraft maintenance services in Bangladesh.
FL ARI Aircraft Maintenance & Engineering Company CO. LTD	Republic of China	Joint venture	40	40	The company was established as at 18 December 2018 and is providing aircraft maintenance services in China.
BAA Training China Co., Ltd	Republic of China	Joint venture	50	-	The company was established as at 21 October 2019. The company will provide training services and lease of full flight simulators.
Avia AM Leasing AB	Republic of Lithuania	Aircraft Trading and Portfolio Management	98.84	-	77,26% of the share capital in the subsidiary was acquired on 2 October 2019. The additional 8,44% and 13,14% of the share capital in Avia AM Leasing AB were acquired on 15 October 2019 and 4 December 2019. The company is acting as a holding company. The subsidiaries of Avia AM Leasing AB are engaged in the business of aircraft leasing, trading and management.
Avia AM B01 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM B02 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM B04 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM B05 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM B06 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
BUSNEX UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
DG AVIA UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Sniego takas UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Dariaus ir Gireno 20 UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM B10 Ltd	Republic of Ireland	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM Leasing PLC	Republic of Cyprus	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
AAL Capital Aircraft Holdings Ltd	Republic of Cyprus	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing AB.
Avia AM B08 Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Avia AM B09 Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Ice Aircraft Management Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Boulevard Two Aircraft Ltd	Republic of Ireland	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Dikkys Investments Ltd	Republic of Cyprus	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Avia AM B11 Ltd	Republic of Ireland	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Avia AM Leasing Bermuda Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
Regional Charter Capital Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing Bermuda Ltd.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Golden Jet Aviation Trading Ltd	Republic of Bermuda	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Avia AM Leasing Bermuda Ltd.
Skyroad Leasing UAB	Republic of Lithuania	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of AAAL Capital Aircraft Holdings Ltd.
BUSNEX POLAND Sp. z o.o.	Republic of Poland	Aircraft Trading and Portfolio Management	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of BUSNEX UAB.
Avia AM Financial Leasing China Co. Ltd.	China	Joint venture	51	-	The company was acquired on 2 October 2019. The Joint venture company is not consolidated as the Group does not control Avia AM Financial Leasing China Co., Ltd. The principal activity of the joint venture is to provide comprehensive services across the field of aircraft acquisition, lease and sale.
Eyjafoll SAS	France	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 10 October 2019. The company is acting as a holding company which controls 100 % of the share capital in Avion Express UAB and 100% of the share capital in Avion Malta. The subsidiaries of Eyjafoll SAS provide logistics services and acts as intermediary in leasing-in and leasing-out the aircraft capacity to non-airline or airline customer.
Avion Express UAB	Republic of Lithuania	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 10 October 2019. It is a direct subsidiary of Eyjafoll SAS.
Avion Express Malta Ltd	Republic of Malta	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 10 October 2019. It is a direct subsidiary of Eyjafoll SAS.
Chapman Freeborn Holdings Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. The company is acting as a holding company. The subsidiaries of Chapman Freeborn Holdings Limited provide a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries.
Alltrans Management PTY Ltd	Australia	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering bv	Belgium	Aviation Logistics and Distribution Services	80	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering Ltd.	Canada	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering (China) Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Chapman Freeborn Airchartering Consulting (Shanghai) Co. Ltd	China	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airmaketing GmbH	Germany	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeeborn Airchartering pvt Ltd	India	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn International Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Al tajer Al Hur for Air freight and passenger services LLC - Baghdad	Iraq	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Aviation Services FZE.
Chapman Freeborn OBC GmbH	Germany	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Handcarry Limited	Hong Kong	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn OBC Inc.	United States	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering S.p z.o.o	Poland	Aviation Logistics and Distribution Services	85	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering PTE. LTD.	Singapore	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering (South Africa) Proprietary Limited	South Africa	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering SL	Spain	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Aviation Services FZE	Sharjah - UAE	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Chapman Freeborn Aviation Services FZCO	Dubai - UAE	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering Inc	USA	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Intradco Cargo Services Limited	The United Kingdom	Aviation Logistics and Distribution Services	75	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Zeusbond Limited.
Logik Logistics International Limited	The United Kingdom	Aviation Logistics and Distribution Services	80	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Magma Aviation Limited	The United Kingdom	Aviation Logistics and Distribution Services	75	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Wings 24 Limited	The United Kingdom	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Zeusbond Limited	The United Kingdom	Aviation Logistics and Distribution Services	75	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited.
Chapman Freeborn Airchartering Ltd.	Afghanistan	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited. The subsidiary is under liquidation procedures.
SCI France Patrimoine	France	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited. The subsidiary is under liquidation procedures.
Chapman Freeborn Airchartering GmbH	Germany	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited. The subsidiary is under liquidation procedures.
Chapman Freeborn Havacilik Tasimacilik Ticaret Limited Sirketi	Turkey	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited. The subsidiary is under liquidation procedures.

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

1 General information (continued)

The Group's companies	Country of establishment	Operating segment	31-12-2019	31-12-2018	Date of acquiring/establishment and activity
Chapman Freeborn Airchartering (Uganda) Limited	Uganda	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited. The subsidiary is under liquidation procedures.
Chapman Freeborn Airchartering Limited	Hong Kong	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 11 October 2019. It is a direct subsidiary of Chapman Freeborn Holdings Limited. The subsidiary is under liquidation procedures.
Smart Aviation Holding SIA	Republic of Latvia	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. The company is acting as a holding company which controls 100 % of the share capital in Smart Lynx Airlines SIA and 51% of the share capital in Eyjafoll SAS. The subsidiaries of Smart Aviation Holding SIA provide logistics services and acts as intermediary in leasing-in and leasing-out the aircraft capacity to non-airline or airline customer.
SIA SMARTLYNX AIRLINES	Republic of Latvia	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Smart Aviation Holdings SIA.
SmartLynx Airlines Estonia OÜ	Republic of Estonia	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
SmartLynx Airlines Crewing OÜ	Republic of Estonia	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
Smartlynx Airlines Malta Limited	Republic of Malta	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of Air Holding Limited.
Air Holding Limited	Republic of Malta	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
Smartlynx Airlines Cabo Verde SA	Cabo Verde	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA. The subsidiary is under liquidation procedures.
"SLH Invest LLC (ООО «СЛХ Инвест»)"	Russian Federation	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA. The subsidiary is under liquidation procedures.
Smart Aviation Limited	Republic of Malta	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.
SIA Smartlynx Technik	Republic of Latvia	Aviation Logistics and Distribution Services	100	-	The subsidiary was acquired on 2 October 2019. It is a direct subsidiary of SMARTLYNX AIRLINES SIA.

** - in case of indirect associates the percentages represent economic interests*

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by European Union 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.

These financial statements include the consolidated financial statements of the Group for the year ended 31 December 2019.

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

(a) New and amended standards and interpretations adopted by the Group

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has initially adopted IFRS 16 "Leases" from 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The impact of the change in accounting policy on the Group's financial statements is disclosed in note No 38.

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. Application of this amendments does not affect the financial position or results of the Group.

2.1 Basis of preparation (continued)

Prepayment Features with Negative Compensation - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. Application of this amendments does not affect the financial position or results of the Group.

Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. Application of this amendments does not affect the financial position or results of the Group.

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. Application of these amendments does not affect the financial position or results of the Group.

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. Application of this amendment does not affect the financial position or results of the Group.

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 2019 that would be expected to have a material impact to the Group.

2.1 Basis of preparation (continued)

(b) 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 Group:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is currently assessing the impact of the amendments on its financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group does not expect significant impact of the amendments on its financial statements.

2.1 Basis of preparation (continued)

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28. 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 business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020 *).*The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

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

2.2 Consolidation

Subsidiaries

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

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

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

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

Disposal of subsidiaries

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

Changes in ownership interests in subsidiaries without change of control

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

Associates and joint venture

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

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

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

2.2 Consolidation (continued)

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

Bonds issued to associates or joint ventures are considered as part of net investment and Group's share of losses are allocated to the bonds as required by IAS28.

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

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

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

Non-controlling interest

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

Transactions with non-controlling interest

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

2.3 Foreign currency translation

Functional and presentation currency

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

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.

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

2.3 Foreign currency translation (continued)

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

In the consolidated financial statements, when the foreign operation is a subsidiary, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity.

2.4 Segment information

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

2.5 Property, plant and equipment

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

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

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

Buildings and structures	6 – 30 years
Vehicles	4 – 12 years
Machinery	5 – 15 years
Aircraft	4 – 15 years
Aircraft engines	24 – 39 months
Other non-current tangible assets	3 – 15 years

2.5 Property, plant and equipment (continued)

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

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

Construction in progress is transferred to appropriate groups of fixed assets when it is completed and ready for its intended use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the profit or loss.

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

Recognition of sales of aircraft initially held for rental

The Group sells aircraft that were initially purchased for rental to customers. As part of the sale, the lease contract is transferred to a new lessor. The lease contract is continuing; however, it ceases from Group's perspective as the lessor changed. The proceeds from the sale of such assets are recognised as revenue.

Cash flows from sales of aircraft initially held for rental

The cash receipts from rents and subsequent sales of aircraft initially held for rental are cash flows from operating activities. Also, the cash payments for the aircraft are cash flows from operating activities.

2.6 Investment property

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

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

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently to initial recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of assets to their residual values over their estimated useful life which is from 15 to 25 years.

2.7 Right-of-use assets

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 group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.8 Intangible assets

Intangible assets expected to provide economic benefit to the Group 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
Web-site costs	5 years
Other non-current intangible assets	1 - 4 years

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

The costs incurred at each stage in development and operation of Group's own web-sites that meet definition of intangible assets (i.e. identifiability, control over a resource and existence of future economic benefits) is recognised as part of intangible assets. Such expenses include expenses on purchasing or creating content for a web-site, expenses to enable use of the content on the web-site and directly attributable employee related expenses, that have been incurred during the stage of the development of the web-site and additional development of the web-site expenses, that have been incurred during the stage of the operation of the web-site after initial recognition of the intangible assets.

Goodwill

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

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on a disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.9 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.

2.10 Financial assets

The Group 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.
During the current period the Group did not hold any financial assets at fair value through profit or loss.

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 Group 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 Group 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.

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.

Impairment
The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, the group 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.

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 Group 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 Group's procedures for recovery of amounts due.

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

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

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

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

Where a disposal group is still operating, transactions may occur between the disposal group and other companies within the Group. All intra-group balances, intra-group interest income, expenses and other intra-group transactions where goods are sold / purchased between the disposal group and the continuing business are eliminated in full. The principle of elimination of intra-group sales transactions is based on the guidance in IFRS 5 which only allowed expenses to be attributed to the discontinuing operation if they would be eliminated when the operation is disposed of. If the arrangement is expected to continue, the sales and costs are recorded in continuing operations and, therefore, the elimination entries are recorded in discontinued operations.

If non-current assets (or disposal groups) no longer meet the criteria to be classified as held-for-sale, they are reclassified from held-for-sale. On reclassification the Group measures the non-current asset or a disposal group at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset never been classified as held-for-sale.
If the non-current assets/disposal group is **not** a subsidiary, any resulting adjustment is recognised in profit or loss from continuing operation in the period in which the 'held for sale' criteria cease to be met. In the comparative period, the balance sheet amounts are not represented (so the item continues to be presented as 'held for sale') and their measurement will not be revised .
If a disposal group or a non-current asset is a subsidiary which ceases to be classified as held-for-sale, then the financial statements for the periods since classification as held-for-sale are amended accordingly. The amendment relates to:

(i) the presentation in the balance sheet (the comparatives are represented),
(ii) the change of presentation in the statement of profit/loss and other comprehensive income and the cash flow statement (if the subsidiary was classified as a discontinued operation),
(iii) the remeasurement effect is also recognised retrospectively i.e. to the extent that the amendment relates to earlier periods, it is recognised as a prior-period adjustment (i.e. the amendment is calculated retrospectively) and the opening balance of retained earnings and comparatives are restated, if applicable.

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2.12 Inventories

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

Aircraft is classified to inventory when it is expected that its carrying amount is to be recovered through a sale transaction.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The Group apply the simplified approach for calculation of lifetime expected credit losses (ECL) using the provision matrix for all trade receivables except for individual exposures above EUR 2 million or exposures from strategic clients, based on Group'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 Group uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Group's Management decision. For these exposures, individual assessment model is used as described in Note 3.1 *Credit Risk*.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against in the profit or loss.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional

Impairment
The group assesses on a forward-looking basis the expected credit losses associated with its contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For contracts assets, the group 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 group has transferred substantially all the risks and rewards of ownership.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.14 Cash and cash equivalents

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

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

Interest paid and received are shown under operating activity in the consolidated statements of cash flows.

Cash and cash equivalents are carried at amortised costs because they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest, and they are not designated at fair value through profit or loss.

2.15 Share capital

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

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

2.16 Trade payables

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

2.17 Borrowings

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

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

2.18 Borrowing costs

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

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

2.19 Provisions

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

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

Provisions for "C-check"
Provisions for "C-check" are described in note 4 "Critical Accounting Estimates and Significant Judgments".

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

2.20 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its cash flow interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.
The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 37. Movements in the hedging reserve in shareholders' equity are shown in Note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged ite m is less than 12 months.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the fair value reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the fair value reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:
• Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
• The gain or loss relating to the effective portion of the foreign currency interest rate swaps hedging different currency borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2.20 Derivative financial instruments (continued)

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements at 31 December 2019	**Level 2**
Financial assets	
Financial assets at fair value through profit or loss (FVPL)	
Hedging derivatives - foreign currency interest rate swap	3 600
Derivatives - foreign currency options	413
Derivatives - foreign currency forwards	36
Total financial assets	**4 049**
Financial liabilities	
Hedging derivatives - foreign currency interest rate swap	4 686
Total financial assets	**4 686**

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- for foreign currency interest rate swaps – the present value of the estimated future cash flows based on observable yield curves. Additionally, the instruments' value is agreed upon with bank.
- for foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the balance sheet date
- for foreign currency options – option pricing models (Black-Scholes, Vanna-Volga models)

All of the resulting fair value estimates are included in level 2.

2.21 Government grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants less any accumulated amortisation. Amortisation is calculated on a straight-line basis over the expected lives of the related assets and is included in "other income". Grants relating to the expenses are included in current liabilities and are credited to the profit or loss on basis to match the appropriate expenses.

2.22 Merger reserve

Merger reserve was formed during business combination (upon pre-IPO Reorganization) in 2010. The merger reserve consists of the difference between the Company purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired.

2.23 Accounting for leases

Accounting policies applied before 1 January 2019

(a) Accounting for leases where the Group is the lessee

Operating leases

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

Finance leases

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

Finance leasebacks

Transactions, when the Group sells the property, plant and equipment and immediately re-acquires the use of asset by entering into a lease with the buyer, herewith, never disposes of the risks and rewards of ownership of the asset, are classified as finance leasebacks. Any apparent profit, that is the difference between the sale price and the previous carrying value, should be deferred, amortised over the lease term and included as "net losses on sales of non-current assets" in "other gains / (losses) – net".

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

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

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

2.23 Accounting for leases (continued)

(c) Accounting for leases where the Group is the lessor

Operating leases

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

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a leasehold-receivable. The difference between the gross receivable and the present value of the receivable is recognised as part of finance income (as *unwinding of discounted leasehold-receivable*).

Accounting policies applied from 1 January 2019

(a) Accounting for leases where the Group is the lessee

As explained in note 2.1 above, the Group has changed its accounting policy for leases where the group is the lessee. The transition and the impact of the change are described in Note 38.

The Group leases many assets, including properties, aircraft, vehicles and equipment.

The Group 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.

At inception or on reassessment of a contract that contains a lease component, the Group 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 Group 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 Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

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

The Group presents lease liabilities in the statement of financial position.

The Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount 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.

2.23 Accounting for leases (continued)

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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.

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

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the head lease. It assesses the classification of a sublease as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. When subleases are classified as finance leases, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and presents the Net investment in the lease in the statement of the financial position. Net investment in the lease is initially recognised at commencement (when the lease term begins), using an incremental borrowing rate corresponding to the head lease. During the term of the sublease the Group recognises finance income on sublease based on pattern reflecting a constant period rate of return on the net investment in the lease.

For subleases classified as operating lease, the Group recognises the lease income as Revenue (Note 2.25).

(c) Accounting for leases where the Group is the lessor

Where the Group is a lessor in a financial lease (which transfers substantially all the risks and rewards incidental to ownership of an underlying asset), the assets leased out are presented as a net investment in the lease. At the commencement date measurement of the net investment in the lease comprises the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives payable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. Finance income from leases is recorded under finance lease income in the statement of comprehensive income.

2.24 Current and deferred income tax

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

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

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Profit for 2019 is taxable at a rate of 15% (2018: 15%) in accordance with Lithuanian regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 19% (2018: 19%) in accordance with Polish regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 18% (2018: 18%) in accordance with Ukrainian regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 19% (2018: 19%) in accordance with United Kingdom regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 30% (2018: 30%) in accordance with German regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 20% (2018: 20%) in accordance with Russian regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 25% (2018: 25%) in accordance with Indonesian regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 12.5% (2018: 12.5%) in accordance with Cypriot regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 30% (2018: 30%) in accordance with Nigerian regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 20% (2018: 20%) in accordance with Thai regulatory legislation on taxation. Profit for 2019 is taxable at a rate of 19% (2018: 19%) in accordance with Czech Republic regulatory legislation on taxation. Corporate income tax in Estonia and In Latvia is shifted from the moment of earning the profits to the moment of their distribution, i.e. until dividends pay out.

According to Lithuanian, Latvian, Ukrainian, British, Russian and Nigerian legislation, tax losses accumulated are carried forward indefinitely; according to Polish, Czech, Cypriot, Indonesian and Thai legislation, tax losses accumulated per year are carried forward during 5 years. According to Lithuanian legislation starting from 1 January 2014 the tax loss carry forward that is deductible cannot exceed 70% of the current financial year taxable profit.

Tax losses can be carried forward for indefinite period in Lithuania, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself.

The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

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

2.25 Revenue recognition

Revenue of the Group consists of aircraft and aircraft components maintenance and overhaul, training of aviation specialists, technical consulting, and aircraft ground handling services, into-plane fuelling and web-site subscription services, providing private and corporate charter flights as well as tour operator, aircraft and crew lease revenue, sales of aircraft, commission income and other related services.

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 Group expects to be entitled in exchange for those goods or services.

Sales of services

Aircraft and aircraft components maintenance, training and technical consulting, web-site subscription services are provided to the customers on time and material basis or as a fixed-price contract, with contract generally ranging from less than one year (single contract) to the long-term contract. The Group recognises revenue from these services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the equipment (spare parts) are recognised at a point in time, generally upon delivery of the equipment. The price for the spare parts is pre-agreed in the contracts and represents a separate performance obligation.

Business charter operations revenue, aircraft ground handling and into-plane fuelling revenue is recognized at a point in time, - upon completion of the air transportation or upon delivery of services to the customer.

Most of contracts are fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

Sales of short-term training and other services are recognized at point in time based on actual services provided. Long-term services (pilot and crew training, web-site subscription services) are recognised over the time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Sales of goods

Revenue from sale of aircraft, fuel and spare parts is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer. Such elements are not present in the group.

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

In addition, warranties for spare parts are given by the original manufacturer and therefore the Group does not make any warranty provisions over spare parts.

Significant financing component

Generally, the Group receives short-term advances from its customers (these are presented as contract liability). Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less

2.25 Revenue recognition (continued)

Lease revenue

In Aircraft Trading and Portfolio Management segment lease revenue consists of lease revenue (fixed part) and supplemental maintenance rent (variable part) from aircraft leases.

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

In addition to the fixed lease revenue, under the same contracts and for the same aircraft the Group also receives variable lease payments, so called supplemental maintenance rent from aircraft leases, which are calculated based on actual utilization of airframes, engines and other major life-limited components, and which is recognised as revenue over the lease term based on actual usage of the leased aircraft.

Lease revenue is recognised over time based on aircraft hours and cycles in operation

Fixed lease revenue and variable lease revenue are one performance obligation. Lease revenue is not within the Scope of IFRS15 "Revenue from contracts with customers".

In Aviation Logistics and Distribution Services segment almost all contracts include multiple deliverables, such as the lease of aircraft and related services. As the contracts include a fee per block hour, revenue is recognised in the amount to which the Group has a right to invoice.

IFRS 15 states that if a contract is partially within the scope of another standard, a company should apply any separation and/or measurement guidance in the other standard first. Otherwise, the principles in the revenue standards should be applied to separate and/or initially measure the components of the contract. The Group assessed that even though all arrangements with customers contain operating lease element, there is no difference in how revenue would be recognised under any of them, because:
• under operating lease model revenue is recognised in income on a systematic basis as block hours delivered to block hours promised, which is most representative of the time pattern in which benefit derived from the leased aircraft is diminished; or
• under IFRS 15 revenue is recognised over time using output method, i.e. measuring the progress based on block hours delivered.

The Group recognises revenue from contracts with customers over time and proportionally allocates to different performance obligations based on the actual costs of services provided that are related to each performance obligation or revenue stream (Note 5).

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule or invoices issued. If the services rendered by the Group exceeds the payment, a contract asset is recognised, also referred as accrued income. If the payments exceed the services rendered, a contract liability is recognised, also referred as deferred revenue.

Crew lease revenue is recognized when the Group leases crew without aircraft. Those revenue recognized over time as the services are performed based on hours delivered.

Commission income

The Group acts as an agent for a number of clients. The Group earns a fee or commission in return for arranging the provision of services on behalf of principal. The amounts collected on behalf of the principal are not recognised as revenue. Instead, the commission fees received are recognised as revenue. Commission income is recognized in the accounting period in which control of the services is passed to the customer, which is when the services are rendered, therefore commissions income is recognized at a point of time.

2.25 Revenue recognition (continued)

Revenue from real estate

Revenue from real estate is recognised in the accounting period in which control of the services (hotel services) is passed to the customer, which is when the services are rendered. Revenue from real estate is recognized over time.

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.

2.26 Employee benefits

Social security contributions

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

The social security contributions amounting to EUR 5 million for the Group (2018: EUR 14 million for the Group) are recognized as an expense on an accrual basis and are included within employee related expenses.

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

Supplementary health insurance

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

Termination benefits

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

Defined contribution pension scheme

The Group operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plans are held separately from the Group in independently administered funds.

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

3 Financial risk management

3.1 Financial risk factors

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

Risk management is carried out by Group's top management close cooperation with the Board of the Company. Top management meetings are held to discuss overall risk management and 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 Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD), British Pound (GBP), Polish Zloty (PLN) and Russian Ruble (RUB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

For calculation of foreign exchange risk's sensitivity financial assets and financial liabilities, denominated at US-dollars, British Pounds, Polish Zloty and Russian Ruble are multiplied by reasonably possible change of EUR to US dollars, EUR to British Pounds, EUR to Polish Zloty and EUR to Russian Ruble respectively. Reasonable possible change is provided in the table below:

	2019	**2018**
Reasonably possible change of EUR to USD	2%	5%
Reasonably possible change of EUR to GBP	5%	2%
Reasonably possible change of EUR to PLN	1%	3%
Reasonably possible change of EUR to RUB	15%	13%

As at 31 December 2019 the Group's post-tax profit for the year would have been: EUR 8 744 thousand (2018: EUR 1 115 thousand), higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade and other receivables and trade and other payables, EUR 279 thousand (2018: EUR 28 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of British Pound denominated trade and other receivables and trade and other payables, EUR 7 thousand (2018: EUR 19 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Polish Zloty denominated trade and other receivables and trade and other payables, EUR 576 thousand (2018: EUR 352 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Russian Ruble denominated trade and other receivables and trade and other payables.

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

(b) Price risk

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

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

3.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk

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

Borrowings received at variable interest rates and denominated in the EUR and USD currencies expose the Group to cash flow interest rate risk. As at 31 December 2019 and 31 December 2018 Group's borrowings and finance lease liabilities at variable rate of 3 or 6 months EURIBOR or LIBOR plus fixed margin were denominated in EUR and USD respectively.

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

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

The presumable interest rate change creates acceptable impact on Group's annual profit as well as equity and makes EUR 93 thousand in 2019 (2018: EUR 390 thousand) impact on profit or loss.

Credit risk

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

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

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

Credit risk (continued)

(a) Maximum exposure of credit risk

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

	2019	**2018**
Trade receivables (Note 21)	64 536	38 490
Cash in bank (Note 23)	216 833	7 573
Other financial receivables	10 543	1 368
Contract assets (Note 22)	7 376	3 047
Trade receivables from related parties (Notes 21, 35)	683	1 106
Other financial receivables from related parties (Notes 21, 35)	4 047	171
Loans granted to related parties (Note 21)	20 330	7 111
Loans granted (Note 21)	10 845	2 123
Derivative financial instruments (assets)	449	-
Bank deposits	84 994	-
	420 636	**60 989**

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

	2019	**2018**
Germany	12 374	3 254
United Kingdom	6 722	4 673
Russia	5 927	4 697
United States	3 324	55
Ireland	2 730	1 752
United Arab Emirates	2 295	875
Hungary	2 138	1 458
Lithuania	1 862	1 502
Pakistan	1 841	17
Ukraine	1 463	1 721
Latvia	465	2 983
Belgium	323	1 500
Bangladesh	288	1 928
Other (less than EUR 1 500 thousand separately)	22 784	12 075
Total trade receivables	**64 536**	**38 490**

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

3. Financial risk factors (continued)

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

	2019	2018
Customer AN	-	2 295
Customer AM	2 296	1 636
Customer T	2 088	1 441
Customer AP (new)	5 480	-
Customer AR (new)	2 038	-
Customer AS (new)	1 820	-
Customer AT (new)	1 658	955
Other (less than EUR 1 500 thousand separately)	49 156	32 163
Total trade receivables	**64 536**	**38 490**

(b) Impairment of financial assets

Groups of financial assets for ECL measurement purposes

The Group has two groups of financial instruments:

- trade receivables and contract assets 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 and 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. General individual assessment model is applied for ECL calculation, described below in paragraph Measurement of ECL - *other financial assets measured at amortised cost*.

The Group's loss allowance provision for financial assets measured at amortised cost as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Loss allowance provision		
	For trade receivables	For other financial assets	Total
Opening loss allowance as at 1 January 2018	**(13 728)**	**(7 465)**	**(21 193)**
Increase (decrease) in the provision recognised in profit or loss in other expenses during the period (Note 14)	(1 259)	(299)	**(1 558)**
Reclassification of loss allowance provision	55	126	**181**
Cumulative currency differences	12	-	**12**
Receivables written off during the year as uncollectible	578	-	**578**
As at 31 December 2018 (Note 21)	**(14 342)**	**(7 638)**	**(21 980)**
Opening loss allowance as at 1 January 2019	**(14 342)**	**(7 638)**	**(21 980)**
Increase (decrease) in the provision recognised in profit or loss in other expenses during the period (Note 14)	(1 791)	402	**(1 389)**
Increase in the provision due to acquisitions	(1 813)	(15 821)	**(17 634)**
Reclassification of loss allowance provision	139	-	**139**
Cumulative currency differences	20	253	**273**
Receivables written off during the year as uncollectible	73	-	**73**
As at 31 December 2019 (Note 21)	**(17 714)**	**(22 804)**	**(40 518)**

3. Financial risk factors (continued)

Measurement of significant increase in credit risk

The Group 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 Group 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.

The presumptions made by the Management of the Group and presented above are measured on the basis of the historical experience of the Groups aviation business. According to the overdue debt recovery statistical data of the Group 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 Group 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 Group'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.

The management considers that a more lagging default is appropriate due to the specific regulations, authorizations and licencing requirements for aviation business and Group's overall experience with start-up entities.

3. Financial risk factors (continued)

A summary of the assumptions underpinning the Groups' 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.	Asset is written off through profit or loss to the extent of expected losses

Group uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million), strategic clients other financial assets as described below. The Group uses six categories of internal credit rating (category 1 being least risky and category 6 – defaulted), which reflect credit risk of financial assets. 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 Group's management reviews key macroeconomic indicators for the markets where Group's debtors are operating and determines if there are expected significant changes that would affect ECL. If management determines that there are no such significant expected changes in macroeconomic variables, ECL based on historical information is used.

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

3. Financial risk factors (continued)

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 Group does not possess any collateral or other means of recovery. After write-off the Group continues to engage in enforcement activity with attempt to recover the receivable due. Any recoveries are recognised as a gain in profit/loss.

Measurement of ECL- trade receivables and other contract assets

The Group applies the 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 Group'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 Group 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.

2019	**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**
GROUP					
Expected loss rate	0,88%	0,65%	10,49%	66,93%	**5,66%**
Gross carrying amount	30 040	29 646	1 801	4 629	**66 116**
Loss allowance provision	(264)	(193)	(186)	(3 099)	**(3 742)**

2018	**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**
GROUP					
Expected loss rate	0,69%	2,55%	8,30%	47,55%	**6,76%**
Gross carrying amount	28 555	3 055	2 470	4 482	**38 562**
Loss allowance provision	(192)	(78)	(205)	(2 131)	**(2 606)**

The Group uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Group'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 Group's loss allowance provision as at 31 December 2019 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	0,75%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	8 829	(66)
Category 2	Stage 1	6,37%		455	(29)
Category 3	Stage 2	11,54%	Lifetime expected losses	26	(3)
Category 4	Stage 2	36,61%		773	(283)
Category 5	Stage 3	80,48%		1 404	(1 130)
Category 6	Stage 3	98,06%	Asset is written off through profit or loss to the extent of expected losses	12 707	(12 460)
Total:		57,85%		**24 194**	**(13 972)**

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

3. Financial risk factors (continued)

The Group's loss allowance provision as at 31 December 2018 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	1.38%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	5 007	(69)
Category 2	Stage 1	5.26%		874	(46)
Category 3 (for start-ups)	Stage 1	12.50%	Lifetime expected losses	32	(4)
Category 3	Stage 2	10.86%		718	(78)
Category 4	Stage 2	28.30%		424	(120)
Category 5	Stage 3	86.33%		1 163	(1 004)
Category 6	Stage 3	98%	Asset is written off through profit or loss to the extent of expected losses	10628	(10 415)
Total:		62.28%		**18 846**	**(11 736)**

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 Group uses individual assessment model for determining ECL for other financial assets as described above in section "*Measurement of significant increase in credit risk*".

The Group's loss allowance provision as at 31 December 2019 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	0,45%	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	35 006	(158)
Category 1 (for start-ups)	Stage 1	0%		1 251	-
Category 2	Stage 1	5,11%		137	(7)
Category 3	Stage 2	11,29%	Lifetime expected losses	1 001	(113)
Category 5	Stage 3	51,78%		17 956	(9 298)
Category 6	Stage 3	100%	Asset is written off through profit or loss to the extent of expected losses	13 228	(13 228)
Total:		33,25%		**68 579**	**(22 804)**

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

3. Financial risk factors (continued)

The Group's loss allowance provision as at 31 December 2018 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	0.63%	12 months expected losses. Where the	9 695	(61)
Category 2	Stage 1	5.84%	expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	736	(43)
Category 3	Stage 2	13.57%	Lifetime expected losses	516	(70)
Category 6	Stage 3	100%	Asset is written off through profit or loss to the extent of expected losses	7 464	(7 464)
Total (restated, see Note 34):				**18 411**	**(7 638)**

* Financial ratios are not calculated for *start-up business companies*. Nine internal credit rating categories for *start-up business companies* are assigned on initial recognition depending on the term of activity since establishment. Initially start-up businesses are measured based on 12 month ECL. At each balance sheet date the Group considers whether there has been a significant increase in credit risk since the initial recognition. According to the definition of significant increase in credit risk for start-up business companies, if a company's operating results are decreasing or 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 2019 reconciles to the opening loss allowance for that provision as follows:

	Loans	Investment in bonds	Other receivables	Total
Opening loss allowance as at 1 January	**(54)**	**(7 345)**	**(66)**	**(7 465)**
Increase in the provision recognised in profit or loss in other expenses during the period	(281)		(18)	**(299)**
Reclassification of loss allowance provision	139		(13)	**126**
As at 31 December 2018	**(196)**	**(7 345)**	**(97)**	**(7 638)**
Opening loss allowance as at 1 January 2019	**(196)**	**(7 345)**	**(97)**	**(7 638)**
Increase in the provision recognised in profit or loss in other expenses during the period	2 350		(1 948)	**402**
Increase in the provision due to acquisitions	(13 395)	(2 423)	(3)	**(15 821)**
Currency translation differences	161	(24)	116	**253**
As at 31 December 2019	**(11 080)**	**(9 792)**	**(1 932)**	**(22 804)**

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

3. Financial risk factors (continued)

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

Major amounts of cash is held in the banks and financial institutions 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 Group's cash and cash equivalents.

See the table below for analysis of the Group's cash and cash equivalents according to the credit quality (Note 23).

	2019	**2018**
AA-	538	537
A+	67 473	109
AA	31 716	-
A	102 871	4 757
A-	981	111
BBB+	1 545	64
BBB	3 287	21
BBB-	405	828
BB+	624	321
BB	2	3
BB-	335	-
B+	199	9
B	6 341	21
B-	70	-
Other	446	792
Cash on hand	419	144
	217 252	**7 717**

** - external long term credit ratings set by international agencies Standards & Poor's, Fitch ratings and Moody's Ratings as at 2018/2019.*

<u>Security deposit with lessor, loans granted and loans granted to related parties</u>

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

Liquidity risk

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

As at 31 December 2019 current liabilities in fifty five subsidiaries of the Group exceeded the current assets. Management of the Group believes that this will not have any impact on the ability of subsidiaries of the Group to continue as going concern. In addition the parent company – *AVIA SOLUTIONS GROUP PLC* – is able to provide financial support to enable subsidiaries to continue operations for at least twelve months from the date of approval of the financial statements, if needed.

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

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

3. Financial risk factors (continued)

	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2019			
Trade and other payables	72 952	4 283	-
Bank overdraft	5 236		-
Bonds issued	22 216	348 693	-
Bank borrowings	1 842	9 692	69
Security deposits received	7 123	1 097	
Finance lease liabilities (Note 27)	96 332	181 850	28 056
Derivative financial instruments	-	4 686	
Accrued expenses for certain contracts	2 123	-	-
Other borrowings	144	-	-
	207 968	**550 301**	**28 125**
31 December 2018			
Trade and other payables	26 696	-	-
Bank overdraft	24 351	-	-
Bank borrowings	6 388	5 701	-
Finance lease liabilities (Note 27)	5 794	10 431	2 389
Accrued expenses for certain contracts	2 280	-	-
Other borrowings	637	2 110	-
	66 146	**18 242**	**2 389**

3.2 Capital risk management

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

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

The Group's gearing ratio is as follows:

	2019	2018
Total borrowings (Note 27)	514 327	51 098
Less: cash and cash equivalents (Note 23)	(217 252)	(7 717)
Net debt	297 075	43 381
Total equity	346 022	64 755
Total capital	**643 097**	**108 136**
Gearing ratio	46%	40%

3.3 Fair value estimation

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

Fair value of interest free security deposit with the suppliers approximates its carrying value which was calculated discounting nominal value of deposit using market interest rate (at 2.88%, Note 29). Loans to third and related parties were granted at market interest rates, therefore, their carrying value approximate fair value.

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

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

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

(a) Expected credit losses (ECL) on accounts receivable

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost: trade receivable, loans, other receivable, bonds, and accrued revenue. Total ECL amounted to EUR 40 529 thousand as at 31 December 2019 and 21 992 thousand as at 31 December 2018.

Loss allowances for trade receivables and contract assets 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 Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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.

4 Critical Accounting Estimates and Significant Judgments (continued)

(b) Allowances for inventories

The Group has a material inventory balance and performs testing whether inventory balance is properly accounted for at the lower of cost and net realisable value by estimating allowance for slow moving or obsolete inventory. For this estimation the Group reviews major inventory items and establishes net realisable values based on the best estimate of the selling prices of each inventory item, taking into account management's experience and market conditions. Deviations of management estimated selling prices from actual prices at which inventory items may be sold may lead to a material impact on the Group's profit or loss. Allowances for inventories amounted to EUR 5 663 thousand as at 31 December 2019 and EUR 5 087 thousand as at 31 December 2018 and are disclosed in Note 20.

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

Under the terms of "power by the hour" (PBH) aircraft maintenance contracts, the Group (supplier) has the obligation at its expense to repair and administer the Components' Pool for the Customer's aircraft fleet. For this estimation the Group reviews accruals for PBH contracts based on best estimates of the repair or/and maintenance of each component item, taking into account management's experience and market conditions. Deviations of management estimated components' repair and maintenance expenses from actual expenses at which component item may be repaired or/and maintained should not lead to any material impact on the Group's profit or loss. PBH aircraft maintenance contracts amounted to EUR 2 123 thousand as at 31 December 2019 and EUR 2 280 thousand as at 31 December 2018.

(d) Income taxes

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

Deferred tax assets amounted to EUR 10 615 thousand as at 31 December 2019 and EUR 6 914 thousand as at 31 December 2018 and are disclosed in Note 30.

(e) Property, plant and equipment and intangible assets

Estimates concerning useful lives of property, plant and equipment may change due to constant technology advancement. Useful lives of property, plant and equipment are disclosed Note 2.5 and depreciation charge for the year is disclosed in Note 16. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge. The useful lives of property, plant and equipment are determined by the management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Most of property, plant and equipment of the Group comprise machinery, buildings and vehicles. The residual value of aircraft engines represents the amount the Management believes, based on historical experience, the aircraft engine can be sold or traded for at the end of its useful life, after its tear down into spare parts and components (Note 2.5).

Property, plant and equipment amounted to EUR 368 628 thousand as at 31 December 2019 and EUR 62 449 thousand as at 31 December 2018 and are disclosed in note 16. Intangible assets amounted to EUR 79 912 thousand as at 31 December 2019 and EUR 6 963 thousand as at 31 December 2018 and are disclosed in Note 17.

4 Critical Accounting Estimates and Significant Judgments (continued)

(f) Estimated impairment of goodwill and purchase price allocation

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

As disclosed in Note 2.2, the acquisition method of accounting is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. These calculations require the use of estimates which are disclosed in Note 33 "Business Combinations".

Goodwill amounted to EUR 72 394 thousand as at 31 December 2019 and EUR 3 909 thousand as at 31 December 2018 and is disclosed in note 17 and 33.

(g) Provision for "C-check"

Under some lease contracts, the Group (as a customer) has the obligation at its expense to perform a periodic C-check inspection upon the redelivery of the leased aircraft or at some defined periods if not returned earlier. For this present obligation the Group makes the best estimate for C-check (separate components repair and maintenance) expenses based on historical costs for similar inspections, taking into account management's experience and market conditions. Deviations of management estimated C-Check expenses from actual expenses at which component item may be repaired or/and maintained might occur, although expected not to lead to any material impact on the Group's profit or loss and is accounted for when occur. With the adoption of IFRS 16 Leases effective from 1 January 2019, estimated C-Checks costs related to aircraft leases for which a right-of-use asset is recognised are capitalised to a right-of-use asset when contractual obligation arises (usually after the most recent C-check event) and depreciated during the remaining period until the next C-Check event. Provisions for C-check amounted to EUR 6 003 thousand as at 31 December 2019. The Group had no provisions for C-check as at 31 December 2018.

When the lease contract does not determine the C-check inspection upon the redelivery condition, such costs are capitalized when incurred and depreciated during the remaining period of the lease or until next inspection depending which is first.

4 Critical Accounting Estimates and Significant Judgments (continued)

(h) Going concern

As stated in the Note 2.1, these consolidated financial statements were prepared on a going concern basis, which assumes that the Group will be able to meet its current liabilities and to continue as a going concern.

During 2020 Avia Solutions Group operations were significantly impacted by the spread of COVID-19 virus. The coronavirus (COVID-19) pandemic has created a difficult-to-predict and unprecedented situation all around the world, which has affected all business sectors.

On 11 March 2020 the World Health Organisation declared the coronavirus outbreak a pandemic. Responding to the potentially serious threat the COVID – 19 presents to public health, the Lithuanian and other government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments, that had a significant impact on industry that the Group operates.

On 16 March 2020 Lithuanian and other governments announced a State aid program to counter the negative effects of the outbreak of COVID-19 on the economy such as employee cost compensation packages, tax deferral plans.

Each segment of the Group has been affected by Covid-19 differently. As at the date of issue of these financial statements Aviation Support Services segment has been operating at a decreased capacity in MRO services such as base maintenance, engineering services, line maintenance services, spare parts trading and services such as training were virtually suspended. Ground handling and fueling services related to passenger services were virtually suspended and servicing continued for cargo aircraft only until passenger flights will be resumed. Training services were suspended and gradually recovering as operating restrictions are being lifted, though it remains significantly impacted by travel restrictions. Tour operations remain virtually suspended. In Aviation Logistics and Distributions Services are had a mixed impact where by ACMI services (which constitute app. 43% of total 2019 revenue of ALDS segment) are suspended and cargo brokering services (which constitute app. 33% of total 2019 revenue of ALDS segment) are coping with significantly increased demand for services. Aircraft Trading and Portfolio Management serviced are continuing at a decreased capacity working on the projects that are driven by increased demand for cargo services.

As at 31 March 2020 the Group had EUR 136.3 million in cash and cash equivalents and further EUR 173.6 million in short term bank deposits that are expected to remain the main source of liquidity during Covid-19 restrictions period and subsequent market recovery.

Based on the publicly available information at the date these financial statements were authorized for issue, management considered a number of severe but plausible scenarios with respect to the potential development of the outbreak and its expected impact on the entity and economic environment in which the entity operates, including the measures already taken by the Lithuanian government and governments in other countries where the entity's major business partners and customers are located.

Management considered the fact that the Group operates in a sector subject to temporary lockdown imposed by the government and has considered that the adverse economic environment may last the following one or two quarters of 2020 with potential recovery in Q1 2021 or even later.

4 Critical Accounting Estimates and Significant Judgments (continued)

In response to these possible scenarios, management has already initiated actions aimed at mitigating the risks, which notably include:

- negotiations with certain counterparties in order to agree on more favourable terms and conditions;
- review of its existing commitments related to capital expenditures in the view of their cancellation or postponement;
- utilization of support offered by the governments in terms of employee cost compensation packages and tax deferrals during lock downs;
- implementation of work from home program on a rotational basis for a significant group of administrative employees as well as employees in sales and procurement departments;
- optimization of labour force and introducing payroll reductions;
- employees in production department have been trained to adhere to very strict precautionary standards including social distancing;
- arrangements with alternative transportation companies to ensure uninterrupted distribution of products;
- adjustments to the Group's operations to respond to the possible changes in demand for the services offered by the entity.

On 3 December 2019 Avia Solutions Group PLC completed a bond issue process and issued USD 300 000 thousand of senior unsecured notes, which were listed in the Euronext Dublin. The Group has cash from this bonds issue which will support the Group's liquidity in the next twelve months.

Furthermore, management assessed the liquidity of the Group by projecting cash flows for the next twelve months and considered the level of liquid assets necessary to meet these. Those group companies that have experienced most significant negative impact due to latest COVID outbreak related events will rely on financial support and funds available within the Group. Management applied conservative approach for the forecast and stress tested worst case scenario, which includes the following assumptions.:

- the expected decrease in cash inflow from revenue generated by approximately 50 per cent;
- the decrease in cash outflow due to agreed more favourable terms with certain counterparties;
- the decrease in the cash outflow related to employee costs is expected to be due to optimization of labour force, introducing of payroll reductions and utilization of support offered by the governments;
- the decrease in cash outflow due to cancelation or postponement of capital expenditures to minimum;
- the decrease in cash outflow due to tax deferrals offered by the governments;
- the Management assumes that interest on long term borrowings to be paid on due time, as other payments negotiated to be rescheduled

The analysis showed that the Group maintains sufficient cash and is able to provide financial support to enable subsidiaries to continue operations for at least twelve months from the date of approval of the financial statements, if needed.

Additionally, the management reviewed the compliance of the Group with debt covenants. There is no financial covenants on bonds issued and non-financial covenants are strictly monitored by the Management of the Group. Having reviewed the covenants of significant borrowing, the Management concluded that the Group will be able to comply with them for at least twelve months from the date of approval of the financial statements.

In management's view, the above factors support the assertion that 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 Group's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

(i) Related party transactions

In the normal course of business the Group enters into transactions with its related parties. Judgment is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. For the related party transactions that occurred during the current and prior period refer to Note 35.

5 Segment information

Segments from 1 January 2019

For management purposes, the Group is organised into business units based on the services provided, and has four reportable operating segments:
- Aviation Supporting Services;
- Aviation Logistics and Distribution Services;
- Aircraft Trading and Portfolio Management;
- Unallocated (holding and financing activities).

Aviation Supporting Services

Aviation Supporting Services segment is involved in providing services to airlines to support their business (services and products to aircraft and aircraft itself) using own assets. This segment include aircraft and aircraft components' maintenance services, repair, overhaul, engineering, spare parts and consumable sale, aircraft handling, passengers servicing, tickets sale and into-plane fuelling, full scope of integrated flight training and recruitmentsolution services.

Aviation Logistics and Distribution Services

Aviation Logistics and Distribution Services segment provide services using aircraft to airline and non-airline customers using contracted capacity. This segment include logistics services, a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries.

Aircraft Trading and Portfolio Management

Aircraft Trading and Portfolio Management segment is engaged in the business of aircraft leasing, trading and management.

Unallocated Sales

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

Segments before 1 January 2019

Before 1 January 2019 the Group had five reportable operating segments:

Aircraft Maintenance, Repair and Overhaul (MRO)

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

Aircraft Ground Handling and Fuelling

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

5 Segment information (continued)

Crew Training and Staffing

The crew training and staffing segment is involved in full scope of integrated flight training and recruitment solutions.

Private Jet Charter, Flight and Tour Operations

The private jet charter, flight and tour operations segment includes carriage of passengers by private and corporate charter flights, tour operator and other related services.

Unallocated Sales

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue, cost and operating expenses, other income, other gain/loss and segment operating profit include transfers between business segments. Those transfers are eliminated on consolidation.

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

Management also regularly reviews capital investments on segment basis therefore additions to non-current assets has been separately disclosed according to each operating segment.

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2019:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Aircraft Trading and Portfolio Management	Aircraft Leasing, Crew, Maintenance and Insurance (ACMI)	Cargo Charter Services	Unallocated	Inter-segment transactions	Total
Year ended 31 December 2019										
Continuing operations										
Revenue from contracts with external customers	194 607	175 640	21 681	35 972	69 784	61 859	46 808	949	-	**607 300**
Timing of revenue recognition										
At a point in time	131 044	175 640	6 932	35 972	67 227	36 788	46 808	949		**501 360**
Over time	63 563	-	14 749	-	2 557	25 071	-	-		**105 940**
Inter-segment sales	14 781	18 987	1 653	1 130	64 532	61 068	18 135	3 527	(183 813)	-
Total revenue	**209 388**	**194 627**	**23 334**	**37 102**	**134 316**	**122 927**	**64 943**	**4 476**	**(183 813)**	607 300
Other income (Note 6)	820	656	522	19	1 386	251	-	857	(3 632)	**879**
Cost of services and goods purchased (Note 10)	(111 937)	(166 379)	(8 030)	(32 712)	(106 745)	(107 479)	(42 808)	(1 060)	164 548	**(412 602)**
Employee related expenses (Note 7)	(60 008)	(13 782)	(6 089)	(3 160)	(411)	(4 346)	(6 389)	(3 177)	660	**(96 702)**
Impairment-related expenses (Note 14)	(4 670)	(2 029)	(2)	116	(117)	(313)	(233)	(1 831)	4 154	**(4 925)**
Other operating expenses (Note 11)	(16 857)	(4 086)	(5 130)	(2 526)	(918)	(7 107)	(11 446)	(3 171)	16 500	**(34 741)**
Depreciation and amortisation (Note 8, 16, 17)	(5 512)	(4 760)	(2 449)	(996)	(456)	(18 822)	(1 531)	(593)	387	**(34 732)**
Other gain/(loss) – net (Note 9)	1 132	(33)	(75)	158	(8)	5 439	(968)	(21)	(4 334)	**1 290**
Segment operating profit	**12 356**	**4 214**	**2 081**	**(1 999)**	**27 047**	**(9 450)**	**1 568**	**(4 520)**	**(5 530)**	25 767
Finance costs - net (Note 12)										(6 898)
Share of profit (losses) of associates (Note 18)										(1 027)
Profit before income tax										**17 842**
Income tax (Note 13)										(5 712)
Net profit for the period										**12 130**

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2019:

	Aviation Support Services	Aviation Logistics and Distribution Services	Aircraft Trading and Portfolio Management	Unallocated	Inter-segment transactions	Total
Year ended 31 December 2019						
Continuing operations						
Revenue from contracts with external customers	393 254	143 313	69 784	949	-	**607 300**
Timing of revenue recognition						
At a point in time	314 942	118 242	67 227	949		**501 360**
Over time	78 312	25 071	2 557	-		**105 940**
Inter-segment sales	35 825	79 929	64 532	3 527	(183 813)	**-**
Total revenue	**429 079**	**223 242**	**134 316**	**4 476**	**(183 813)**	**607 300**
Other income (Note 6)	2 004	264	1 386	857	(3 632)	**879**
Cost of services and goods purchased (Note 10)	(286 775)	(182 570)	(106 745)	(1 060)	164 548	**(412 602)**
Employee related expenses (Note 7)	(80 566)	(13 208)	(411)	(3 177)	660	**(96 702)**
Impairment-related expenses (Note 14)	(6 707)	(424)	(117)	(1 831)	4 154	**(4 925)**
Other operating expenses (Note 11)	(26 272)	(20 880)	(918)	(3 171)	16 500	**(34 741)**
Depreciation and amortisation (Note 8, 16, 17)	(13 002)	(21 068)	(456)	(593)	387	**(34 732)**
Other gain/(loss) – net (Note 9)	1 025	4 628	(8)	(21)	(4 334)	**1 290**
Segment operating profit	**18 786**	**(10 016)**	**27 047**	**(4 520)**	**(5 530)**	**25 767**
Finance costs - net (Note 12)						(6 898)
Share of profit (losses) of associates (Note 18)						(1 027)
Profit before income tax						**17 842**
Income tax (Note 13)						(5 712)
Net profit for the period						**12 130**

Revenue from contracts with external customers include lease revenue for amount of EUR 23 630 thousand, from which EUR 21 216 thousand relates to variable lease payments in Aviation Logistics and Distribution Services Segment, EUR 1 772 thousand to fixed lease payments in Aircraft Trading and Portfolio Management Segment and EUR 642 thousand to variable lease payments in Aircraft Trading and Portfolio Management Segment.

In Aviation Logistics and Distribution Services Segment the Group proportionally allocates to different performance obligations/revenue streams based on the actual costs of services provided that are related to each revenue stream.

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2018:

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Unallocated	Inter-segment transactions	Total
Year ended 31 December 2018							
Continuing operations							
Revenue from contracts with external customers	169 932	204 555	20 036	36 361	1 590	-	**432 474**
Timing of revenue recognition							
At a point in time	121 097	204 555	3 594	36 351	1 590	-	**367 187**
Over time	48 835	-	16 442	10	-	-	**65 287**
Inter-segment sales	10 114	4 817	496	246	2 783	(18 456)	**-**
Total revenue	**180 046**	**209 372**	**20 532**	**36 607**	**4 373**	**(18 456)**	432 474
Other income (Note 6)	375	488	386	30	409	(1 427)	**261**
Cost of services and goods purchased (Note 10)	(95 747)	(186 063)	(9 199)	(34 022)	(1 049)	13 501	**(312 579)**
Employee related expenses (Note 7)	(50 498)	(11 948)	(5 173)	(2 355)	(2 426)	493	**(71 907)**
Impairment-related expenses (Note 14)	(3 282)	(1 066)	187	(376)	(569)	1 183	**(3 923)**
Other operating expenses (Note 11)	(16 157)	(3 821)	(3 973)	(1 797)	(1 894)	4 691	**(22 951)**
Depreciation and amortisation (Note 8, 16, 17)	(2 885)	(2 817)	(783)	(128)	(240)	-	**(6 853)**
Other gain/(loss) – net (Note 9)	61	(186)	189	(246)	166	32	**16**
Segment operating profit	**11 913**	**3 959**	**2 166**	**(2 287)**	**(1 230)**	**17**	**14 538**
Finance costs - net (Note 12)							(1 895)
Share of profit (losses) of associates (Note 18)							-
Profit before income tax							**12 643**
Income tax (Note 13)							(2 952)
Net profit for the period							**9 691**

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

5 Segment information (continued)

The following table present sales to external customers, cost and operating expenses, other income, other gain/loss and operating profit information according to the Group's business segments for year ended 31 December 2018:

	Aviation Support Services	Aviation Logistics and Distribution Services	Unallocated	Inter-segment transactions	Total
Year ended 31 December 2018					
Continuing operations					
Revenue from contracts with external customers	394 523	36 361	1 590	-	**432 474**
Timing of revenue recognition					
At a point in time	329 246	36 351	1 590	-	**367 187**
Over time	65 277	10	-	-	**65 287**
Inter-segment sales	15 427	246	2 783	(18 456)	**-**
Total revenue	**409 950**	**36 607**	**4 373**	**(18 456)**	**432 474**
Other income (Note 6)	1 249	30	409	(1 427)	**261**
Cost of services and goods purchased (Note 10)	(291 009)	(34 022)	(1 049)	13 501	**(312 579)**
Employee related expenses (Note 7)	(67 619)	(2 355)	(2 426)	493	**(71 907)**
Impairment-related expenses (Note 14)	(4 161)	(376)	(569)	1 183	**(3 923)**
Other operating expenses (Note 11)	(23 951)	(1 797)	(1 894)	4 691	**(22 951)**
Depreciation and amortisation (Note 8, 16, 17)	(6 485)	(128)	(240)	-	**(6 853)**
Other gain/(loss) – net (Note 9)	64	(246)	166	32	**16**
Segment operating profit	**18 038**	**(2 287)**	**(1 230)**	**17**	**14 538**
Finance costs - net (Note 12)					(1 895)
Share of profit (losses) of associates (Note 18)					-
Profit before income tax					**12 643**
Income tax (Note 13)					(2 952)
Net profit for the period					**9 691**

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

5 Segment information (continued)

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Aircraft Leasing, Crew, Maintenance and Insurance (ACMI)	Cargo Charter Services	Aircraft Trading and Portfolio Management	Unallocated	Inter-segment transactions	Total
As at 31 December 2019										
Segment assets	106 877	86 085	40 660	20 807	292 324	63 194	214 726	275 359	-	**1 100 032**
Segment liabilities	56 191	32 785	31 204	8 642	233 134	37 887	70 399	283 768	-	**754 010**
Acquisition of non-current assets (Notes 16, 17)	13 190	30 702	21 019	8 074	20 865	400	5 839	2 049	-	**102 138**
Depreciation and amortization (Notes 8, 16, 17)	(5 512)	(4 760)	(2 449)	(996)	(456)	(18 822)	(1 531)	(593)	387	**(34 732)**

	Aviation Support Services	Aviation Logistics and Distribution Services	Aircraft Trading and Portfolio Management	Unallocated	Inter-segment transactions	Total
As at 31 December 2019						
Segment assets	240 086	369 861	214 726	275 359	-	**1 100 032**
Segment liabilities	120 850	278 993	70 399	283 768	-	**754 010**
Acquisition of non-current assets (Notes 16, 17)	65 369	28 881	5 839	2 049	-	**102 138**
Depreciation and amortization (Notes 8, 16, 17)	(13 002)	(21 068)	(456)	(593)	387	**(34 732)**

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

5 Segment information (continued)

The Group's revenue for 2019 from external customers by geographical location of subsidiaries and by business segments detailed below:

Year ended 31 December 2019	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Aircraft Leasing, Crew, Maintenance and Insurance (ACMI)	Cargo Charter Services	Aircraft Trading and Portfolio Management	Unallocated	Total
Europe	183 975	163 743	20 832	35 971	61 859	42 288	2 575	949	**512 192**
Americas	-	-	-	-	-	2 633	67 209	-	**69 842**
Asia	10 498	-	849	-	-	1 673	-	-	**13 020**
CIS	134	11 897	-	1	-	-	-	-	**12 032**
Africa	-	-	-	-	-	207	-	-	**207**
Australia and pacific islands	-	-	-	-	-	7	-	-	**7**
Total	**194 607**	**175 640**	**21 681**	**35 972**	**61 859**	**46 808**	**69 784**	**949**	**607 300**

Year ended 31 December 2019	Aviation Support Services	Aviation Logistics and Distribution Services	Aircraft Trading and Portfolio Management	Unallocated	Total
Europe	369 876	138 792	2 575	949	**512 192**
Americas	-	2 633	67 209	-	**69 842**
Asia	11 347	1 673	-	-	**13 020**
CIS	12 031	1	-	-	**12 032**
Africa	-	207	-	-	**207**
Australia and pacific islands	-	7	-	-	**7**
Total	**393 254**	**143 313**	**69 784**	**949**	**607 300**

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

5 Segment information (continued)

	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Unallocated	Inter-segment transactions	Total
As at 31 December 2018							
Segment assets	100 512	48 600	22 578	9 360	3 511	-	**184 561**
Segment liabilities	62 074	34 028	18 370	4 216	1 118	-	**119 806**
Acquisition of non-current assets (Notes 16, 17)	3 768	10 616	13 617	3 709	190	-	**31 900**
Depreciation and amortization (Notes 8, 16, 17)	(2 885)	(2 817)	(783)	(128)	(240)	-	**(6 853)**

	Aviation Support Services	Aviation Logistics and Distribution Services	Unallocated	Inter-segment transactions	Total
As at 31 December 2018					
Segment assets	171 690	9 360	3 511	-	**184 561**
Segment liabilities	114 472	4 216	1 118	-	**119 806**
Acquisition of non-current assets (Notes 16, 17)	28 001	3 709	190	-	**31 900**
Depreciation and amortization (Notes 8, 16, 17)	(6 485)	(128)	(240)	-	**(6 853)**

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

5 Segment information (continued)

The Group's revenue for 2018 from external customers by geographical location of subsidiaries and by business segments detailed below:

Year ended 31 December 2018	Aircraft maintenance, repair and overhaul	Aircraft ground handling and fuelling	Crew training and staffing	Private Jet Charter, Flight and Tour Operations	Unallocated	Total
Europe	166 102	195 793	20 036	36 360	1 590	**419 881**
CIS	60	8 762	-	1	-	**8 823**
Asia	3 770	-	-	-	-	**3 770**
Total	**169 932**	**204 555**	**20 036**	**36 361**	**1 590**	**432 474**

Year ended 31 December 2018	Aviation Support Services	Aviation Logistics and Distribution Services	Unallocated	Total
Europe	381 931	36 360	1 590	**419 881**
CIS	8 822	1	-	**8 823**
Asia	3 770	-	-	**3 770**
Total	**394 523**	**36 361**	**1 590**	**432 474**

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

5 Segment information (continued)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as at 31 December 2019:

	31 December 2019	31 December 2018
Trade receivables	65 219	39 596
Contract assets	7 376	3 047
Contract liabilities	66 098	20 200

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract assets	**31 December 2019**	**31 December 2018**
Contract costs incurred and recognised profits (less losses) to date	9 371	5 861
Advances received	(1 917)	(2 792)
Less: provision for impairment	(78)	(22)
Current contract assets from contracts with customers	**7 376**	**3 047**

The contract liabilities primarily relate to the advance consideration received from customers for goods and services and is recognised revenue when the promised goods or services are delivered in the future.

Contract liabilities	**31 December 2019**	**31 December 2018**
Deferred revenue	12 984	2 253
Deferred revenue from related parties	-	47
Advances received	53 079	17 900
Advances received from related parties	35	-
Total contract liabilities	**66 098**	**20 200**

Contract liabilities primarily increased as at 31 December 2019 as compared to 31 December 2018 due to acquisition of new subsidiaries EUR 45 307 thousand.
The amount of revenue recognised during 2019 from performance obligations satisfied that was included in the contract liabilities as at the beginning of the period is EUR 62 412 thousand (2018: EUR 15 817 thousand). Revenue from performance obligations satisfied that were not included in the contract liabilities as at 1 January, 2018 was not significant for the Group.

The following table shows unsatisfied performance obligations by segments:

Aviation Support Services	**31 December 2019**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2019	18 648
Amount of contracts that is expected to be partially or fully satisfied during 2020	(16 265)
Amount of contracts that will be partially or fully satisfied during 2021	(2 383)

Aviation Logistics and Distribution Services	**31 December 2019**
Aggregate amount of contracts that are partially or fully unsatisfied as at 31 December 2019	4 791
Amount of contracts that is expected to be partially or fully satisfied during 2020	(4 791)

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

5 Segment information (continued)

The Group's revenue from external customers by geographical location of customers on 31 December 2019 and 31 December 2018 detailed below:

	2019	2018*
Ireland	92 154	21 616
Germany	59 103	27 824
United Kingdom	56 745	37 412
Russia	48 429	38 472
Lithuania	34 180	34 689
Latvia	28 719	37 104
Hungary	23 483	30 397
Turkey	23 299	7 380
Ukraine	22 988	19 411
Estonia	19 763	15 549
Belgium	19 608	2 448
Poland	6 534	17 091
Other countries	172 295	143 081
	607 300	**432 474**

* *Restated, see Note 34 – Discontinued operations*

The segment's sales to external customers are derived from the following single customers (the customers whose sales revenue exceed 10 per cent of total sales revenue of that segment in any of the years). The table below is presented without revenue from the unallocated business segment:

Segments before 1 January 2019:

	2019	2018
The aircraft maintenance, repair and overhaul (MRO) segment		
Other customers	194 607	169 932
	194 607	**169 932**

The aircraft ground handling and fuelling segment	**2019**	**2018**
Customer AN (new)	18 656	18 745
Customer T	16 711	27 619
Other customers	140 273	158 191
	175 640	**204 555**

The crew training and staffing segment	**2019**	**2018**
Other customers	21 681	20 036
	21 681	**20 036**

The private jet charter, flight and tour operations segment	**2019**	**2018**
Other customers	35 972	36 361
	35 972	**36 361**

Aircraft Leasing, Trading and Management segment	**2019**	**2018**
Customer AM (new)	66 847	-
Other customers	2 937	-
	69 784	**-**

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

5 Segment information (continued)

Aircraft Leasing, Crew, Maintenance and Insurance (ACMI) segment	2019	2018
Customer AO (new)	12 116	-
Other customers	49 743	-
	61 859	**-**

Cargo Charter Services segment	2019	2018
Customer AR (new)	15 350	-
Customer AS (new)	4 956	-
Other customers	26 502	-
	46 808	**-**

Segments after 1 January 2019:

Aviation Support Services segment	2019	2018
Other customers	393 254	394 523
	393 254	**394 523**

Aviation Logistics and Distribution Services segment	2019	2018
Customer AR (new)	15 350	-
Other customers	127 963	36 361
	143 313	**36 361**

Aircraft Leasing, Trading and Management segment	2019	2018
Customer AM (new)	66 847	-
Other customers	2 937	-
	69 784	**-**

In 2018 the Group's sales were not derived from any single customer whose sales revenue exceeded 10 per cent of total sales revenue. EUR 66 847 thousand revenue out of total consolidated EUR 607 300 thousand revenue (or around 11 per cent) was received from a single Customer AM during 2019.

6 Other income	2019	2018*
Interest income on loans**	552	135
Amortisation of government grants (Note 19)	243	254
Penalty due for late payments	15	(310)
Other income	69	183
	879	**262**

** Restated, see Note 34 – Discontinued operations and Note 38.*
**Interest income on loans are calculated by effective interest method.

7 Employee related expenses	2019	2018*
Wages and salaries	90 828	57 967
Social insurance expenses	5 250	13 692
Benefit related to option scheme (Note 36)	60	-
Pension reserve expenses	55	248
Contributions to defined contribution pension schemes	509	-
	96 702	**71 907**
Number of full time employees at the end of year	**3 467**	**2 556**

** Restated, see Note 34 – Discontinued operations*

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

8 Depreciation and amortisation

	2019	2018*
Depreciation of tangible assets (Note 16)	7 406	6 062
Amortisation of intangible assets (Note 17)	1 068	791
Depreciation of right-of-use asset (IFRS16)	26 258	-
	34 732	**6 853**

9 Other gain / (losses) – net

	2019	2018*
Net gain on sales of non-current assets	1 738	41
Net gain on sales of inventory and other current assets	1 407	1
Net foreign exchange loss on operating activities	(1 761)	(199)
Net gain from insurance claims	4	-
Net loss on sales of financial assets (Note 18, 33)	(6)	173
Other loss	(92)	
	1 290	**16**

** Restated, see Note 34 – Discontinued operations*

10 Cost of goods and services

	2019	2018*
Aircraft fuel expenses	140 014	172 886
Cost of goods purchased	79 806	69 688
Cost of purchased services	88 330	56 257
Rent of aircraft, training and other equipment	11 010	6 526
Rent and maintenance of premises	6 312	7 222
Aircraft operations costs and flight related charges	10 923	-
Aircraft repair and maintenance costs	16 865	-
Costs of aircraft sold	44 828	-
Employee rent and other related personnel expenses	14 514	-
	412 602	**312 579**

** Restated, see Note 34 – Discontinued operations*

11 Other operating expenses

	2019	2018*
Transportation and related expenses	5 251	5 165
Business travel expenses	6 258	4 155
Consultation expenses	6 698	3 056
Marketing and sales expenses	4 051	2 526
Office administrative, communications and IT expenses	4 101	2 705
Insurance expenses	2 853	1 503
VAT expenses	1 175	-
Other expenses	4 354	3 842
	34 741	**22 952**

** Restated, see Note 34 – Discontinued operations.*

Consultation expenses include statutory audit fees for the audit of the annual financial statements for amount of EUR 0.6 million, for the other assurance services for amount of EUR 0.5 million for the year 2019.

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

12 Finance income and costs

	2019	2018*
Foreign exchange gain on financing activities	1 968	-
Interest income on cash and cash equivalents	256	6
Other finance income	826	61
Finance income	**3 050**	**67**
Interest expenses on borrowings	(4 500)	(1 512)
Interest expenses on lease liabilities (IFRS16)	(4 469)	-
Foreign exchange loss on financing activities	-	(125)
Other finance costs	(979)	(325)
Finance costs	**(9 948)**	**(1 962)**
Finance costs – net	**(6 898)**	**(1 895)**

** Restated, see Note 34 – Discontinued operations.*

13 Income tax and deferred income tax

	2019	2018*
Current income tax	(6 895)	(3 165)
Deferred income tax (Note 30)	1 183	213
Total income tax expenses	**(5 712)**	**(2 952)**

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit (loss) before tax from continuing operations	**17 842**	**12 643**
Tax calculated at a tax rate 15 % in Lithuania	(1 320)	(2 071)
Tax calculated at a tax rate 20 % in Vietnam	43	5
Tax calculated at a tax rate 19 % in Poland	440	220
Tax calculated at a tax rate 18 % in Ukraine	(296)	(117)
Tax calculated at a tax rate 20 % in Russia	27	234
Tax calculated at a tax rate 19 % in United Kingdom	(258)	(346)
Tax calculated at a tax rate 30 % in Germany	(1 955)	32
Tax calculated at a tax rate 30% in Nigeria	(13)	(31)
Tax calculated at a tax rate 12.5 % in Cyprus	498	(4)
Tax calculated at a tax rate 25% in Indonesia	(477)	365
Tax calculated at a tax rate 19% in Czech Republic	(66)	(15)
Tax calculated at a tax rate 20% in Thailand	(4)	12
Tax calculated at a tax rate 25 % in Ireland	526	-
Tax calculated at a tax rate 25 % in Austria	(6)	-
Tax calculated at a tax rate 16,5 % in Hong Kong	11	-
Tax calculated at a tax rate 29 % in Belgium	(38)	-
Tax calculated at a tax rate 25 % in China	(4)	-
Tax calculated at a tax rate 28 % in South Africa	(14)	-
Tax calculated at a tax rate 27 % in USA	(105)	-
Tax calculated at a tax rate 30 % in Australia	(3)	-
Tax calculated at a tax rate 35 % in Malta	43	-
Tax effects of:		
- Expenses non-deductible for tax purposes	(2 506)	(1 020)
- Write off of previously recognised deferred tax assets	(10)	(119)
- Deferred tax assets not recognised on tax losses	(514)	(387)
- Non-taxable income	484	213
- Taxable income recognised for tax purposes	-	(77)
- Adjustment in respect of prior year	250	154
- Impact of foreign exchange differences	(1 087)	-
- Other differences	642	-
Total income tax expenses	**(5 712)**	**(2 952)**

14 Impairment-related expenses

	2019	2018*
Impairment of prepayments	(298)	-
Impairment of inventories	(1 428)	(1 610)
Impairment of other financial assets	402	(299)
Impairment of other assets	(1 773)	(746)
Impairment of non-current assets	(37)	(9)
Impairment of trade receivables and other contract assets	(1 791)	(1 259)
Total impairment-related expenses	**(4 925)**	**(3 923)**

** Restated, see Note 34 – Discontinued operations.*

15 Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. There were no dilutive instruments, thus earnings per share equals diluted earnings per share as at 31 December 2019.

	2019	2018*
Profit (loss) attributable to:		
Equity holders of the parent		
Profit (loss) for the year from continuing operations	11 287	10 698
Profit (loss) for the year attributable to equity holders of the parent	**11 287**	**10 698**
Weighted average number of ordinary shares (thousand)	**23 776**	**7 778**
Basic and diluted earnings per share		
From continuing operations	0.475	1.376
From discontinued operations	-	-
From profit (loss) for the year	**0.475**	**1.376**

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

16A Property, plant and equipment

	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Leasehold improve-ments	Prepayments for tangible assets	Aircraft	Aircraft engines	Construc-tion in progress	**Total**
Opening net book amount as at 1 January 2018	**10 655**	**5 455**	**6 775**	**6 919**	**400**	**144**	**1 224**	**219**	**193**	**31 984**
Acquisitions of subsidiaries (Note 33)	-	-	7 346	-	-	-	-	-	-	**7 346**
Additions (Note 5)	496	15 224	8 899	2 706	20	182	1 285	-	1 295	**30 107**
Disposals of subsidiaries (Note 33)	-	(10)	-	(162)	-	-	-	-	-	**(172)**
Disposals	-	(73)	(116)	(38)	-	-	-	-	-	**(227)**
Reclassifications	1 591	72	-	27	47	-	-	(116)	(1 367)	**254**
Write-offs	-	(3)	(40)	(5)	-	-	(364)	-	(1)	**(413)**
Cumulative currency differences	(4)	(126)	(207)	(23)	(4)	(3)	(1)	-	-	**(368)**
Depreciation charge (Notes 5, 8)	(487)	(1 239)	(2 105)	(1 949)	(94)	-	(188)	-	-	**(6 062)**
Closing net book amount as at 31 December 2018	**12 251**	**19 300**	**20 552**	**7 475**	**369**	**323**	**1 956**	**103**	**120**	**62 449**
At 31 December 2018										
Cost	18 667	27 446	26 498	16 631	584	323	2 805	348	1 501	**94 803**
Accumulated depreciation	(6 416)	(8 146)	(5 946)	(9 156)	(215)	-	(849)	(245)	(1 381)	**(32 354)**
Net book amount at 31 December 2018	**12 251**	**19 300**	**20 552**	**7 475**	**369**	**323**	**1 956**	**103**	**120**	**62 449**

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

16A Property, plant and equipment (continued)

	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Leasehold improve-ments	Prepayments and assets under preparation for use	Aircraft	Aircraft engines	Land	Construc-tion in progress	**Total**
Opening net book amount as at 1 January 2019	**12 251**	**19 300**	**20 552**	**7 475**	**369**	**323**	**1 956**	**103**	**-**	**120**	**62 449**
Acquisitions of subsidiaries (Note 33)	15 737	-	341	7 063	5 491		8 102	46	1 262	1 502	**39 544**
Additions (Note 5)	147	778	412	4 699	909	6 373	11 866	2	-	965	**26 151**
Reclassified to/from right-of-use assets	-	(12 682)	(17 799)	(154)	-	-	3 117	-	-	-	**(27 518)**
Disposals	(14)	(39)	(42)	(1 435)	(466)	(182)	(556)	-	-	-	**(2 734)**
Reclassifications	845	(3 398)	-	654	(73)	1 884	1 896	-	-	(1 234)	**574**
Write-offs	-	(14)	(12)	(30)	(51)	-	-	-	-	(11)	**(118)**
Cumulative currency differences	(272)	79	109	193	(101)	(10)	(51)	(1)	(26)	(8)	**88**
Depreciation charge (Notes 5, 8)	(857)	(1 029)	(681)	(2 653)	(1 159)	-	(943)	(7)	-	-	**(7 329)**
Closing net book amount as at 31 December 2019	**27 837**	**2 995**	**2 880**	**15 812**	**4 919**	**8 388**	**25 387**	**143**	**1 236**	**1 334**	**90 931**
At 31 December 2019											
Cost	35 094	11 790	6 215	27 192	6 289	8 388	26 888	395	1 236	1 421	**124 908**
Accumulated depreciation	(7 257)	(8 795)	(3 335)	(11 380)	(1 370)	-	(1 501)	(252)	-	(87)	**(33 977)**
Net book amount at 31 December 2019	**27 837**	**2 995**	**2 880**	**15 812**	**4 919**	**8 388**	**25 387**	**143**	**1 236**	**1 334**	**90 931**

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

16B Property, plant and equipment (continued)

Right-of-use assets	Buildings and structures	Machi-nery	Vehicles	Other tangible fixed assets	Leasehold improve-ments	Aircraft	Aircraft engines	Land	Total
Opening net book amount as at 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions (Note 5)	15 070	6 887	29 233	36	1 428	15 953	350	649	**69 606**
Acquisitions of subsidiaries (Note 33)	3 169	-	11	2 788	1 690	198 857	702	16	**207 233**
Reclassified to/from Property, plant and equipment	-	12 683	17 799	154	-	(3 117)	-	-	**27 519**
Contract modification / termination	(255)	-	(27)	-	(347)	(3 386)	-	-	**(4 015)**
Cumulative currency differences	39	56	755	(143)	(49)	(2 376)	(12)	-	**(1 730)**
Depreciation charge (Notes 5, 8)	(3 248)	(848)	(3 042)	(145)	(203)	(18 224)	(531)	(17)	**(26 258)**
Closing net book amount as at 31 December 2019	**14 775**	**18 778**	**44 729**	**2 690**	**2 519**	**187 707**	**509**	**648**	**272 355**
At 31 December 2019									
Cost	18 041	20 014	50 070	2 973	2 720	206 165	1 037	665	**301 685**
Accumulated depreciation	(3 266)	(1 236)	(5 341)	(283)	(201)	(18 458)	(528)	(17)	**(29 330)**
Net book amount at 31 December 2019	**14 775**	**18 778**	**44 729**	**2 690**	**2 519**	**187 707**	**509**	**648**	272 355

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

16 C Property, plant and equipment (continued)

Investment property	**2019**	**2018**
Opening net book amount as at 1 January 2019	**-**	**-**
Acquisitions of subsidiaries (Note 33)	8 608	-
Additions (Note 5)	4 325	-
Reclassifications	(779)	-
Cumulative currency differences	(235)	-
Depreciation charge (Notes 5, 8)	(77)	-
At 31 December 2019	**11 842**	**-**
Cost	11 919	-
Accumulated depreciation	(77)	-
Net book amount at 31 December 2019	**11 842**	**-**

As at 31 December 2019 the investment properties were office building under construction in Cyprus. During 2019 rental income from investment property amounted to EUR 17 thousand.

As at 31 December 2019 buildings and investment property of the Group with the carrying amounts of EUR 2.9 million (as at 31 December 2018: EUR 10.4 million), machinery, vehicles and aircraft of the Group with the carrying amounts of EUR 12.9 million (as at 31 December 2018: 33.2 million) were pledged to the bank as collateral for borrowings (Note 27).

Property plant and equipment acquisitions financed using finance lease during 2018 amounts to 6 million EUR.

Leased assets, where the Group is a lessee under finance lease contracts comprised as follows as at 31 December 2018:

	2018
Cost – capitalised finance lease	
Machinery	2 569
Vehicles	8 209
Aircraft	1 558
	12 336
Accumulated depreciation	
Machinery	(450)
Vehicles	(2 933)
Aircraft	(347)
	(3 730)
Net book value	**8 606**

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

17 Intangible assets

	Licences	Goodwill	Software	Website	Other intangible assets	Prepayments relating to intangible assets	Total
Opening net book amount as at 1 January 2018	**482**	**3 909**	**938**	**195**	**-**	**746**	**6 270**
Acquisitions (disposals) of subsidiaries	(3)	-	(20)	-	-	-	**(23)**
Additions (Note 5)	141	-	870	110	127	320	**1 568**
Reclassifications	-	-	322	-	-	(322)	**-**
Disposals	-	-	-	-	-	(61)	**(61)**
Amortisation charge (Note 5,8)	(317)	-	(403)	(59)	(12)	-	**(791)**
Closing net book amount as at 31 December 2018	**303**	**3 909**	**1 707**	**246**	**115**	**683**	**6 963**
At 31 December 2018							
Cost	1 005	3 909	3 790	669	135	683	**10 191**
Accumulated amortisation and impairments losses	(702)	-	(2 083)	(423)	(20)	-	**(3 228)**
Net book amount	**303**	**3 909**	**1 707**	**246**	**115**	**683**	**6 963**
Opening net book amount as at 1 January 2019	**303**	**3 909**	**1 707**	**246**	**115**	**683**	**6 963**
Acquisitions (disposals) of subsidiaries	63	63 065	1 320	-	1 597	-	**66 045**
Additions (Note 5)	208	-	1 349	98	500	374	**2 529**
Reclassifications	(29)	-	38	-	(23)	69	**55**
Write-offs	(12)	-	-	-	-	(3)	**(15)**
Disposals	-	-	(46)	-	-	-	**(46)**
Cumulative currency differences	(2)	(80)	40	-	(13)	4	**(51)**
Amortisation charge (Note 5,8)	(188)	-	(678)	(82)	(120)	-	**(1 068)**
Closing net book amount as at 31 December 2019	**343**	**66 894**	**3 730**	**262**	**2 056**	**1 127**	**74 412**
At 31 December 2019							
Cost	1 203	66 894	6 316	734	2 197	1 127	**78 471**
Accumulated amortisation and impairments losses	(860)	-	(2 586)	(472)	(141)	-	**(4 059)**
Net book amount	**343**	**66 894**	**3 730**	**262**	**2 056**	**1 127**	**74 412**

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

17 Intangible assets (continued)

A segment-level summary of the goodwill allocation is presented below:

	31 December 2019	31 December 2018
Aviation Logistics and Distribution Services	50 102	-
Aircraft Trading and Portfolio Management	12 540	-
Aviation Support Services	4 252	3 909
Total goodwill	**66 894**	**3 909**

For the purpose of impairment testing, goodwill is allocated to group's cash-generating unit (CGU). As of 31 December 2019, there were ten cash-generating units identified (four as at 31 December 2018), which comprise goodwill from:

	31 December 2019	31 December 2018
Chapman Freeborn Holdings Limited (see Note 33)	21 954	-
Avion Express UAB (see Note 33)	16 515	-
Smart Aviation Holdings SIA (see Note 33)	11 633	-
AviaAM Leasing AB (see Note 33)	12 540	-
DG21 UAB (see Note 33)	315	-
Baltic Ground Services HR (see Note 33)	28	-
KIDY Tour OÜ	2 905	2 905
Storm Aviation Ltd.	703	703
Baltic Ground Services LV SIA	299	299
Avia Technics Dirgantara PT	2	2
Total goodwill	**66 894**	**3 909**

For the calculation of goodwill for CGU acquired in 2019 see Note 33. The recoverable amounts of other CGU's has been determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management for the five-year period. Management budgeted profit before tax is based on past performances, available line maintenance approvals (for Storm Aviation Ltd.) and basic licences, valued contracts with customers, and its expectations of market development.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	KIDY Tour OÜ		Storm Aviation Ltd	
	2019	**2018**	**2019**	**2018**
Pre-tax discount rate (%)	8%	7%	9%	9%
Average sales annual growth rate %	2%	11%	11%	11%

Based on analysis performed, the Management concluded that goodwill is not impaired as at 31 December 2019 (2018: no impairment loss).

According to management estimate, no reasonable change in the assumptions used in impairment testing of the recoverable amount of CGUs as of 31 December 2019 and 2018 as described above would result in material impairment.

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

18 Investments in joint venture

On 25 October 2018, AVIA SOLUTIONS GROUP PLC subsidiary Storm Aviation Ltd. together with partners established a joint venture company BSTS & Storm Aviation Limited (Bangladesh). The share of equity of the Group is 49% and the Group does not have a control over an investee. Registered capital is TK 50 000 000 (equivalent of EUR 525 thousand). As at 30 September 2018 the prepayment for amount of TK 9 800 000 (equivalent to EUR 103 thousand) was made by the Group. The company is planning to provide aircraft maintenance services in Bangladesh.

Name of entity	Country of incorporation	% of ownership interest	Measurement method
BSTS & Storm Aviation Limited	Bangladesh	49	Equity

The cost of Group's investment in joint venture as at 31 December 2019 amounted to EUR 103 thousand. Set out below is the summarized financial information for BSTS & Storm Aviation Limited which is accounted for using the equity method:

ASSETS	**31 December 2019**	**31 December 2018**
Property, plant and equipment	25	-
Trade and other receivables	45	-
Cash and cash equivalents	192	209
Total assets	**262**	**209**
LIABILITIES		
Total liabilities	**61**	**-**
Net assets	**201**	**209**
Share of Net assets (49%)	**99**	**103**

On 18 December 2018 AVIA SOLUTIONS GROUP PLC subsidiary FL Technics Hong Kong Limited together with partners established a joint venture company FL ARI Aircraft Maintenance & Engineering Company CO. LTD (China). The share of equity of the Group is 40% and the Group does not have a control over an investee. The joint venture company is providing aircraft maintenance services in China.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
FL ARI Aircraft Maintenance & Engineering Company CO. LTD	China	40	Equity

The cost of Group's investment in joint venture as at 31 December 2019 amounted to EUR 1 430 thousand. Set out below is the summarized financial information for FL ARI Aircraft Maintenance & Engineering Company CO. LTD which is accounted for using the equity method:

ASSETS	**31 December 2019**
Property, plant and equipment	14 371
Deferred income tax assets	742
Trade and other receivables	1 591
Cash and cash equivalents	1 773
Total assets	**18 477**
LIABILITIES	
Total liabilities	**18 447**
Net assets	**30**
Share of Net assets (40%)	**12**

The company has not conducted any operations during 2018.

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

18 Investments in joint venture (continued)

Statement of comprehensive income:

	2019
Revenue	**577**
Cost of Sales	(2 094)
Operating Expenses	(2 762)
Finance income/cost	94
Profit before income tax	**(4 185)**
Income tax	750
Profit (loss) for the reporting period	**(3 435)**
Share of profit (loss) attributable to the reporting entity (40%)	**(1 375)**

On 2 October 2019 Avia Solutions Group (CY) PLC completed the acquisition of the share capital in *AviaAM Leasing AB*. *AviaAM Leasing AB* holds a 51% stake in a joint venture AviaAM Financial Leasing China Co. Ltd., established on 4 August 2016. The cost of investment in joint venture amounted to USD 39,015 thousand (EUR 34,869 thousand) as at 31 December 2019. Joint venture is engaged in the business of operating leasing and management of brand new narrow and wide body aircraft.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
AviaAM Financial Leasing China Co.	China	51	Equity

The management has concluded that the Group does not control AviaAM Financial Leasing China Co., Ltd., even though it holds more than half of the voting rights of this entity. This is because the shareholder's agreement in relation to AviaAM Financial Leasing China Co., Ltd. requires unanimous consent from both parties for all relevant activities. The two partners have rights to the net assets of the joint venture. This entity is therefore classified as a joint venture in consolidated financial statements and the Group does not consolidate it, but accounts using equity method.

ASSETS	**31 December 2019**
Non-current assets	
Property, plant and equipment	800 821
Security deposits paid	6 539
	807 360
Current assets	
Trade and other receivables	4 966
Cash and cash equivalents	48 715
	53 681
Total assets	**861 041**
LIABILITIES	
Non-current liabilities	
Borrowings	599 081
Trade and other payables	964
Security deposits received	1 242
	601 287

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

18 Investments in joint venture (continued)

Current liabilities	
Borrowings	37 107
Security deposits received	2 145
Trade and other payables	4 428
Advance payments received	594
Current income tax liabilities	4 743
	49 017
Total liabilities under PRC GAAP *	**650 304**
Net assets under PRC GAAP *	**210 737**
Net assets attributable to shareholders without voting rights (classified as debt according to IFRS)	(119 174)
Net assets under IFRS *	**91 563**
Share of Net assets (51%)	**46 697**
Currency exchange impact	226
Carrying value as at 31 December 2019	**46 923**

** PRC GAAP means the China Accounting Standards as promulgated and amended from time to time and their interpretations, guidelines and implementation rules, which collectively are accepted as generally accepted accounting principles in the People's Republic of China.*

Statement of comprehensive income:

	2019
Revenue	**18 360**
Other income	(24)
Employee related expenses	(98)
Other operating expenses	(505)
Depreciation and amortisation	(6 190)
Impairment-related expenses	(323)
Finance income	597
Finance cost	(8 887)
Profit before income tax	**2 930**
Income tax	(1 663)
Profit (loss) for the reporting period	**1 267**
Share of profit attributable to the reporting entity	**646**
Acquisition adjustments	(293)
Share of profit attributable to the reporting entity adjusted	**353**

On 21 October 2019 Avia Solutions Group PLC together with partners established a joint venture company *BAA Training China Co., Ltd*. The share of equity of the Group is 50%, but the Group does not have a control over an investee. As at 31 December 2019 the share capital has not been paid. The joint venture company is planning to provide aircraft crew training services in China.

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Measurement method**
BAA Training China Co., Ltd.	China	50	Equity

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

19 Government grants

	2019	2018
Opening net book amount	**1 016**	**1 270**
Amortisation (Note 6)	(243)	(254)
Closing net book amount	**773**	**1 016**
Less non-current portion:	(773)	(1 016)
Current portion:	**-**	**-**

Government grants amortisation is recognised in "other income". In 2019, EUR 243 thousand of government grant amortisation was credited to the profit or loss on basis to match the appropriate expenses. In 2018, EUR 254 thousand of government grant amortisation was credited to the profit or loss on basis to match the appropriate expenses. The majority of government grants received relates to the purchase of property, plant and equipment. There are several contingencies related to received government grants – not to change assets', which were acquired using the funding, purpose and ownership for at least 5 years, the assets must be insured, a set number of workplaces maintained and not to change main activity for at least 5 years (till 19 December 2018).

20 Inventories

	2019	2018
Spare parts and materials – gross amount	32 405	26 328
Less: provision for impairment of inventories	(5 340)	(4 774)
Spare parts and materials	**27 065**	**21 555**
Goods for sale – gross amount	2 971	1 935
Less: provision for impairment of inventories	(313)	(313)
Goods for sale	**2 658**	**1 622**
Aircraft	61 028	-
Aircraft components	234	-
Aircraft fuel	1 954	1 506
Work in progress	216	344
Goods in transit	858	546
Other inventories	1 834	1 137
	95 847	**26 709**

The allowance for impairment of inventories in the total amount of EUR 1.4 million was additionally recognised in 2019 to represent their net realisable value (2018: EUR 1.6 million).

As at 31 December 2019 spare parts and materials of the Group with the carrying amounts of EUR 7.4 million (as at 31 December 2018: EUR 21.3 million), goods for sale, goods in transit, and other inventories of the Group with carrying amounts of EUR 1.1 million (as at 31 December 2018: EUR 2 million) were pledged to the bank as collateral for borrowings (Note 27).

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

21 Trade and other receivables	2019	2018*
Trade receivables	82 133	52 744
Less: provision for impairment of trade receivables	(17 597)	(14 254)
Trade receivables – net	**64 536**	**38 490**
Prepayments	24 179	8 740
Less: provision for impairment of prepayments	(626)	(380)
Prepayments - net	**23 553**	**8 360**
Other receivables	12 934	1 594
Discounting of other receivables	(73)	
Less: provision for impairment of other receivables	(1 908)	(94)
Other receivables – net	**10 953**	**1 500**
Trade receivables from related parties	722	1 172
Less: provision for impairment of trade receivables from related parties	(39)	(66)
Trade receivables from related parties - net (Note 35)	**683**	**1 106**
Loans granted to related parties	20 431	7 223
Less: provision for impairment of loans granted to related parties	(101)	(112)
Loans granted to related parties - net	**20 330**	**7 111**
Loans granted	21 979	2 207
Discounting of loans granted	(155)	
Less: provision for impairment of loans granted	(10 979)	(84)
Loans granted - net	**10 845**	**2 123**
Other receivables from related parties	4 315	174
Discounting of other receivables from other related parties	(244)	-
Less: provision for impairment of other receivables from related parties	(24)	(3)
Other receivables from related parties – net (Note 35)	**4 047**	**171**
VAT receivables	12 739	6 551
Receivables from investment in bonds - gross	9 792	7 345
Less: provision for impairment of receivables from investment in bonds	(9 792)	(7 345)
Receivables from investment in bonds - net	**-**	**-**
Deferred charges	12 281	1 819
Security deposit – net	23 149	2 277
Deferred charges to related parties (Note 35)	28	44
Security deposits from related parties placed – net (Note 35)	18	22
Prepayments from related parties (Note 35)	7	63
Total trade and other receivables:	**183 169**	**69 637**
Less non-current portion:	(40 319)	(4 052)
Current portion:	**142 850**	**65 585**

** Restated, see Note 34*

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

21 Trade and other receivables (continued)

Non-current portion of other receivables is disclosed below:

	2019	2018*
Loans granted to related parties	13 658	354
Less: provision for impairment of loans granted to related parties	(69)	(9)
Loans granted to related parties - net	**13 589**	**345**
Loans granted	20 650	2 125
Less: provision for impairment of loans granted	(10 392)	(34)
Loans granted - net	**10 258**	**2 091**
Prepayments - gross	1 204	955
Less: provision for impairment of prepayments	-	-
Prepayments - net	**1 204**	**955**
Security deposits from related parties placed – net (Note 35)	-	3
Security deposit – net	14 054	658
Other receivables	534	-
Less: provision for impairment of other receivables	(130)	-
Other receivables – net	**404**	**-**
Other receivables from related parties	815	-
Less: provision for impairment of other receivables from related parties	(5)	-
Other receivables from related parties – net	**810**	-
Total	**40 319**	**4 052**

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

	2019	2018
Financial trade and other receivables		
Trade receivables	64 536	38 490
Trade receivables from related parties (Note 35)	683	1 106
Other receivables	10 543	1 368
Loans granted to related parties (Note 35)	20 330	7 111
Other receivables from related parties (Note 35)	4 047	171
Security deposits	23 149	-
Loans granted	10 845	2 123
Non-financial trade and other receivables		
Prepayments	23 553	8 360
Other non-financial receivables	410	132
VAT receivables	12 739	6 551
Deferred charges	12 281	1 819
Security deposits	-	2 277
Deferred charges to other related parties (Note 35)	28	44
Security deposit with lessor from related parties (Note 35)	18	22
Prepayments to other related parties (Note 35)	7	63
Total	**183 169**	**69 637**

** Restated, see Note 34*

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

21 Trade and other receivables (continued)

All non-current receivables as at 31 December 2019 are due until 2025. All non-current receivables as at 31 December 2018 were due until 2025. The fair values of trade and other receivables are approximate to their carrying values. The weighted average interest rate of loans granted to third parties was 6.52% (2018: 3.84%). The weighted average interest rate of loans granted to related parties was 3.25% (2018: 4.29%).

As at 31 December 2019 trade receivables of the Group with the carrying amounts of EUR 5.6 million (as at 31 December 2018: EUR 14.3 million) and other receivables of the Group with the carrying amounts of EUR 1.7 million (as at 31 December 2018: EUR 133 thousand) were pledged to the bank as collateral for bank borrowings and overdraft (Note 27).

The carrying amounts of the Group's trade and other financial receivables, trade receivables and other financial receivables from related parties, loans granted, loans granted to related parties, amount due from customers for contract work are denominated in the following currencies:

	2019	2018
EUR	43 732	41 381
US dollars	64 670	5 926
GBP	7 996	4 599
PLN	135	64
Other	1 827	1 446
	118 360	**53 416**

22 Contracts in progress

	2019	2018
Contract costs incurred and recognised profits (less losses) to date	9 371	5 861
Advances received on contracts in progress	(1 917)	(2 792)
Less: provision for impairment of amounts due from customers on contracts in progress	(78)	(22)
Amounts due from customers on contracts in progress	**7 376**	**3 047**

23 Cash and cash equivalents

	2019	2018
Cash in bank	216 833	7 573
Cash on hand	419	144
Cash and cash equivalents	**217 252**	**7 717**
Bank overdraft (Note 27)	(5 163)	(24 351)
Total	**212 089**	**(16 634)**

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

	2019	2018
EUR	39 021	3 311
US dollars	173 556	2 712
PLN	206	27
GBP	1 627	520
RUB	319	330
Other	2 523	817
	217 252	**7 717**

24 Share capital and Share premium

As mentioned in Note 1, these consolidated financial statements for the year ended 31 December 2019 are prepared in the name of *Avia Solutions Group PLC* but these financial statements represent a continuation of the financial statements of *Avia Solutions Group AB.*

On 31 December 2018 the share capital of *Avia Solutions Group AB* amounted to EUR 2 255 555 and consisted of 7 777 777 ordinary registered shares with a nominal value of 0.29 Euro each. All shares were fully paid up.

On 31 December 2018 the share capital of Avia Solutions Group PLC amounted to EUR 25 700 and consisted of 25 700 ordinary registered shares with a nominal value of 1 Euro each. All shares were fully paid up.

On 21 March 2019 the share capital was increased to EUR 29 812 divided into 29 812 ordinary shares of nominal value 1 Euro each by issuing 4 112 new ordinary shares.

On 22 March 2019 the share capital was converted and subdivided into EUR 29 812 divided into 102 800 ordinary shares of nominal value 0.29 each.

As of 16 July 2019, in accordance with common cross-border merger terms, all *Avia Solutions Group AB* assets, rights and liabilities were taken over by *Avia Solutions Group PLC* that continues its activities thereafter. Before the merger the share capital of *Avia Solutions Group PLC* amounted to EUR 29 812 and consisted of 102 800 ordinary registered shares with a nominal value of 0.29 Euro each. After the merger the share capital of the Company amounted to EUR 2 255 557 and consisted of 7 777 783 ordinary registered shares with a nominal value of 0.29 Euro each. All shares were fully paid up.

As at 16 September 2019 the share capital of *Avia Solutions Group PLC* was increased to EUR 22 555 555 divided into 77 777 777 shares of a nominal value of EUR 0,29 each.

As at 31 December 2019 the Group has 270 014 treasury shares which are deducted from equity attributable to the Group's equity holders.

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. One ordinary registered share of AVIA SOLUTIONS GROUP PLC gives one vote in the General Meeting of Shareholders. As mentioned above one of the Company's' subsidiaries owned 270 014 shares of the Company as at 31 December 2019.

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.

During 2019 following the increase of the share capital, the recognised share premium increased by EUR 249 025 thousand and amounted to EUR 282 158 thousand as at 31 December 2019. During 2018 there was no movement of share premium.

25 Reserves

The merger reserve consists of the difference between the purchase consideration for the acquisition of remaining stake of the share capital of the Group companies and nominal value of the share capital acquired (Note 2.22).

Fair value reserves comprise changes in fair value of cash flow hedge (Note 2.20).

Before the merger the legal reserve of *Avia Solutions Group AB* amounted to EUR 237 thousand, it was formed as to Lithuanian legislation. During the merger the legal reserve was reclassified to retained earnings.

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

26 Non-controlling interests

Non-controlling interests

The following subsidiaries have material NCI:

Name	Country of incorporation	Operating segment	Ownership interest held by NCI 2019	Ownership interest held by NCI 2018
Baltic Ground Services LV SIA	Latvia	Aviation Supporting Services	49	49
Avia Technics Dirgantara PT.	Indonesia	Aviation Supporting Services	33	33
Chapman Freeborn Airchartering BV	Belgium	Aviation Logistics and Distribution Services	20	-
Chapman Freeborn Airchartering S.p.z.o.o	Poland	Aviation Logistics and Distribution Services	15	-
Intradco Cargo Services Limited	The United Kingdom	Aviation Logistics and Distribution Services	25	-
Zeusbond Limited	The United Kingdom	Aviation Logistics and Distribution Services	25	-
Logik Logistics International Limited	The United Kingdom	Aviation Logistics and Distribution Services	20	-
Magma Aviation Limited	The United Kingdom	Aviation Logistics and Distribution Services	25	-

Set out below is the summarized financial information for non-controlling interests:

Baltic Ground Services LV SIA	**Year ended 31 December 2019**	**2018**
Revenue	26 591	32 912
Profit	87	108
Profit attributable to NCI	**43**	**53**
Current assets	1 597	1 497
Non-current assets	183	233
Current liabilities	(703)	(740)
Non-current liabilities	-	-
Net assets	**1 077**	**990**
Net assets attributable to NCI	**528**	**485**

Avia Technics Dirgantara PT.	**Year ended 31 December 2019**	**2018**
Revenue	10 499	3 793
Profit	1 683	(1 423)
Profit attributable to NCI	555	(470)
Other comprehensive income	28	(24)
Total comprehensive income	**1 711**	**(1 447)**
Total comprehensive income attributable to NCI	**565**	**(477)**
Current assets	4 625	2 495
Non-current assets	2 960	2 967
Current liabilities	(9 440)	(8 812)
Non-current liabilities	-	(14)
Net assets	**(1 855)**	**(3 364)**
Net assets attributable to NCI	**(612)**	**(1 110)**

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

26 Non-controlling interests (continued)

Chapman Freeborn Airchartering bv	Year ended 31 December 2019	2018
Revenue	545	-
Profit	99	-
Profit attributable to NCI	**20**	**-**
Other comprehensive income	(5)	-
Total comprehensive income	**94**	**-**
Total comprehensive income attributable to NCI	**14**	**-**
Current assets	1 122	-
Non-current assets	91	-
Current liabilities	(667)	-
Non-current liabilities	-	-
Net assets	**546**	**-**
Net assets attributable to NCI	**109**	**-**

Chapman Freeborn Airchartering S.p z.o.o	Year ended 31 December 2019	2018
Revenue	193	-
Profit	(65)	-
Profit attributable to NCI	**(10)**	**-**
Other comprehensive income	(1)	-
Total comprehensive income	**(66)**	**-**
Total comprehensive income attributable to NCI	**(11)**	**-**
Current assets	938	-
Non-current assets	7	-
Current liabilities	(495)	-
Non-current liabilities	-	-
Net assets	**450**	**-**
Net assets attributable to NCI	**68**	**-**

Zeusbond Limited	Year ended 31 December 2019	2018
Revenue	-	-
Profit	-	-
Profit attributable to NCI	**-**	**-**
Other comprehensive income	-	-
Total comprehensive income	**-**	**-**
Total comprehensive income attributable to NCI	**-**	**-**
Current assets	58	-
Non-current assets	1	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	**59**	**-**
Net assets attributable to NCI	**15**	**-**

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

26 Non-controlling interests (continued)

Logik Logistics International Limited	Year ended 31 December	
	2019	**2018**
Revenue	434	-
Profit	57	-
Profit attributable to NCI	**11**	**-**
Other comprehensive income	-	-
Total comprehensive income	**57**	**-**
Total comprehensive income attributable to NCI	**11**	**-**
Current assets	1 886	-
Non-current assets	45	-
Current liabilities	(1 590)	-
Non-current liabilities	-	-
Net assets	**341**	**-**
Net assets attributable to NCI	**68**	**-**

Magma Aviation Limited	Year ended 31 December	
	2019	**2018**
Revenue	32 772	-
Profit	159	-
Profit attributable to NCI	**40**	**-**
Other comprehensive income	(184)	-
Total comprehensive income	**(25)**	**-**
Total comprehensive income attributable to NCI	**(144)**	**-**
Current assets	20 879	-
Non-current assets	224	-
Current liabilities	(11 407)	-
Non-current liabilities	-	-
Net assets	**9 696**	**-**
Net assets attributable to NCI	**2 424**	**-**

Intradco Cargo Services Limited	Year ended 31 December	
	2019	**2018**
Revenue	435	-
Profit	(146)	-
Profit attributable to NCI	**(37)**	**-**
Other comprehensive income	-	-
Total comprehensive income	**(146)**	**-**
Total comprehensive income attributable to NCI	**(37)**	**-**
Current assets	2 356	-
Non-current assets	593	-
Current liabilities	(1 368)	-
Non-current liabilities	-	-
Net assets	**1 581**	**-**
Net assets attributable to NCI	**395**	**-**

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

27 Borrowings	**2019**	**2018**
Non-current		
Bank borrowings	8 906	4 667
Finance lease liabilities	161 201	9 273
Bonds issued	261 411	-
Borrowings from related parties	-	1 948
	431 518	**15 888**
Current		
Bank overdraft (Note 23)	5 163	24 351
Bank borrowings	1 511	5 884
Finance lease liabilities	75 992	4 548
Borrowings from related parties	-	401
Other current borrowings	143	26
	82 809	**35 210**
Total borrowings	**514 327**	**51 098**

As at 31 December 2019 buildings and machinery (Note 16), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 31.6 million were pledged to the bank as collateral for bank borrowings. As at 31 December 2018 buildings and machinery (Note 16), inventories (Note 20) and trade receivables (Note 21) of the Group with the carrying amounts of EUR 83.8 million were pledged to the bank as collateral for bank borrowings.

On 3 December 2019 Avia Solutions Group PLC completed bonds issue process and issued USD 300 000 thousand of senior unsecured notes which included 7,875% USD interest. The notes were issued in the Euronext Dublin.

The Company or its subsidiaries may, at any time and from time to time, seek to retire or purchase outstanding debt (including bonds) through cash purchases, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

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

	2019	**2018**
EUR	43 803	36 566
US dollars	460 469	11 054
RUB	3 003	2 523
GBP	4 300	508
PLN	409	433
Other	2 343	14
	514 327	**51 098**

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

27 Borrowings (continued)

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

	2019	2018
Less than 1 year	83 886	35 210
Between 1 and 5 years	410 985	14 044
Over 5 years	19 456	1 844
	514 327	**51 098**

Bank overdraft amounting to EUR 5.1 million as at 31 December 2019 is extended every 12 months according to the agreements with the bank.

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

	2019	2018
Finance lease liabilities	8.06%	10.18%
Bank overdraft	3.00%	2.11%
Bank borrowings	3.43%	4.78%
Bonds issued	8.50%	-
Borrowings from related parties	-	3.52%

As at 31 December 2019 and 2018 borrowings from related parties are not secured.

Finance lease liabilities – minimum lease payments:

	2019	2018
Not later than 1 year	96 333	5 796
After 1 year but not later than 5 years	181 850	10 435
After 5 years	28 056	2 389
Less: future finance lease charges	(69 046)	(4 799)
Present value of finance lease liabilities	**237 193**	**13 821**
Present value of finance lease liabilities:		
Not later than 1 year	77 068	4 548
After 1 year but not later than 5 years	140 731	7 429
After 5 years	19 394	1 844
	237 193	**13 821**

Reconciliation of movements of liabilities to cash flow arising from financing activities and net debt:

	Bank overdraft	Bank borrowings	Borrowings from related parties	Bonds	Other borrowings	Finance lease liabilities	**Total**	Cash and cash equivalents	**Net Debt**
Balance as at 1 January 2019	**24 351**	**10 551**	**2 349**	**-**	**26**	**13 821**	**51 098**	**7 717**	**43 381**
Changes from financing cash flows	-	(3 765)	1 065	264 457	-	(30 873)	**230 884**	-	**230 884**
Changes arising from obtaining or losing control of subsidiaries (Note 33)	-	7 208	438	-	142	197 863	**205 651**	127 284	**78 367**
Foreign exchange adjustments	-	(101)	-	(3 046)	-	(502)	**(3 649)**	-	**(3 649)**
Change in bank overdraft and cash	(19 188)	-	-	-	-	-	**(19 188)**	82 251	**(101 439)**
New leases	-	-	-	-	-	56 956	**56 956**	-	**56 956**
Other non-cash changes	-	(3 476)	(3 852)	-	(25)	(72)	**(7 425)**	-	**(7 425)**
Balance as at 31 December 2019	**5 163**	**10 417**	**-**	**261 411**	**143**	**237 193**	**514 327**	**217 252**	**297 075**

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

27 Borrowings (continued)

	Bank overdraft	Bank borrowings	Borrowings from related parties	Other borrowings	Finance lease liabilities	**Total**
Balance as at 1 January 2018	**20 152**	**5 490**	**99**	**26**	**6 307**	**32 074**
Changes from financing cash flows	-	5 071	2 241	-	(2 072)	5 240
Changes arising from obtaining or losing control of subsidiaries (Note 33)	-	-	-	-	3 624	3 624
Foreign exchange adjustments	-	(10)	9	-	(222)	(223)
Change in bank overdraft	4 199	-	-	-	-	4 199
New finance leases	-	-	-	-	6 184	6 184
Balance as at 31 December 2018	**24 351**	**10 551**	**2 349**	**26**	**13 821**	**51 098**

28 Trade and other payables

	2019	**2018**
Trade payables	56 999	24 604
Accrued expenses	33 340	6 178
Salaries and social security payable	11 621	8 255
Provisions	10 525	343
Employee benefit obligations	127	-
Amounts payable to related parties (Note 35)	385	414
Dividends payable	6	-
Payable for PPE	2 583	482
VAT payable	3 518	-
Pension reserve accrual	316	-
Other payables to related parties (Note 35)	4 620	-
Other payables	2 329	1 196
	126 369	**41 472**
Less: non-current portion	(4 600)	(432)
Current portion	**121 769**	**41 040**

The carrying amounts of the Group's trade and other financial payables, amounts payable to related parties, payables for property, plant and equipment are denominated in the following currencies:

	2019	**2018**
US dollars	29 128	11 328
EUR	30 473	12 132
PLN	210	-
GBP	4 897	1 694
RUB	1 127	717
Other currencies	1 081	825
	66 916	**26 696**

29 Security deposits received

	2019	**2018**
Security deposits repayable after one year at nominal value	1 134	375
Less: discounting effect (at 2.88%)	(37)	(12)
Security deposits repayable after one year	**1 097**	**363**
Security deposits repayable within one year	7 123	350
Total	**8 220**	**713**

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

30 Deferred income taxes

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

	2019	2018
Deferred tax assets		
At beginning of the period	**6 914**	**6 805**
Acquisitions of subsidiaries (Note 33)	2 715	128
(Charged) credited to the income statement	184	(36)
Recognised through OCI	133	-
Credited directly to the equity	140	-
Currency translation differences	55	17
At end of year	**10 141**	**6 914**

	2019	2018
Deferred tax liabilities		
At beginning of the period	**1 606**	**350**
Charged (credited) to the income statement	(999)	87
Acquisitions of subsidiaries (Note 33)	14 305	1 177
Currency translation differences	48	(8)
At end of year	**14 960**	**1 606**

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

	2019	2018
Deferred tax assets		
Deferred income tax to be recovered within 1 year	7 597	2 926
Deferred income tax to be recovered after 1 year	2 544	3 988
	10 141	**6 914**
Deferred tax liabilities		
Deferred income tax to be recovered within 1 year	14 620	516
Deferred income tax to be recovered after 1 year	340	1 090
	14 960	**1 606**

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

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

30 Deferred income taxes (continued)

The movement in deferred tax assets and deferred tax liabilities of the Group is as follows:

Deferred tax assets	Accruals for unused vacation	Discounting effect	Impairment of receivables	Accumulated taxable losses	C-check provisions	Other accrued expenses	Difference between tax basis and accounting basis of aircraft	Revaluation of financial assets at fair value through OCI	Other	**Total**
At 1 January 2019	**67**	**(1)**	**2 940**	**2 949**	**-**	**1 351**	**-**	**-**	**(392)**	**6 914**
Acquisitions (disposals) of subsidiaries	13	92	215	604	352	-	1 030	(97)	506	**2 715**
Credited to the income statement (Note 13)	(14)	39	302	(87)	(95)	(9)	(374)	-	422	**184**
Recognised through OCI	-	-	-	-	-	-	-	136	(3)	**133**
Credited directly to the equity (IFRS 16 adoption impact)	-	-	-	4	-	-	97	-	39	**140**
Currency translation differences	-	(2)	(3)	185	(7)	13	(46)	1	(86)	**55**
At 31 December 2019	**66**	**128**	**3 454**	**3 655**	**250**	**1 355**	**707**	**40**	**486**	**10 141**

Deferred tax liabilities	Accelerated tax depreciation	Deferred charges	Other accrued expenses	Exchange rate differences for tax purposes (depreciation)	Supplemental rent	Difference between tax basis and accounting basis of aircraft	Other*	**Total**
At 1 January 2019	**1 601**	**-**	**5**	**-**	**-**	**-**	**-**	**1 606**
Acquisitions (disposals) of subsidiaries	99	-	-	299	3 767	127	10 013	**14 305**
Credited to the income statement (Note 13)	(58)	-	(50)	13	(1 341)	48	389	**(999)**
Currency translation differences	(4)	-	(2)	105	(71)	15	5	**48**
At 31 December 2019	**1 638**	**-**	**(47)**	**417**	**2 355**	**190**	**10 407**	**14 960**

*Other deferred tax liabilities include EUR 10 000 thousand fair value adjustment on acquisition of *Smartlynx Airlines SIA*, which was calculated on undistributed profits in Latvia and Estonia, that will be taxed upon distribution of dividends.

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

30 Deferred income taxes (continued)

Deferred tax assets	Accumu-lated taxable losses	Impairment of assets	Discoun-ting effect	Accruals for unused vacation	Other accrued expenses	Accelerated tax depreciation	Tax relief on investment project	Total
At 1 January 2018	**3 153**	**3 177**	**(2)**	**124**	**526**	**(272)**	**99**	**6 805**
Acquisitions (disposals) of subsidiaries	(325)	-	-	-	453	-	-	**128**
Credited to the income statement (continuing operations, Note 13)	29	(173)	1	(57)	375	(202)	(9)	**(36)**
Currency translation differences	92	(64)	-	-	(3)	(8)	-	**17**
At 31 December 2018	**2 949**	**2 940**	**(1)**	**67**	**1 351**	**(482)**	**90**	**6 914**

Deferred tax liabilities	Accelerated tax depreciation	Other accrued expenses	**Total**
At 01 January 2018	**295**	**55**	**350**
Acquisitions (disposals) of subsidiaries	1 177	-	**1 177**
Charged to the income statement (Note 13)	141	(54)	**87**
Currency translation differences	(12)	4	**(8)**
At 31 December 2018	**1 601**	**5**	**1 606**

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.

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

	2019	**2018**
Deferred tax assets		
Deferred income tax assets	9 615	6 914
Deferred income tax liabilities	(14 434)	(1 606)
	(4 819)	**5 308**

The following amounts prior to offsetting of balances, are shown in the notes above:

	2019	**2018**
Deferred tax assets		
Deferred income tax assets	10 141	6 914
Deferred income tax liabilities	(14 960)	(1 606)
	(4 819)	**5 308**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. Deferred income tax asset and liability related to the entities operating in Lithuania are calculated at 15% rate (2018: 15% rate), in Poland - at 19% rate (2018: 19% rate), in United Kingdom – at 19% rate (2018: 20% rate), in Russia – at 20% rate (2018: 20% rate), in Ukraine – at 18% rate (2018: 18% rate), in Nigeria – at 30% rate (2018: 30% rate), in Cyprus – at 12.5% rate (2018: 12.5% rate), in Indonesia – at 25% rate (2018: 25% rate), in Germany – at 30% rate (2018: 30% rate).

Deferred income tax asset is recognized from accumulated taxable losses, generated by Group entities, to the extent that it will be realized by the Group entities generating taxable profits by the way of accumulated taxable loss transfer or sale. Deferred income tax asset which was not recognized from accumulated taxable losses amounted to EUR 751 thousand as at 31 December 2019 (EUR 425 thousand as at 31 December 2018).

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

31 Financial instruments by category

	2019	2018*
Category – financial assets measured at amortised costs		
Trade receivables (Note 21)	64 536	38 490
Cash and cash equivalents (Note 23)	217 252	7 717
Contract assets (Note 22)	7 376	3 047
Trade receivables from related parties (Notes 21, 35)	683	1 106
Other receivables	10 543	1 368
Loans granted to related parties (Notes 21, 35)	20 330	7 111
Other receivables from related parties (Notes 21, 35)	4 047	171
Loans granted (Note 21)	10 845	2 123
Bank deposits	84 994	-
	421 606	**61 133**
Category – financial assets measured at FVOCI		
Derivative financial instruments (assets)	**3 600**	**-**
Category – financial assets measured at FVTPL		
Derivative financial instruments (assets)	449	-
Category – financial liabilities measured at amortised cost		
Trade payables (Note 28)	56 999	24 604
Bank overdraft (Notes 23, 27)	5 163	24 351
Finance lease liabilities (Note 27)	237 193	13 821
Bonds issued	261 411	
Bank loans (Note 27)	10 417	10 551
Other payables	2 125	1 196
Payables to related parties (Notes 28, 35)	5 005	414
Payable for PPE (Note 28)	2 583	482
Other borrowings (Note 27)	143	26
Dividends payable	6	-
Borrowings from related parties (Notes 27, 35)	-	2 349
	581 045	**77 794**
Category – financial liabilities measured at FVOCI		
Derivative financial instruments (liability)	**4 686**	**-**

** Restated, see Note 34*

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

32 Lease

Accounting policies applied before 1 January 2019

The Group leases two aircraft hangars, training building, flight simulator, premises and commercial vehicles under operating lease agreements. The lease terms are between one and ten years, and the majority of lease agreements are renewable at the end of this lease period at market value. The Group also leases four aircraft. The lease is valid until one part terminates the contract. The operating lease expenditure charged to the income statement during the 2018 were follows:

	2018
Premises	2 190
Aircraft hangars	1 479
Aircraft	2 045
Commercial vehicles	942
Warehouse	73
	6 729

The future aggregate minimum lease payments under operating leases as at 31 December 2018 were as follows:

Not later than 1 year	4 011
Later than 1 year but not later than 5 years	8 138
Later than 5 years	572
	12 721

Accounting policies applied from 1 January 2019

The future aggregate minimum lease payments under leases, for which the group has applied the exemption as at 31 December 2019 are as follows:

	Expenses during reporting period	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years
Short-term leases	6 180	3 652	-	
Low value leases	326	300	409	
Total	**6 506**	**3 952**	**409**	

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

33 Business combination and disposal

Establishment and acquisition in 2019

The primary reason for all business combinations mentioned below is the Group's overall strategy to expand and diversify its operations.

On 15 January 2019, *Avia Solutions Group AB's* subsidiary *Avia Solutions Group (CY) PLC* established new subsidiary *Sky Knights SIA*. Registered capital is EUR 3 000. The main purpose of the company is to provide flight support services to airlines. The establishment of the new subsidiary does not have an impact on these consolidated financial statements.

On 1 February 2019, *Avia Solutions Group AB's* subsidiary *FL Technics UAB* established a new subsidiary *FL Technics Ireland Limited*. Registered capital is EUR 10 000. As at 31 December 2019 the share capital has not been paid. The subsidiary is planning to provide engine and other maintenance services. The establishment of the new subsidiary does not have an impact on these consolidated financial statements.

On 4 March 2019 *Avia Solutions Group AB's* subsidiary *Avia Solutions Group (CY) PLC* completed the acquisition of 5.19% of the share capital in *AviaAM Leasing AB*. *AviaAM Leasing AB* is engaged in the business of aircraft leasing, trading and management. In September 2019 the investment was sold with a loss of EUR 6 thousand which is disclosed in Note 9.

On 1 April 2019, *Avia Solutions Group AB* additionally acquired 4% of the share capital of Locatory UAB for consideration of EUR 5 thousand. As the purchases was from non-controlling interests, the difference between consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary for amount of EUR 72 thousand was recorded in equity.

On 3 April 2019 *Avia Solutions Group AB* completed the acquisition of 100% of the share capital in *DG21 UAB* from related party *AviaAM Leasing AB.* Acquired company is engaged in the business of real estate management. *DG21 UAB* has 100% share capital in *Rezidence Kapteini SIA*. This transaction was considered not being one transaction with the acquisition of the controlling stake in Avia AM Leasing AB which has occurred in October 2019 as these transactions were not carried in close period of time and not in contemplation of each other.

Details of purchase consideration and consolidated assets and liabilities arising from the acquisition of *DG21 UAB* Group (incl. *Rezidence Kapteini SIA)* are as follows:

	Acquiree's fair value
Intangible and tangible assets	5 826
Deferred income tax assets	122
Trade and other receivables	226
Cash and cash equivalents	174
Borrowings	(6 389)
Deferred income tax liabilities	(50)
Trade and other payables	(214)
Total identifiable net assets acquired	**(305)**
Purchase consideration – paid in cash	10
Goodwill	**315**

33 Business combination and disposal (continued)

If the acquisition had been performed on 1 January 2019, revenue and profit contribution of the acquired business to the group performance would not have been significant. The revenue and profit of the acquired business from the acquisition date is also not significant.

On 17 April 2019, Avia Solutions Group AB subsidiary FL Technics UAB established new subsidiary FL Technics Ukraine TOV. Registered capital UAH 1 thousand (equivalent to EUR 34), FL Technics UAB fully paid for share capital. The subsidiary is planning to provide engine and other maintenance services. The establishment of the new subsidiary does not have an impact on these consolidated financial statements.

On 23 April 2019, *Avia Solutions Group AB's* subsidiary FL Technics UAB established new subsidiary *FL Technics Engine Services UAB*. Registered capital is EUR 10 000, FL Technics UAB fully paid for share capital. The company activities is planning to be aircraft line base maintenance, engineering and planning, aircraft engines repair, technical training and consulting, aircraft components supply, repair and overhaul. The establishment of the new subsidiary does not have an impact on these consolidated financial statements.

On 21 May 2019, *Avia Solutions Group AB* subsidiary BAA Training UAB established new subsidiary *ASG Asset Management UAB*. Registered capital is EUR 2 500. The establishment of the new subsidiary does not have an impact on these consolidated financial statements.

On 10 July 2019 *Baltic Ground Services UAB* has sold its subsidiary *BGS Trans UA LLC* to its other subsidiary *BGS Rail Holdings UAB*. This transaction does not have impact on these consolidated financial statements as it is fully eliminated. On 23 July 2019 *BGS Trans UA LLC* has been renamed to *BGS Rails Lease LLC*.

On 16 September 2019 the Company has established *ASG Finance DAC* subsidiary in Republic of Ireland. Registered capital EUR 1 000. The establishment of the new subsidiary does not have an impact on these consolidated financial statements.

On 2 October 2019 Avia Solutions Group PLC completed the acquisition of 77,26% of the share capital in *AviaAM Leasing AB*. *AviaAM Leasing AB* is engaged in the business of aircraft leasing, trading and management. The additional 8,44% of the share capital in *AviaAM Leasing AB* were acquired on 15 October 2019. The consideration for *AviaAM Leasing AB* shares were newly issued 39 144 138 shares of *Avia Solutions Group PLC*. On 4 December 2019 *Avia Solutions Group PLC* completed the acquisition of additional 6 000 000 shares of *AviaAM Leasing AB (*13,14% of the share capital). The consideration for those additional shares of AviaAM Leasing AB shares were newly issued 6 000 000 shares of *Avia Solutions Group PLC*. All the above listed transactions are treated as single transaction of acquisition of the control over AviaAM Leasing AB due to the fact that these transactions were entered into at the close period of time (within 2 months), in contemplation of each other, and they form a single transaction designed to achieve an overall commercial effect of obtaining control over AviaAM Leasing AB.

The fair value of total consideration transferred for 98,84% in total of *AviaAM Leasing AB* shares is USD 184 626 thousand. The fair value of consideration transferred determined based on the value of the AviaAM Leasing business appraised by independent valuators.

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

33 Business combination and disposal (continued)

Details of purchase consideration and the fair values of assets and liabilities arising from the acquisition, including fair value adjustments are given below. As goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation, the fair values of assets and liabilities below are presented in US Dollars (USD) which is the functional currency of Avia AM Leasing and translated to EUR at the rate as at acquisition date 30 September 2019 used 1EUR = 1,0935 USD). At the balance sheet date the goodwill was translated to USD using the balance sheet closing rate, which was 1EUR = 1,1189 USD.

	Avia AM Leasing AB - acquiree's fair value	
	USD	**EUR**
Property, plant and equipment	40 782	37 254
Intangible assets	22	20
Investment in Joint venture	52 115	47 659
Other financial assets	1 104	1 010
Inventories	45 745	41 834
Trade and other receivables	52 231	47 765
Cash and cash equivalents	36 449	33 332
Lease liabilities	(8 317)	(7 606)
Other borrowings	(7 418)	(6 784)
Deferred income tax liabilities	(2 987)	(2 736)
Trade and other payables	(37 183)	(34 004)
Total identifiable net assets acquired	**172 543**	**157 744**
NCI measured at proportional share in the net assets	1 930	1 765
Purchase consideration - equity instruments issued by ASG	184 626	168 839
Aggregate of consideration transferred and NCI	**186 556**	**170 604**
Goodwill as at 1 October 2019	**14 013**	**12 860**
Currency translation differences	-	320
Goodwill as at 31 December 2019	**14 013**	**12 540**

Fair values of net assets acquired that were recognized in relation to the fair value of intangible assets, property, plant and equipment, and trade and other receivable have been determined provisionally. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, then the accounting of the acquisition will be revised. As of the date of the approval of these financial statements, the Management of the Group is not aware of any circumstances that could drive the changes in fair values recognized.

Goodwill recorded in connection with acquisitions is primarily attributable to the assembled professionals, synergies expected to arise after the acquisition of those businesses and expected profitability of the acquired business driven by professionalism of workforce acquired.

33 Business combination and disposal (continued)

Summary on New Assets Recognized and Fair Value Adjustments

Fair value of investment to joint venture in China is fully derived from fair value of aircraft (with lease attach) owned. Result of valuation showed the fair value of EUR 47 659 (USD 52 115).

AviaAM Leasing AB have several aircraft under ownership. Fair value of such aircraft were estimated based on purchase offers received from the unrelated parties.

AviaAM Leasing AB hold three buildings under property, plant and equipment. All of them were under construction or just recently entered into exploitation. Fair value of the property were appraised by independent valuators, showing the fair value of the property of EUR 8 608 thousand which was recognized on acquisition.

The fair value of acquired trade and other receivables is EUR 47 765 thousand. The gross contractual amount for trade and other receivables due is EUR 62 082 thousand, with the amount of EUR 14 317 thousand being the best estimate at the acquisition date of the contractual cash flows not expected to be collected .

Deferred tax was calculated based on the temporary differences between the fair values of the acquired assets and liabilities and their tax base.

The acquired business contributed revenues of EUR 69 784 thousand and net profit of EUR 27 047 thousand to the Group for the period from 1 October to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and net profit for the year ended 31 December 2019 would have been EUR 150 935 thousand and EUR 41 627 thousand respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2019, together with the consequential tax effects.

On 2 October 2019 Avia Solutions Group PLC completed the acquisition of 100% of the share capital in Smart Aviation Holding SIA (SAH) which controls 100 % of the share capital in Smart Lynx Airlines SIA and 51% of the share capital in Eyjafoll SAS. Eyjafoll SAS controls 100 % of the share capital in Avion Express UAB. The acquired group is operating in aviation logistics and distribution services.
100% of interest in SAH was acquired from related party being a fellow subsidiary under the common control of the same ultimate controlling party; As this acquisition occurred shortly after the related party has acquired SAH from third party, the acquisition of interest in SAH by ASG was not considered to be a transaction under common control thus the acquisition method was applied to account for this transaction. The consideration for Smart Aviation Holding SIA shares were newly issued 23 805 856 shares of Avia Solutions Group PLC.

On 10 October 2019 *Avia Solutions Group PLC* completed the acquisition of 49% of the share capital in *Eyjafoll SAS* which controls 100 % of the share capital in *Avion Express UAB*. The consideration for *Eyjafoll SAS* shares were newly issued 1 050 000 shares of *Avia Solutions Group PLC*.

Acquisition of 100% of the share capital of *Smart Aviation Holding SIA* Group and the remaining 49% of the share capital of *Eyjafjoll SAS* forms a single business combination transaction accounted for using the acquisition method due to the fact that all these transactions were entered into a close period of time (app. within 1 week), in contemplation of each other, and they form a single transaction designed to achieve an overall commercial effect of obtaining control over SAH Group. The Group always have seen acquisition of full stake in *Avion Express UAB* as inevitable and directly linked to acquisition of *Smart Aviation Holding SIA*. Having acquired 51% of the share capital of *Eyjafjoll SAS*, the Group shareholders obtained bargaining purchase power over the non-controlling shareholders and have utilized it in acquiring the rest 49% of the share capital in *Eyjafjoll SAS*. Therefore these two acquisitions are considered as linked transactions forming a single business combination.

Total consideration transferred for 100% of the share capital in *Smart Aviation Holding SIA* and 51% of the share capital of *Eyjafjoll SAS* amounts to EUR 100 486 thousand. Consideration transferred determined based on the value of the SAH business appraised by independent valuators.

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

33 Business combination and disposal (continued)

Details of purchase consideration and the fair values of assets and liabilities arising from the acquisition of SAH Group, including fair value adjustments are given below.

	Total-acquiree's fair value
	EUR
Property, plant and equipment	194 939
Intangible assets	1 931
Deferred income tax assets	953
Inventories	4 456
Trade and other receivables	45 069
Cash and cash equivalents	82 650
Lease liabilities	(180 887)
Other borrowings	(3 126)
Deferred income tax liabilities	(10 099)
Trade and other payables	(63 954)
Total identifiable net assets acquired	**71 932**
Purchase consideration - equity instruments issued by ASG	100 486
Goodwill as at 1 October 2019	**28 554**
Currency translation differences	406
Goodwill as at 31 December 2019	**28 148**

Fair values of net assets acquired that were recognized in relation to the fair value of intangible assets, property, plant and equipment, and trade and other receivable have been determined provisionally. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, then the accounting of the acquisition will be revised. As of the date of the approval of these financial statements, the Management of the Group is not aware of any circumstances that could drive the changes in fair values recognized.

Goodwill recorded in connection with acquisitions is primarily attributable to the assembled professionals, synergies expected to arise after the acquisition of those businesses and expected profitability of the acquired business driven by professionalism of workforce acquired.

Summary on New Assets Recognized and Fair Value Adjustments

On the acquisition date the right-of-use assets of *Smartlynx Airlines SIA* were measured at an amount equal to the recognised liability (these lease contracts are broadly at market terms).

Smartlynx Airlines SIA holds three air operator's certificates (in Latvia, Estonia and Malta). Depreciated replacement cost approach has been used to value these certificates.

Additional deferred tax liability was calculated on undistributed profits in Latvia and Estonia and amounted to EUR 10 000 thousand as it is probable that the profits will be distributed to the parent company in the foreseeable future.

33 Business combination and disposal (continued)

On the acquisition date the right-of-use assets of *Avion Express UAB* were measured at an amount equal to the recognised liability with further adjustment to the right of use asset due to unfavourable element. Aircraft lease rates as per *Avion Express UAB* agreements were compared with independent valuation reports. Future cash flow above/below market lease rates were discounted to present value using 5% discount rate. Based on estimation, the adjustment for non-favourable aircraft lease agreements of EUR 4 658 thousand (USD 5 212 thousand) was recognized on acquisition.

Avion Express UAB owns airframes which fair value has been measured based on the recent comparable transactions part-out sale of similar airframe.

Avion Express UAB holds two air operator's certificates (in Lithuania and Malta). Depreciated replacement cost approach has been used to value these licences.

As at 30 September 2019, *Avion Express UAB* held number of rotables, which were accounted as property, plant and equipment. In December 2019 part of these rotabes were sold, the fair value of rotables was calculated based on the sales price.

The fair value of acquired trade and other receivables is EUR 45 069 thousand. The gross contractual amount for trade and other receivables due is EUR 48 300 thousand, with the amount of EUR 3 231 thousand being the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

Deferred tax liability was calculated from all fair value increases and, respectively, deferred tax asset was recognized from all fair value decreases applying statutory current income tax rate of 15% in Lithuania and resulted in total adjustment for amount of EUR 97 thousand (USD 109 thousand) on acquisition.

The acquired business contributed revenues of EUR 61 859 thousand and loss of EUR 9 450 thousand to the Group for the period from 1 October to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and net profit for the year ended 31 December 2019 would have been EUR 373 655 thousand and EUR 49 513 thousand respectively. These amounts have been calculated using the subsidiary's stand-alone results and adjusting them for the impact of fair value adjustments identified during purchase price allocation procedure as if they had been applied from 1 January 2019, together with the consequential tax effects.

On 11 October 2019, the *Avia Solutions Group PLC* completed the acquisition of 100% of the shareholding of *Chapman Freeborn Holdings Limited* for consideration for amount of EUR 52 000 thousand. The subsidiary provides a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries. According to the share sale and purchase agreement the purchase consideration is split into two parts completion consideration and deferred consideration. As part of deferred consideration the amount of EUR 8 482 thousand is paid in two years and it dependent upon continues employment of the two selling shareholders therefore, it is accounted for as post-combination employee benefit cost over the service period and therefore was not included within purchase consideration.

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

33 Business combination and disposal (continued)

Details of purchase consideration and the fair values of assets and liabilities arising from the acquisition, including fair value adjustments are given below. As goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation, the fair values of assets and liabilities below are presented in British Pounds (GBP) and translated to EUR at acquisition date at rate as at 30 September 2019 used 1EUR = 0,88778 GBP). As at the balance sheet date, the goodwill was translated the closing rate, which was 1EUR = 0,85208 GBP.

	Chapman Freeborn Holdings Limited - acquiree's fair value	
	GBP	**EUR**
Property, plant and equipment	1 474	1 661
Right-of-use assets	14 032	15 806
Intangible assets	913	1 029
Deferred income tax assets	428	483
Trade and other receivables	40 429	45 539
Cash and cash equivalents	9 879	11 128
Lease liabilities	(14 038)	(15 812)
Deferred income tax liabilities	(228)	(256)
Trade and other payables	(30 195)	(34 014)
Total identifiable net assets acquired	**22 694**	**25 562**
NCI measured at the proportionate share of the net assets acquired	**2 766**	**3 116**
Purchase consideration – paid in cash	38 634	43 518
Goodwill as at 1 October 2019	**18 706**	**21 071**
Currency translation differences	-	(883)
Goodwill as at 31 December 2019	**18 706**	**21 954**

Fair values of net assets acquired that were recognized in relation to the fair value of intangible assets, property, plant and equipment, and trade and other receivable have been determined provisionally. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provision that existed at the date of acquisition, then the accounting of the acquisition will be revised. As of the date of the approval of these financial statements, the Management of the Group is not aware of any circumstances that could drive the changes in fair values recognized.

Goodwill recorded in connection with acquisitions is primarily attributable to the assembled professionals, synergies expected to arise after the acquisition of those businesses and expected profitability of the acquired business driven by professionalism of workforce acquired.

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

33 Business combination and disposal (continued)

Summary on New Assets Recognized and Fair Value Adjustments

The pre-closing dividends of GBP 11 026 thousand were distributed to the former shareholders' of *Chapman Freebom Holdings Limited*, therefore, net assets acquired were adjusted to take into account impact of the pre-closing dividends.

On the acquisition date the right-of-use assets were measured at an amount equal to the recognised liability (these lease contracts are broadly at market terms).

The fair value of acquired trade and other receivables is EUR 45 539 thousand. The gross contractual amount for trade and other receivables due is EUR 45 688 thousand, with the amount of EUR 149 thousand being the best estimate at the acquisition date of the contractual cash flows not expected to be collected..

Additional deferred tax liability of EUR 212 thousand (GBP 181 thousand) was recognized on fair value adjustments applying statutory current income tax rate in United Kingdom of 19%.

The acquired business contributed revenues of EUR 46 808 thousand and profit of EUR 1 568 thousand to the Group for the period from 1 October to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and net profit for the year ended 31 December 2019 would have been EUR 176 869 thousand and EUR 6 845 thousand respectively. These amounts have been calculated using the subsidiary's stand-alone results and adjusting them for the fair value adjustments identified during purchase price allocation procedure as if they had been applied from 1 January 2019, together with the consequential tax effects.

Purchase consideration – cash outflow (summary of acquisition during 2019):

	2019
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration Chapman Freeborn Holdings Limited	43 518
Cash consideration DG21 UAB	10
Cash consideration OMV Adriatic Marketing d.o.o.	15
	43 543
Balances acquired	
Cash Chapman Freeborn Holdings Limited	11 128
Cash Avia AM Leasing AB	33 332
Cash Smart Aviation Holding SIA	82 650
Cash DG21 UAB	174
	127 284
Net inflow of cash – investing activities	**83 741**

33 Business combination and disposal (continued)

On 15 November 2019 *Helisota UAB* has sold its subsidiary *Kauno Aviacijos Gamykla UAB* to other Group company *BAA Training UAB*. This transaction does not have an impact on these consolidated financial statements as it is fully eliminated.

On 26 November 2019 *Avia Solutions Group PLC's* subsidiary *FL Technics UAB* established new subsidiary *FL Technics Georgia LLC*. The company is planning to provide aircraft line maintenance services in Georgia. The establishment of the new subsidiary does not have impact on these consolidated financial statements.

On 16 December 2019 *Avia Solutions Group PLC's* subsidiary *Baltic Ground Services UAB* completed the acquisition of 100% of the share capital in *OMV Adriatic Marketing d.o.o.* (from 3 April 2020 *Baltic Ground Services HR d.o.o.*). Acquired company is planning to provide aircraft ground handling services in Croatia. The investment for shares amounted to EUR 15 thousand, total identifiable net assets acquired amounted to minus EUR 13 thousand, excess of cost over fair value of acquiree's net assets was EUR 28 thousand and was recognised as goodwill. As the transaction is not material thus no further disclosure is provided.

Establishment in 2018

On 8 January 2018, AVIA SOLUTIONS GROUP PLC subsidiary BAA Training UAB established new subsidiary BAA Simulators 2 UAB. Registered capital is EUR 10 000. BAA Training UAB fully paid for share capital. The company is planning to provide lease of full flight simulators and other training equipment.

On 11 January 2018, AVIA SOLUTIONS GROUP PLC subsidiary Baltic Ground Services UAB established new subsidiary Baltic Ground Services DE GmbH. Registered capital is EUR 25 000. The company is providing fuel logistic services in Germany.

On 02 February 2018, AVIA SOLUTIONS GROUP PLC subsidiary BAA Training UAB established new subsidiary BAA Training Vietnam LLC. Registered capital is VND 454 000 000 (equivalent to EUR 16 thousand). BAA Training UAB fully paid for share capital. The company is planning to provide training services and lease of full flight simulators.

On 28 February 2018, AVIA SOLUTIONS GROUP PLC established new subsidiary Avia Solutions Group (CY) LTD. Registered capital is EUR 25 700. AVIA SOLUTIONS GROUP PLC fully paid for share capital.

On 5 July 2018, AVIA SOLUTIONS GROUP PLC established new subsidiary ALH Airlines Limited (Malta). Registered capital was EUR 100 thousand. The company was planning to provide air transport services. On 31 December 2018 the subsidiary was sold. Sales proceeds from the disposal amounted to EUR 20 thousand. Gain on disposal, directly recognised in disposal's Group other gains amounted to EUR 46 thousand.

On 27 September 2018, AVIA SOLUTIONS GROUP PLC subsidiary FL Technics UAB established new subsidiary FL Technics Hong Kong Limited. Registered capital is USD 10 000 (equivalent to EUR 9 thousand). On 18 December 2018 the subsidiary together with partners established a joint venture company FL ARI Aircraft Maintenance & Engineering Company CO. LTD (China) (Note 18).

On 15 December 2018, AVIA SOLUTIONS GROUP PLC subsidiary FL Technics UAB established new subsidiary FL Technics GmbH. Registered capital is EUR 35 000. The company is planning to provide aircraft maintenance services in Austria.

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

33 Business combination and disposal (continued)

Acquisitions in 2018

On 13 June 2018 AVIA SOLUTIONS GROUP PLC subsidiary BGS Rail Holdings UAB completed the acquisition of 100 percent of the share capital in a limited liability company BGS Rail LLC (previously DNIPROTRANSLOGISTYKA) established and operating in Ukraine. Acquired company is involved in transport lease and to be further developed by Baltic Ground Services UAB, a direct subsidiary of AVIA SOLUTIONS GROUP PLC. According to the share sale and purchase agreement the purchase price was USD 3 850 thousand (equivalent to EUR 3 268 thousand).

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

	BGS Rail LLC - acquiree's fair value
Property, plant and equipment	7 346
Deferred income tax assets	453
Trade and other receivables	303
Cash and cash equivalents	29
Borrowings	(3 624)
Deferred income tax liabilities	(1 177)
Trade and other payables	(62)
Total identifiable net assets acquired	**3 268**
Purchase consideration – paid in cash	(3 268)
Excess of fair value of acquiree's net assets over costs (recognised in the statement of comprehensive income)	**-**

If the acquisition has been performed on 1 January 2018, revenue and profit contribution of the acquired business to the group performance have not been significant.

On 30 November 2018, FL Technics UAB additionally acquired 18% of the share capital of Avia Technics Dirgantara PT. from the third party. The investment for shares amounted to USD 55 800 (equivalent to EUR 49 thousand).

Disposals and liquidations in 2018

On 25 May 2018, BAA Training UAB sold 100% of the share capital of BGS Rail Holdings UAB (previously BAA Simulators UAB) to the Group company Baltic Ground Services UAB.

On 22 August 2018 the Group sold its 50% of shares in the subsidiary Laserpas UAB to the management of Laserpas UAB. Sales proceeds from the disposal amounted to EUR 1 394 thousand. Details of sale price and assets and liabilities arising from the disposal in Group's financial statements are as follows:

	Laserpas UAB – disposal's carrying amount
Intangible and tangible assets	193
Deferred income tax assets	325
Trade and other receivables	195
Cash and cash equivalents	1 983
Trade and other payables	(148)
Total identifiable net assets	**2 548**
NCI based on proportionate share of net assets (50%)	(1 274)
Group's net assets attributed to equity holders of the parent	**1 274**
Proceeds from sale of interest in subsidiaries	1 394
Gain on disposal, directly recognised in disposal's group other gains/(losses)	**120**

On 5 December 2018, AVIA SOLUTIONS GROUP PLC subsidiary FLT Trading House UAB has been liquidated.

On 14 March 2018, AVIA SOLUTIONS GROUP PLC subsidiary FL Technics Ulyanovsk OOO has been liquidated.

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

34 Discontinued operations

On 27 December 2018 the Board of the Group approved the intention to sell the shares of the subsidiary - *Helisota UAB*. The associated assets and liabilities were consequently presented as held for sale in the 2018 financial statements as the Group was planning that subsidiary will be sold during 12 months.

The subsidiary provides maintenance, repair and overhaul services for helicopters. As the Group planned to dispose a separate line of business - helicopter maintenance activity, the operations were classified as a discontinued operation. In the year ended 31 December 2018, the comparative consolidated statement of profit or loss and cash flows has been represented to show the discontinued operation separately from continuing operations.

As at 31 December 2019 the subsidiary has not been sold as the Group lost the only potential buyer in this transaction and it does not have an intention to search for another buyer. As the criteria for held for sale were no longer met, the results of the entity were reclassified to continuing operations.

According to International Financial Reporting Standard No 5 - if a disposal group being a subsidiary ceases to be classified as held-for-sale, then the financial statements for the periods since classification as held-for-sale are amended accordingly. As indicated in the accounting policy in the Note 2.11, the Group applies the change to the measurement and to the presentation i.e. the Group restated the comparative consolidated statement of profit or loss and other comprehensive income, balance sheet and cash flows. On reclassification the disposal group was measured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset never been classified as held-for-sale. The reclassification has not resulted in any additional net adjustments that should be added additionally to the results for the year 2018.

The following results were adjusted in relation to the discontinued operation in 2018:

Statement of profit or loss and other comprehensive income	**2018 as previously issued**	**Restatement due to the change of the plan to sell**	**2018 restated**
Revenue	**420 076**	**12 398**	**432 474**
Other income	663	(402)	262
Cost of services and goods purchased	(303 624)	(8 955)	(312 579)
Other operating expenses	(21 265)	(1 687)	(22 952)
Depreciation and amortisation	(6 618)	(235)	(6 853)
Employee related expenses	(67 240)	(4 667)	(71 907)
Impairment-related expenses	(3 017)	(906)	(3 923)
Other gain/(loss) - net	(178)	194	16
Operating profit (loss)	**18 797**	**(4 259)**	**14 538**
Finance costs – net	(1 787)	(108)	(1 895)
Profit (loss) before income tax	**17 010**	**(4 367)**	**12 643**
Income tax expense	(3 473)	521	(2 952)
Profit / (Loss) for the period from continuing operations	**13 537**	**(3 846)**	**9 691**
Profit (loss) for the year from discontinued operations net of tax	(3 846)	**3 846**	**-**
Profit (loss) for the year	**9 691**	**-**	**9 691**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income	**9 691**	**-**	**9 691**

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

34 Discontinued operations (continued)

The following assets and liabilities were adjusted in relation to the discontinued operation as at 31 December 2018:

	2018 as previously issued	Restatement due to the change of the plan to sell	2018 restated
Non-current assets			
Property, plant and equipment	61 401	1 048	62 449
Intangible assets	6 939	24	6 963
Investments accounted for using the equity method	103	-	103
Deferred income tax assets	5 777	1 137	6 914
Non-current trade and other receivables	4 052	-	4 052
Current assets			
Inventories	20 905	5 804	26 709
Trade receivables	61 629	3 956	65 585
Contract assets	2 569	479	3 048
Prepaid income tax	806	215	1 021
Cash and cash equivalents	7 373	344	7 717
Assets of disposal group classified as held for sale	13 007	(13 007)	-
Total assets	**184 561**	**-**	**184 561**
Non-current liabilities			
Borrowings	15 815	73	15 888
Government grants	1 016	-	1 016
Security deposits received	363	-	363
Trade and other payables	361	71	432
Deferred income tax liabilities	1 606	-	1 606
Current liabilities			
Trade and other payables	37 804	3 236	41 040
Borrowings	31 315	3 895	35 210
Contract liabilities	19 497	703	20 200
Security deposits received	350	-	350
Current income tax liabilities	3 701	-	3 701
Liabilities of disposal group classified as held for sale	7 978	(7 978)	-
Total liabilities	**119 806**	**-**	**119 806**

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

34 Discontinued operations (continued)

The following cash flows statements were adjusted in relation to the discontinued operation in 2018:

	2018 as previously issued	Restatement due to the change of the plan to sell	2018 restated
Operating activities			
Profit for the year	9 691	-	9 691
Income tax	3 473	(521)	2 952
Adjustments for:			
Depreciation and amortisation	6 618	235	6 853
Impairment-related expenses	3 017	906	3 923
Interest expenses	1 423	89	1 512
Currency translations differences	(40)	-	(40)
Discounting effect on financial assets	8	-	8
Fair value (gain) loss on derivative financial instruments	2	-	2
(Profit)/loss of PPE disposals	122	(14)	108
(Gain) of subsidiaries disposal	(166)	-	(166)
Amortisation of government grants	(254)	-	(254)
Interest income	(134)	-	(134)
Changes in working capital:			
- Inventories	(2 022)	3 239	1 217
- Trade and other receivables, contract assets	(11 039)	256	(10 783)
- Accrued expenses for certain contracts	950	71	1 021
- Trade and other payables, advances received/contract liabilities	9 257	(1 645)	7 612
- Security deposits received	14	-	14
Cash generated from (used in) operating activities	**20 920**	**2 616**	**23 536**
Interest received	1	-	1
Interest paid	(1 367)	(89)	(1 456)
Income tax paid	(823)	(108)	(931)
Net cash generated from (used in) operating activities from continuing operations	**18 731**	**2 419**	**21 150**
Net cash generated from (used in) operating activities from discontinued operations	2 419	(2 419)	-
Net cash generated from (used in) operating activities	**21 150**	**-**	**21 150**
Investing activities			
Purchase of PPE and intangible assets	(24 917)	(305)	**(25 222)**
Proceeds from PPE and intangible assets disposal	196	19	**215**
Loans granted	(1 471)	-	(1 471)
Repayments of loans granted	1 023	-	1 023
Deposits placed	(1 455)	-	(1 455)
Repayments of deposits placed	815	(39)	**776**
Purchase of subsidiaries (net of cash acquired)	(3 239)	-	(3 239)
Sales of subsidiaries (net of cash disposed)	(1 983)	-	(1 983)
Investment into associate	(103)	-	(103)
Net cash from/(used in) investing activities from continued operations	**(31 134)**	**(325)**	**(31 459)**
Net cash generated from (used in) investing activities from discontinued operations	(325)	325	-
Net cash (from) used in investing activities	**(31 459)**	**-**	**(31 459)**

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

34 Discontinued operations (continued)

Financing activities			
Acquisition of interest in a subsidiary (no change in control)	(49)	-	(49)
Bank borrowings received	14 047	-	14 047
Repayments of bank borrowings	(8 976)	-	(8 976)
Borrowings from related parties received	2 434	-	2 434
Repayments of borrowings from related parties	(193)	-	(193)
Repayments of lease liabilities	(2 049)	(23)	(2 072)
Net cash from/(used in) financing activities from continued operations	**5 214**	**(23)**	**5 191**
Net cash generated from/(used in) financing activities from discontinued operations	(23)	23	-
Net cash from/(used in) financing activities	**5 191**	**-**	**5 191**
Increase in cash and cash equivalents	**(5 118)**	**-**	**(5 118)**
At beginning of year	(11 516)	-	(11 516)
At end of year	**(16 634)**	**-**	**(16 634)**

35 Related party transactions

Related parties of the Group include entities having significant influence over the Group, key management personnel of the Group and other related parties which are controlled by the ultimate beneficial owner or close members of that person's family. Entities having significant influence over the Group are PROCYONE FZE, *VERTAS AIRCRAFT LEASING LIMITED, Vertas Cyprus Ltd, Vertas Management AB* (the sole shareholder of *Vertas Cyprus Ltd*). Transactions with these companies are presented separately. Related parties include subsidiaries of the entities having significant influence over the Group. They are presented as other related parties.

On 18 October 2018 the Group sold its 30% stake in United Airports Management B.V to a related party. In February 2019 the purchaser ceased to be a related party of the Group when all shares in this entity were sold to an unrelated 3rd party investor. Management concluded that the Group retained significant influence over United Airports Management B.V. until February 2019.

During 2019 the Group completed the acquisition of 100% of the share capital in Smart Aviation Holding SIA (SAH) and 98,84% of the share capital in Avia AM Leasing AB from related parties, these transactions are disclosed in Note 33.

The following transactions were carried out with related parties:

	2019	2018*
Sales of services to:		
Entities having significant influence	13	12
Other related parties	6 807	15 129
	6 820	**15 141**
Sales of assets:		
Entities having significant influence	-	8
Other related parties	1	2
	1	**10**
Total sales of assets and services	**6 821**	**15 151**

Restated see note 34.

35 Related party transactions (continued)

In year 2019 amount of sales of aircraft maintenance services from the Group to related parties was EUR 4 398 thousand (2018: EUR 9 517 thousand).

	2019	2018*
Purchases of assets from:		
Other related parties	2 280	389
	2 280	**389**
Purchases of services from:		
Entities having significant influence	3 916	2
Other related parties	5 284	7 193
	9 200	**7 195**
Other income	**381**	**42**
Finance costs	**(209)**	**-**
Total purchases of assets, services, other income and finance costs	**11 652**	**7 626**

In year 2019 amount of purchases of premises lease services from related parties was EUR 1 680 thousand (in 2018: 1 672 EUR thousand).

	2019	2018
Trade receivables from related parties:		
Trade receivables from entities having significant influence	9	1
Trade receivables from other related parties	713	1 171
Impairment of trade receivables from other related parties	(39)	(66)
Trade receivables from related parties – net (Note 21)	**683**	**1 106**
Security deposit with lessor from related parties (Note 21)	**18**	**22**
Other receivables from entities having significant influence	2 808	-
Other receivables from other related parties	1 263	174
Impairment of other receivables from other related parties	(24)	(3)
Other receivables from related parties – net (Note 21)	**4 047**	**171**
Receivables from investment in bonds - gross	-	7 345
Impairment of receivables from investment in bonds	-	(7 345)
Receivables from investment in bonds - net (Note 21)	**-**	**-**
Prepayments from related parties (Note 21)	7	63
Amount due from customers for contract work from other related parties (Notes 21)	150	11
Deferred charges (Note 21)	28	44
	4 933	**1 417**
Payables and advances received from related parties:		
Amounts payable to other related parties (Note 28)	363	414
Finance lease liabilities	13 594	-
Advances received from other related parties	35	3
Other financial payables to other related parties	4 603	-
Other financial payables to entities having significant influence	17	-
Deferred revenue from other related parties	-	47
Other accrued expenses from other related parties	-	42
Amounts payable to entities having significant influence (Note 28)	22	-
	18 634	**506**

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

35 Related party transactions (continued)

	2019	2018
Loans granted to related parties:		
Beginning of the period	**7 298**	**1 019**
Loans granted to other related parties	8 568	6 676
Loans from acquisition of new subsidiaries	11 675	-
Currency translations differences	(467)	-
Loan repayments received from other related parties (set-offs)	(440)	(349)
Impairment of loans granted to other related parties	5	(87)
Loan reclassified to intra-group due to acquisition	(5 800)	-
Loans reclassified to third parties	(518)	-
Interest charged to other related parties	153	39
Accrued interest increase due to acquisitions	879	-
Interest paid	(96)	-
End of the period	**21 257**	**7 298**
Less non-current portion:	(13 658)	(354)
Current portion (including accrued interest income):	**7 599**	**6 944**

Loans received from related parties:	**2019**	**2018**
Beginning of the period	**2 388**	**99**
Loans received from other related parties	438	2 334
Currency translations differences	(1)	7
Loan reclassified to intra-group due to acquisition	(2 829)	-
Loans reclassified to third parties	(1)	-
Loans repayments to other related parties / set-offs	-	(91)
Interest on loans charged	410	42
Accrued interest expenses / income at the beginning of period	3	-
Interest on loans repaid / set-offs	(408)	(3)
End of the period	**-**	**2 388**
Less: non-current portion	-	(1 948)
Current portion (including accrued interest expense):	**-**	**440**

In 2019 the Company signed put option agreements with the Group employees, related to the Key Management of the Group, which give the right to put back acquired shares of the Company during the period from August 2019 to November 2024, at any time after the demand.

In 2019 the Group granted loans to the employees, related to the Key Management of the Group, in amount of EUR 825 thousand (at the interest rate of 4.5%) for purchasing shares of the Company. According to these loan agreements the employee has the right to put back the shares to the Group in a period from August 2019 to November 2024, at any time after the demand.

The management of the Group has evaluated that the above mentioned option agreements made with the members of the Key Management of the Group do not have a material impact on these financial statements.

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

36 Remuneration of the Group's key management

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

	2019	2018
Salaries including termination benefits	1 112	628
Social insurance expenses	58	167
Bonuses	89	2
Employee benefits	70	-
Termination benefits	31	-
	1 360	**797**
Loans granted to key management at the end of year	1 439	522
The number of key management personnel at the end of year	15	6

As at 31 December 2019 the Group had seventeen signed put option agreements which give the right to put back acquired shares of the Company during the period from 2019 to 2024. 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 2019 the part of benefit included in the consolidated statement of comprehensive income amounts to EUR 60 thousand.

In 2019 the Group granted loans to the above mentioned Key Management personnel of the Group in relation to the share acquisitions as described above, in the amount of EUR 825 thousand.

37 Derivatives

The Group has the following derivative financial instruments in the following line items in the balance sheet:

	2019	2018
Current assets		
Foreign currency options	341	-
Foreign currency forwards	36	-
Total current derivative financial instrument assets	**377**	**-**
Non-current assets		
Foreign currency interest rate forward - cash flow hedges	3 600	-
Foreign currency options	72	-
	3 672	**-**
Non-current liabilities		
Foreign currency interest rate swap - cash flow hedges	**4 686**	**-**

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

37 Derivatives (continued)

Hedging reserves

The Group's hedging reserves disclosed in consolidated statements of changes in equity as fair value reserve relate to the following hedging instruments:

	Foreign currency interest rate swap
Opening balance 1 January 2019	-
Change in fair value of hedging instrument recognised in OCI	(617)
Deferred tax	136
Currency translation differences	6
Closing balance 31 December 2019	**(475)**

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign currency interest rate swap.

Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

	2019	2018
Net gain/(loss) on foreign currency forwards not qualifying as hedges included in other gains/(losses)	(868)	-
Net gain/(loss) on foreign currency options not qualifying as hedges included in other gains/(losses)	(1 298)	-
	(2 166)	**-**

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

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

37 Derivatives (continued)

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

There was no recognised ineffectiveness during 2019 in relation to the foreign currency interest rate swap.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency interest rate swaps on the group's financial position and performance are as follows:

	2019	2018
Foreign currency interest rate swap		
Carrying amount (non-current asset)	3 600	-
Carrying amount (non-current liability)	(4 686)	
Notional amount	57 811	-
Maturity date	May 2020 – November 2024	-
Hedge ratio	1:1	-
Change in fair value of outstanding hedging instruments since 1 January	(617)	-
Change in value of hedged item used to determine hedge effectiveness	617	-

38 Change in accounting policy

Adoption of IFRS 16

The Group has initially adopted IFRS 16 "Leases" form 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policie s.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under 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.

At inception or on reassessment of a contract that contains a lease component, the Group 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 Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group leases many assets, including properties, aircraft, vehicles and equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

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

The Group presents lease liabilities in 'loans and borrowings' in the statement of financial position.

Significant accounting policies

The Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount 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.

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

38 Change in accounting policy (continued)

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-at-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application - the Group applied this approach to its largest property lease: or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term,
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impacts on financial statements

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019
Right-of-use assets presented in property, plant and equipment	12 438
Deferred tax asset	140
Retained earnings	(786)
Lease liabilities	13 364

The Group applied exemptions not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term for amount of EUR 510 thousand and low-value assets for amount of EUR 112 thousand.

When measuring lease liabilities for leases that were classified as operating leases. The Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.13%.

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	12 675
Additional payments, which were previously not included into operating lease commitments disclosure	2 761
Operating lease commitments discounted using the group's incremental borrowing rate of 4.13% as at 31 December 2018	13 986
Add: finance lease liabilities recognised as at 31 December 2018	13 822
(Less): low-value leases recognised	(112)
(Less): short-term leases recognised	(510)
Lease liability recognised as at 1 January 2019	**27 186**
- non-current lease liability	19 019
- current lease liability	8 167

Right-of-use assets as at 31 December 2019 are presented in note 16, lease liability recognised as at 31 December 2019 are presented in note 27.

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

39 Events after the reporting date

COVID-19 impact on the Group's activities

Avia Solutions Group operations were significantly impacted by the spread of COVID-19 virus. Lockdowns are being enforced and prolonged across territories restricting daily operations. In April 2020 passenger air traffic decreased more than 80% as compared to the previous year that drives down the demand for aviation related services except for Cargo Services which operates at increased capacity. Currently Cargo operation are actively working to address increased demand of the market, MRO services are operating at decreased capacity and remaining operations are either operating at minimum capacity or idling.

Management of the Group established crisis management committee, has put comprehensive plan in place to minimise and control the effects of this crisis, including through utilization of support offered by the governments in terms of employee cost compensation packages during lock downs, downsizing of labor force, introducing payroll reductions, applying for tax incentives and negotiating with certain counterparties in order to agree on more favorable terms and conditions. These measures facilitate in significantly decreasing cash burn of idle operations of the Group. The Group is in the process of taking action in order to minimise and control the effects of this crisis.

Government officials started indicating that each county shall introduce its operation resumption plans, however it is uncertain when restrictions to conduct operations will be lifted. Having this uncertainty, the Management of the Group also prepared cash flow forecast considering worst case scenario, whereby operations do not resume until April 2021 and it concluded that the Group will have sufficient liquidity to continue as going concern more than a year from the approval of these financial statements.

This outbreak may have implication to the future assessments of fair values, expected credit losses and impairment of assets. The Management of the Group considers this outbreak to be a non-adjusting post balance sheet event and the quantitative assessments of the above mentioned implications will be reflected in the later financial statements. The assessment of an entity's ability to continue as a going concern is presented in Note 4 "Critical accounting estimates and significant judgments".

Other post balance sheet events

On 14th of February 2020, *Avia Solutions Group (ASG)*, a global multipurpose aviation services company, signed an agreement to acquire 100% of the shareholding of *Aviator Airport Alliance AB*, a full-range aviation services provider for the Nordic region, for consideration for amount of EUR 13 698 thousand (SEK 146 209 thousand). Offering flexible and cost-effective solutions that meet the demand for high-quality support services of a wide range of airlines, *Aviator* is a valuable addition to *Avia Solution Group's* portfolio. Upside earnings opportunities for the group will be realised through the provision of additional services, such as fuelling and line maintenance, at Aviator's stations as well as through synergies in purchasing of ground handling equipment and the use of proprietary operations management software. The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

Property, plant and equipment	15 344
Intangible assets	5 182
Deferred income tax assets	2 564
Inventory	1 286
Trade and other receivables	20 466
Cash and cash equivalents	2 224
Borrowings	(49 920)
Trade and other payables	(34 379)
Total identifiable net assets acquired	**(37 233)**

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

39 Events after the reporting date

On the 24th of January 2020, *Avia Solutions Group* signed an agreement with *BB Holding EHF* for the full acquisition of *Bluebird Nordic (Bláfugl ehf.)*, which entails a 100% stake ownership of the company's shareholdings, for consideration for amount of EUR 5 168 thousand (USD 5 782 thousand) which is subject to final adjustments. On the 31st of March 2020, following the completion of all prerequisites and receipt of relevant clearances from competition authorities, the transaction was finalised. *Bluebird Nordic* provides import and export air freight services worldwide. At the time the consolidated financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of *Bluebird Nordic (Bláfugl ehf.)*. The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

Property, plant and equipment	644
Long-term security deposits placed	1 203
Inventory	297
Trade and other receivables	3 920
Cash and cash equivalents	1 499
Deferred income tax liabilities	(66)
Trade and other payables	(4 041)
Total identifiable net assets acquired	**3 456**

On 19 February 2020, the Group, trough one of its subsidiaries acquired 100% of the shareholding of *Flash Line Maintenance S.r.L.*, for consideration for amount of EUR 600 thousand. The subsidiary provides aircraft line station services. The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

Property, plant and equipment	47
Intangible assets	236
Inventory	472
Trade and other receivables	561
Cash and cash equivalents	104
Trade and other payables	(1 704)
Total identifiable net assets acquired	**(284)**

At the time the consolidated financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of new companies mentioned above.

In January 2020 the Group completed the sale of three Airbus A321-211 aircraft with lease attached.

On 2 January 2020 the Group, trough one of its subsidiaries, acquired 100% of the share capital in *Dariaus ir Gireno 20, UAB* for consideration for amount of EUR 2 500 thousand (USD 2 809 thousand). The company is incorporated in Lithuania and is engaged in real estate business. The company owns land and a few buildings. The assets and liabilities of the acquired company will be consolidated from 1 January 2020. The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

Property, plant and equipment	2 481
Trade and other receivables	45
Cash and cash equivalents	5
Trade and other payables	(21)
Total identifiable net assets acquired	**2 510**

At the time of the consolidated financial statements were authorised for issue, the Group had not yet completed accounting for the acquisition of *Dariaus ir Gireno 20, UAB* as the independent valuations have not been finalised.

39 Events after the reporting date (continued)

On 3 March 2020 the Group, through one of its subsidiaries, acquired 100% of the share capital in *BUSNEX POLAND SP. Z.O.O* – with a purpose to develop business in relation to public transportation solutions. The newly established company with a share capital of PLN 5 thousand is incorporated in Poland. Purchase consideration paid was USD 3 thousand (EUR 2 thousand, PLN 10 thousand).

On 13 March 2020 the Group, through one of its subsidiaries, acquired 100% of the share capital in *Skyroad Leasing, UAB* for consideration for amount of EUR 3 thousand. The company is incorporated in Lithuania and is engaged in aircraft leasing business. At the time the consolidated financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Skyroad Leasing, UAB. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalized.

Consolidated Financial Statements have been approved and signed on 27 May 2020:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

CONSOLIDATED MANAGEMENT REPORT Approved by the Board as at 27 May 2020

I. GENERAL INFORMATION

Reporting period	**Year ended 31 December 2019**
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	28 Oktovriou, 1, ENGOMI BUSINESS CENTER BLC E, Flat 111, Egkomi, 2414, Nicosia, Cyprus
Telephone number	+44 20 808 99777
E-mail	info@aviasg.com
Internet address	www.aviasg.com

The Board of Directors presents its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2019.

Changes in group structure

As at 7 September 2018 the Company has changed its legal status from private limited liability company (LTD) to public limited liability company (PLC) and the name from Avia Solution Group AB (CY) LTD to Avia Solution Group AB (CY) PLC. As at 15 October 2019 the name was changed to Avia Solution Group PLC.

Until 16 July 2019 the 99,98% of the Company's share capital was owned by Avia Solutions Group AB, which was a public limited liability company incorporated at State Enterprise Centre of Registers of the Republic of Lithuania as at 31 August 2010 (Company code – 302541648). The Company was domiciled in Vilnius, the capital of Lithuania. The address of its registered office was as follows: Smolensko St. 10, LT-03201, Vilnius.

As of 16 July 2019, in accordance with common cross-border merger terms, all Avia Solutions Group AB assets, rights and liabilities were taken over by Avia Solutions Group PLC that continues its activities thereafter and as of 16 July 2019 Avia Solutions Group AB assets and liabilities, rights and obligations under the transactions, are included in the accounting records of Avia Solutions Group PLC.

On 15 July 2019 Avia Solutions Group AB was dissolved without going into liquidation and was deregistered from the Register of Legal Entities of the Republic of Lithuania. On 9 July 2019 Avia Solutions Group PLC registered a permanent establishment of a foreign legal entity in Lithuania (identification number (code): 9001538174, VAT code: LT100012497310), which after the merger will operate in the territory of the Republic of Lithuania.

As on 31 December 2019, the Group consisted of the parent company, Avia Solution Group PLC and its effective subsidiaries and associate which are disclosed in note 1 "General information" in the Consolidated Financial Statements for the year ended 31 December 2019.

As at 31 December 2019 *Avia Solutions Group PLC* had one representative Office in the Russian Federation, Four Winds Plaza, 1st Tverskaya-Yamskaja Str., 21, Moscow, Russia, Moscow, one permanent establishment in Republic of Lithuania, Dariaus ir Gireno st. 21a, LT-02189 Vilnius, Lithuania and no branches.

All other changes in the Group structure are presented in the Note 33 of the Consolidated Financial Statements for the year ended 31 December 2019.

Main activities

AVIA SOLUTIONS GROUP PLC is a holding company together with its subsidiaries (hereinafter collectively – the 'Group' or ' ASG Group') engaged in delivering clients integrated aviation related services.

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

- Aviation Supporting Services;
- Aviation Logistics and Distribution Services;
- Aircraft Trading and Portfolio Management;
- Unallocated segment (holding and financing activities).

Aviation Supporting Services Segment

Aviation Supporting Services segment is involved in providing services to airlines to support their business. This segment includes aircraft and aircraft components' maintenance services, repair, overhaul, engineering, spare parts and consumable sale, aircraft handling, passengers servicing, tickets sale and into-plane fuelling, full scope of integrated flight training and recruitment solution services

Aircraft Maintenance, Repair and Overhaul (MRO) services

ASG Group is a global one-stop-shop providing a wide range of MRO solutions for various Boeing, Airbus, ATR, Embraer, Bombardier CRJ, and other types of aircraft, including aircraft base and line maintenance, component management, engineering services, spare parts and consumable sales, technical training, consulting, engine maintenance management, aircraft parts marketplace services, and other related aircraft services. ASG Group provides these services primarily through FL Technics UAB (*FL Technics*), Jet Maintenance Solutions UAB (*Jet Maintenance Solutions*) and its subsidiaries, including Storm Aviation Limited (*Storm Aviation*).

Aircraft maintenance and repair consists of routine and non-routine maintenance work and is divided into two general categories: line maintenance and base maintenance. Through FL Technics and its subsidiary Storm Aviation, ASG Group provides both line and base maintenance services.

FL Technics occupies 5 aircraft maintenance hangars together with administrative, warehouse and back shop facilities in Vilnius International Airport, Kaunas International Airport, Soekarno - Hatta International Airport, Jakarta, London Stansted Airport and Harbin Taiping International Airport, China – 50,600 sq. meters in total. The hangars are comprised of total 8 airframe maintenance bays in Vilnius International Airport and Kaunas International Airport, 3 bays in London Stansted Airport, 4 bays in Harbin, China and 3 more bays in Jakarta. Utilizing these hangars and the nearby premises FL Technics provides base maintenance services, including: aircraft base maintenance checks, structure inspection and structure repairs, routine maintenance, technical defect rectification, interior refurbishment, minor/major modifications (avionics, airframe), engine replacement, landing gear replacement and non-destructive testing.

Line maintenance is defined as maintenance that is carried out before each flight to ensure that the aircraft is airworthy and fit for the intended flight and includes: daily service and weekly checks, unscheduled checks, 24/7 AOG support troubleshooting, defect rectification and minor component replacements. As at 31 December 2019 ASG Group subsidiaries collectively operated thirty three line station (at 31 December 2018 – thirty one line station).

Continuing airworthiness management (engineering) services

FL Technics provides comprehensive engineering management services to the aircraft operators, airlines and leasing companies. Basic engineering services provided by *FL Technics* include: aircraft airworthiness review and renewal, engine condition monitoring, aircraft weighting, flight data read-out, monitoring and analysis and ageing aircraft programs.

Spare parts and consumable sales

Spare parts and consumable sales are carried by the Group mainly through *FL Technics*. The Group provides comprehensive spare parts management services including: planning/provisioning, purchasing, inventory control, asset management, warehousing and distribution of spare parts and consumables. One of the core competences of the Group is expanded own stock of spare parts and components in a number of locations, such as London, Vilnius, Singapore. Stock and in-house capabilities are listed in databases such as ILS, Parts Base and Locatory.com. *FL Technics* provides cost saving programmes for airlines and component repair management. In addition to ad hoc and pool agreements, the power-by-the-hour (PBH), Consumable Support products, full wheels and brakes (W&B) programs, including pool of W&B assets, repairs and logistics are provided by *FL Technics* for existing and new customers.

Technical training and consulting services

FL Technics and *Storm Aviation* provides technical training for aviation specialists involved in the maintenance and repair of aircraft, as well as other specialized training programs and consulting services. The training programs, which are drawn up in accordance with the requirements of EASA, cover four main areas: basic maintenance training, aircraft type training, specialized aviation training and other consulting services. *FL Technics* has developed specialized online training program specifically for aircraft technical professionals worldwide: www.147training.com. Specialized aviation training includes auditors training (theory and practice), wheels and brakes training, avionics components maintenance training, implementing rules – PART-M and PART-145 training, human factors training, fuel tank safety training, quality systems training, aviation legislation training, aircraft structure repair training, engineering and planning procedures training, material management and logistics training, escape slides and life preservers maintenance training and engine borescope inspection (CFM56-3) training.

Engine and Components management services

FL Technics provides comprehensive engine and component management services aimed at saving its customers' time and money. Scrap replacement materials are provided during a shop visit. *FL Technics* also offers a number of alternative options to deal with the engine, landing gear, APU and other components' problems, including exchange, sale, purchase and lease of an engine or other components.

Other MRO services

Other MRO services are mainly comprised of non-destructive testing (eddy current, magnetic particle, dye penetrate and ultrasonic) of airframes and components services provided by *FL Technics* and its subsidiaries, and of aircraft parts marketplace services provided by *Locatory.com.*

Locatory.com develops and maintains its own trading platform catered specifically to the aircraft spare parts aftermarket while offering proactive customer support and enhancing the industry with effective supply chain management solutions. *Locatory.com* developed Sensus MRO a web-based ERP solution for the MRO industry, which easily integrates with other software services and ensures connectivity.

Business jet MRO

Business jet MRO operations are carried by the Group through *Jet Maintenance Solutions (Jet MS)*. The subsidiary is a global provider of integrated aircraft maintenance, repair and overhaul solutions for business and regional aviation. *Jet Maintenance Solutions* offers base and line maintenance services for Hawker Beechcraft 700/800/800XP/850XP/900XP/750, Bombardier CRJ 100/200/440, Bombardier Challenger 604/605/850 and Bombardier Global 5000/6000 aircraft. In addition, the company provides spare parts supply, logistics, aircraft conversion, aircraft painting, cabin refurbishment & modification and engine management solutions for a wide range of other business and regional jets.

Jet MS is a Collins Aerospace's authorized Dealer as well as the first service center in Eastern Europe, authorized to provide warranty support for TRONAIR's ground support equipment (GSE). Moreover, in the end of 2019, Honeywell has appointed JET MS as their newest channel partner in Central Europe. Certified as an EASA Part-145 organization, Jet Maintenance Solutions serves business aircraft registered in the Russian Federation, Belarus, Turkmenistan, Kazakhstan, Lebanon, Ukraine, Nigeria Bailiwick of Guernsey, Bermuda and the Cayman Islands. *Jet MS* is also included in Aero-Dienst and ACC COLUMBIA suppliers' list. Jet MS is ISO 9001:2015 and ASA-100 certified company.

Aircraft Ground Handling, Fuelling and Logistics services

Aircraft ground handling, fuelling and logistics services are conducted by Baltic Ground Services UAB and its subsidiaries which are jointly referred to as Baltic Ground Services. Baltic Ground Services is a regional group of ground handling companies, which provide full range of aircraft ground handling, fuelling and logistics services. As at 31 December 2019, Baltic Ground Services activities were concentrated in airports of Lithuania, Latvia, Estonia, Poland, Ukraine, Czech Republic and Russia. Baltic Ground Services expands its network and continues to develop its activities in aforementioned regions.

Baltic Ground Services is one of the reliable partners for clients in the International Carriage of Dangerous Goods by Road (ADR Logistics) business field. In 2019 Group companies in Lithuania, Germany and Russia were expanding their capacities. Baltic Ground Services LT and Baltic Ground Services PL were serving own needs for transportation of aviation fuel to Lithuanian, Polish and Latvian airports. At the same time Baltic Ground Services LT remained to be a strategical partner of Neste in Lithuania, providing services of fuel deliveries to all Neste gas stations in the country. Good partnership and high level of service quality over 5 years in Lithuania lead to winning a tender for logistic services in Neste Latvian subsidiary. Baltic Ground Services DE maintained transportation operations in Germany, serving one of the major players in the market of aviation fuel sales, exploring Slovakian and Italian markets as well. Baltic Ground Services RU expanded capacities of dark oil products transportation by 30 new MAN trucks with cisterns, signing long-term agreements with reliable clients. Expansion was followed by development of IT solutions for optimization of operations and best service to clients.

Railway Semi-Wagons Lease

2019 was an expansion year of new business field – railway semi-wagons lease. The number of owned semi-wagons increased up to 1199. BGS Rail started operating the third-party owned semi-wagons as well, thus increasing the total amount of railway fleet, becoming significant player on Ukrainian market.

Crew Training and Staffing

Crew training and staffing operations are carried through BAA Training and AviationCV.com UAB (*AeroTime Hub*).

BAA Training, consisting of BAA Training UAB, BAA Simulators 2 UAB and BAA Training Vietnam LLC, is a globally recognized provider of tailored training solutions delivered through personal approach.

Certified as an Approved Training Organization (ATO), BAA Training offers Fixed or Rotary wing Ab Initio, Type Rating, Cabin Crew, Ground Handling, Flight Dispatcher training solutions including online training courses. Headquartered in Vilnius, Lithuania, BAA Training is one of the TOP 3 biggest independent aviation training centres in Europe.

BAA Training UAB and BAA Simulators 2 UAB companies occupy approx. 4000 sq. meters. The training centre premises are located in Lithuania and Spain. All of them are divided into Ab Initio school and Type Rating training learning complexes with modern auditoriums, rest areas, dining rooms and specialised training facilities equipped with: 2 FNPT II (Flight Navigation Procedures Trainer), two A320 FTDs (Flight Training Devices), Boeing 737-300/400/500, Boeing 737-600/900 as well as two Airbus A320 Full Flight Simulators (FFS), Real Fire Fighting and Smoke Trainer, Airbus A320 Door and Over the Wing Exit and Slide Trainer as well as hangars for aircraft maintenance

BAA Training aircraft fleet consists of 8 Cessna 172S, 11 Tecnam P2002JF and 2 Tecnam 2006T. 3 BAA Training flight bases for flight training are established at S. Dariaus and S. Gireno aerodrome in Lithuania as well as at Lleida Alguaire international airport and Castellon Airport in Spain. Additional supporting airports Andorra–La Seu d'Urgell and Reus airports are also set to be used for flight operations in 2020. With the establishment of flight bases in South BAA Training ensures year-round flight training for all airline cadets.

BAA Training offers training solutions for more than 15 types of aircraft on 80 Full Flight Simulator at more than 40 locations in Europe, North and South Americas, Africa and Asia. Today BAA Training certificates are valid in all EASA countries while additional specific approvals are issued by Belarus, Georgia, Jordan, Laos, Kazakhstan, Kyrgyzstan, the Republic of Korea, Russia, Seychelles, Ukraine, Tajikistan, and Vietnam authorities.

BAA Training Vietnam has been established in 2018 as a response to growing pilot demand in Vietnam and the Asia-Pacific region. As the construction of modern and spacious 3000-square-meter training facilities has been completed in 2019, BAA Training Vietnam started operating its first Airbus A320ceo full flight simulator in September, 2019. BAA Training Vietnam occupy modern training facilities of 3000 sq. m. located just 30-minute drive from the airport. Along with its spacious classrooms, briefing/debriefing rooms and a luxury lounge, the training centre operates the most technically advanced brand new training equipment: A320ceo FFS, A320neo FFS, IPT device and V9000 Commander for firefighting training BAA Training Vietnam training centre is designed to accommodate 4 full-flight simulators in total.

Furthermore, BAA Training is constantly developing advanced training programs. In 2019 BAA Training was one of the first training providers to add a new non-technical module into its training syllabus – NTS training. The academy prepared this program according to a new requirement from EASA to implement a new training course Area 100 KSA (Knowledge, Skills and Attitudes), which will be mandatory for every training provider from 2022.

In 2019 BAA Training launched a new MPL training program. With the main focus on the competency-based rather than task-based training, devoting 80% of the flight training to a multi-piston aircraft, including a full flight simulator into the training and integrating airline procedures from the very first training days, MPL training program allows to prepare a high proficiency pilots designed to work for the airline.

In 2019 the company became a partner of Turkish Airlines to prepare cadets and started pilot assessment for cadet program with LOT Polish Airlines. In addition to those significant contracts, BAA Training became ENAC (Ecole Nationale de l'Aviation Civile) partner for pilot training. In 2018 launched business line TapkPilotu, offering sponsorship training model for Lithuanian citizens, is successfully gaining its audience and new groups are being started throughout the year.

AeroTime Hub is a global multi-channel aviation digital hub paving the way forward for people-oriented aviation media and business solutions by combining world-class breaking news, aviation intelligence, recruitment events and solutions. Currently comprised of six brands – *AeroTime News, AIR Convention, AviationCV.com, Recruitment, Events and Pilot Training* – the hub is a digital gateway to aviation professionals and industry stakeholders.

Aviation Logistics and Distribution Services Segment

Aviation Logistics and Distribution Services segment provide services using aircraft to airline and non-airline customers using contracted capacity. This segment include logistics services, a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries.

Aircraft, crew, maintenance and insurance (ACMI) operations

ACMI activity is carried through *Smartlynx Airlines SIA* (*Smartlynx*) with its subsidiaries and *Avion Express UAB (Avion). Smartlynx Airlines SIA* also provides international passenger charter services.

Smartlynx's and Avion's core business is the provision of short- and long-term ACMI services to other carries globally. Smartlynx and Avion offer primarily wet lease and damp leases of their mainline narrow-body aircraft fleet, which, in turn, they source from lessors on the basis of dry leases.

Under "wet leases," Smartlynx and Avion, as lessors, provide an aircraft, complete crew, maintenance, and insurance to another airline or other type of business acting as a broker of air travel, as lessee, who generally pays by hours operated and is responsible for covering fuel expenses, airport fees and other duties and taxes. Typically, flights are operated under the lessees' flight numbers. Under "damp leases," Smartlynx and Avion, as lessors, provide an aircraft, flight crew and maintenance, but the lessees provide the cabin crew. In order to achieve higher cost efficiency, Avion also operated its own Part-145 line maintenance station in 2018, in Stuttgart, Germany, with the capacity to service four aircraft concurrently during the peak season, which was closed after the contract with Condor ended. Avion is in the process of opening its own Part-145 line maintenance station in Amman, Jordan.

Charter Services

Smartlynx operates passenger charter flights from Estonia and Latvia to various leisure locations across Europe, Africa and Asia, including Turkey, Greece, Italy, Spain, Tunis, Morocco and Egypt. Avion does not usually operate passenger charter flights, except for rare one-off contracts. Smartlynx's contracts are usually for a term of between one to two years; however, historically Smartlynx operated charter services in Riga and Tallinn for more than seven years, with contracts renewed each year. Due to the market size, usually one aircraft of up to 180 seats is split between two to three different tour operators. The tour operators are charged per seat block of the flight. The price is then adjusted to reflect changes in fuel prices as at the time of the flight; therefore the risk relating to fluctuations on fuel price is transferred to tour operators.

Cargo services

Cargo services are carried through Chapman Freeborn Holding (*CFG*) and its subsidiaries. CFG provides a wide range of aircraft charter and leasing services to cargo, passenger and VIP charter clients across a broad spectrum of industries. Services provided by CFG include sourcing aircraft to meet the client's charter requirements, and ensuring airlines and operators are thoroughly screened and monitored. CFG also offers a range of additional services including pre-flight advice and airport representation, and operates an in-house division which provides 24/7 assistance to customers, such as flight monitoring and securing ground handling, diplomatic clearances and flight permits. CFG also provides a broad range of other ancillary aviation consultancy services, including in connection with managing the response to oil spill incidents (including transportation of the necessary equipment, such as capping stacks), traffic rights, ground handling, fuel provision and diplomatic clearances.

CFG's primary focus is the provision of global air cargo charter solutions and arranging charters for the delivery of heavy and outsized equipment (e.g., oil and gas equipment, aircraft engines, and vehicles), time critical consignments (such as automotive cargo and manufacturing components), dangerous goods (e.g., explosives and gasses, flammable liquids, radioactive materials, etc.) and all other types of freight, for companies and suppliers in multiple industries.

CFG solutions are based on the analysis of the route, payload and timescale of the freight to be shipped. CFG is also able to organize part-charters, backloads and other commercially innovative solutions for ad-hoc, peak season and project cargo. In addition, CFG can organize cargo inspections at the manufacturer's facility, and advises on packaging requirements.

CFG also coordinates ad-hoc and large-scale humanitarian relief flight operations for the United Nations, governments and other aid providers, including airlifts, airdropping, search and rescue flights, delivery of humanitarian goods (such as life-saving medicines, food and equipment), evacuation flights and aircraft leasing.

Through its subsidiary Intradco, CFG provides logistics solutions for animals of all shapes and sizes, including equine, livestock and exotics air transport services. Intradco has an in-depth knowledge of IATA's Live Animals Regulations and a specialized in-flight team who can accompany animals on flights to minimize any potential risks. Over the past thirty years, Intradco has worked with zoos, conservation groups, and private owners, across a variety of relocation projects for unusual and endangered species.

On-board courier

CFG provides transportation solutions tailored to clients' specific requirements, with dedicated couriers accompanying each shipment from pick-up to delivery. CFG delivers for time-critical cargo, such spare parts, samples, prototypes and important documents, for companies and suppliers in the automotive, fashion, pharmaceutical, hi-tech sectors, aerospace and medical sectors. CFG utilises both individual contractors and a technological platform for booking and tracking shipments.

Private Jet Charter, Flight and Tour Operation services

The Group is involved in private jet charter operations related activities conducted through KlasJet UAB.

KlasJet is one of the leading private and corporate jet charter, providing exclusive flights to clients all over the world. The company has a proven reputation in aviation with over 20 years of combined experience in organising corporate and leisure flights for group transportation. Having one of the biggest Boeing 737-VIP fleets globally, KlasJet is distinctive, both in design and the highest quality service they provide.

KIDY Tour UAB, KIDY Tour OÜ, KIDY Tour OOO and KIDY Tour SIA collectively represent Tour Operations companies. The purpose of companies' activities is to provide clients with tour operator as well as other related services. Currently companies are offering a wide range of holiday tours into Turkish and Egypt resorts. In order to become one of the leading travel operators in Baltic States, Kidy Tour companies are actively working on introducing new travel destinations.

Aircraft Trading and Portfolio Management Segment

Aircraft Trading and Portfolio Management segment is engaged in the business of aircraft leasing, trading and management. These services are provided primarily through *Avia AM Leasing AB* and its subsidiaries.

Avia AM Leasing AB together with its subsidiaries acquire, lease and trade commercial aircraft. The Group's primary focus is on the market for used aircraft, primarily on aircraft of ten years of age or older. The Group is principally engaged in purchasing commercial aircraft which the Group, in turn, lease to airlines around the world to generate attractive returns on equity. The Group leases its aircraft to airlines pursuant to net operating ("dry") leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term.

In addition to aircraft operating lease activities, the Group is actively engaged in aircraft trading business through acquiring, refurbishing and subsequent sale of aviation assets. Through long-standing relationships and extensive market knowledge, the Group acquires aircraft from airline operators, other lessors, trading entities, financial institutions and directly from the manufacturers. These acquisitions are made with the intent of subsequent sale of the aircraft either in "as-is" condition or after performing certain technical modifications in order to meet the client's requirements.

While Group's primary business is to own, lease and trade aircraft, the Group also provides consulting, aircraft transaction management and remarketing services to third parties for a fee. These services are similar to those the Group performs for its fleet, including leasing, re-leasing, lease management and sales services. Thanks to Group's extensive market intelligence gathered from its daily contacts with other market participants, the Group is well positioned to advise its clients on the best terms and conditions available in the market, and to provide assistance and know-how to its clients in the field of structuring and maintaining their aircraft portfolios.

Unallocated Segment

The Unallocated segment include management services and financing activities to subsidiaries which cannot be attributed to the other segments.

The Group's vision and mission

The Group's vision is to be the best partner in aviation related services in the region. By employing professionalism of our employees, taking responsibility and being flexible in finding the best way to improve any situation we enable customers to focus on their core activities. The Group's mission is to create value for shareholders and customers by providing professional and high-quality aviation related services.

II. FINANCIAL AND OPERATIONAL INFORMATION

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

In 2019 *Avia Solutions Group PLC* and its subsidiaries (hereinafter – the Group) generated net profit of EUR 12 million (in 2018 - EUR 10 million). The consolidated revenue from continuing operations has increased up to EUR 607 million, or by around 40% as compared with EUR 432 million in 2018.

Key figures of the Group

Financial ratios	2019	2018
Return on equity (ROE)* (%)	3.5	15.0
Gearing ratio** (%)	46.2	40.1
Equity to total assets ratio*** (%)	31.5	35.1
Liquidity ratio	1.8	1.0
Number of full-time employees at the end of the period	3 467	2 556

* - ***Return on equity (ROE)*** = *Net profit for the period / Total equity*
** - ***Gearing ratio*** = *Net debt / (Net debt + Total equity),* ***Net debt*** = *Borrowings – Cash and cash equivalents*
*** - ***Equity ratio*** = *Total equity / Total assets*

Financial figures	2019	2018	Change
Revenue (EUR thousand)	607 300	432 474	*+40.4%*
Operating profit (EUR thousand)	25 767	14 538	*+77.2%*
Operating profit margin (%)	*4.2*	*3.4*	*+0.8 p.p.*
Profit (loss) before income tax (EUR thousand)	17 842	12 643	*+41.1%*
Net profit (loss) for the period (EUR thousand)	12 130	9 691	*+25.2%*
Net profit (loss) for the period margin (%)	*2.0*	*2.2*	*-0.2 p.p.*
Profit (loss) for the year attributable to equity holders of the parent	11 287	10 697	*+5.5%*
Earnings per share (EUR)	0.475	1.375	*-0.900*
Weighted number of shares (thousand)	23 776	7 778	*+205.7%*

Operating figures	2019	2018	Change
Number of SOLD man-hours in base maintenance	692 785	497 855	*+39.2%*
Number of SOLD man-hours in engineering	77 862	80 201	*-2.9%*
Number of SOLD man-hours in maintenance training	17 228	14 268	*+20.7%*
Number of line stations at the end of the period	33	31	*+2*
Number of aircrafts served	18 103	18 645	*-2.9%*
Number of passengers served	1 893 760	2 160 809	*-12.4%*
Volume of fuel sold (tonnes)	225 603	253 394	*-11.0%*
Logistics (km)	9 887 853	9 238 521	*+7.0%*
Number of lease days for rail wagons	221 500	66 881	*+231.2%*
Number of rail wagons at the end of the period	1 199	394	*+805*
TRTO - Number of sold theoretical training hours	14 368	15 152	*-5.2%*
TRTO - Number of sold practical training (FFS) hours	31 046	17 911	*+73.3%*
AbInitio - Number of SOLD flight hours	14 866	11 504	*+29.2%*
AbInitio - Number of SOLD FNPT hours	3 064	3 024	*+1.3%*
Number of FFS at the end of the period (owned)	5	4	*+1*
Number of aircraft at the end of the period (owned or leased)	54	7	*+47*
Block Hours (Aviation Logistics and Distribution Services segment)	22 158	2 006	*+1004.6%*

Revenue related to operations

The total consolidated Group's revenue for the year ended 31 December 2019 was EUR 607 million, an increase by around 40 per cent over the total revenue of EUR 432 million for the year ended 31 December 2018.

During the period revenue growth was noticed in *Aviation Logistics and Distribution Services segment* as compared to the same period in 2018. Revenue to external customers increased by EUR 106.9 million and amounted to EUR 143.3 million in 2019 as compared to EUR 36.4 million in 2018, which is a 294% increase. The growth was impacted primarily by acquisition *of Smart Aviation Holding SIA* and *Chapman Freeborn Holdings Limited* including their subsidiaries, this contributed EUR 108.7 million in revenue.

In 2019 *Aviation Support Services segment* revenue to external customers remained almost at the same level and amounted to EUR 393.3 million as compared to EUR 394.5 million in 2018. The slight decrease was caused by lower fuel sales as compared to 2018, while other services remained at the same level or increased. Most significant increase was in base maintenance services revenue in 2019 as compared to 2018.

Operating expenses related to operations

In 2019 the most significant nominal change in expenses was due to new business segment created by acquiring *Avia AM Leasing AB* and its subsidiaries. The most significant element in expenses is cost of aircraft sold which totalled to EUR 44.8 million.

Due to lower fuel sales in 2019 aircraft fuel expenses decreased by EUR 32.9 million from EUR 172.9 million in 2018 to EUR 140.0 million in 2019.

Due to higher volume of sales in most of business lines and acquisition of new subsidiaries, cost of goods purchased during 2018 increased by EUR 17.8 million to EUR 10.1 million as compared with EUR 69.7 million in the 2018. The most significant increase of these expenses was noted in MRO and ACMI sub segments. Costs of purchased services increased by EUR 32.0 million to EUR 88.3 million during 2019 from EUR 56.3 million in 2018. This was mostly driven by newly acquired *Chapman Freeborn Holdings Limited*.

Due to implementation of IFRS 16 Leases, rent and maintenance of premises expenses decreased in 2019 by 12.5% to EUR 6.3 million as to compare with EUR 7.2 million during 2018. Business travel expenses increased by around 50% up to EUR 6.3 million due to new acquisitions during 2019.

The Group expanded the number of employees, therefore, employee related expenses during 2019 increased by 34.5% and equalled to EUR 96.7 million compared with EUR 71.9 million in 2018.

Net financial costs increased primarily as a result of interest expenses in acquired new subsidiaries and interest expenses from issued bonds during the year ended 31 December 2019.

Balance sheet and cash flow

During the 2019 total assets of the Group increased by EUR 915.4 million or 495.9% comparing with EUR 184.6 million as at 31 December 2018 primarily due to acquisition of new subsidiaries (EUR 570.2 million), significant investments made to property, plant and equipment in Aviation Support Services and Aviation Logistics and Distribution Services segments.

During the year ended 31 December 2019 total liabilities increased by EUR 634.1 million up to EUR 754 million primarily due to acquisition of new subsidiaries (EUR 341.4 million), bonds issue (EUR 261.4 million) and borrowings received as the Group made significant investments to property, plant and equipment during 2019.

During the year ended 31 December 2019 net cash flow used in investing activities was EUR 41.4 million. The Group invested EUR 39.7 million to purchase property, plant and equipment and intangible assets, EUR 85 million placed as a deposit at a bank and EUR 83.7 million net cash inflow as a result of acquisition of new subsidiaries.

During the year ended 31 December 2019 net cash flow received from financing activities was EUR 230.9 million which was primarily due to received proceeds from bonds issue (net inflow EUR 264.5 million).

Information about related party transactions

Information about related party transactions is provided in Note 35 of the Group's Financial Statements for the year ended 31 December 2019.

Related parties include the following:

- Entities having significant influence over the Group;
- Associates and joint ventures of the Group;
- Key management personnel of the Group;
- Other related parties.

Following the International Financial Reporting Standards as adopted by the EU, the parties related to the Group are the Group's associates, entities having significant influence over the Group, key management personnel of the Group and other related parties. Entities having significant influence over the Group are *PROCYONE FZE, VERTAS AIRCRAFT LEASING LIMITED, Vertas Cyprus Ltd, Vertas Management AB (the sole shareholder of Vertas Cyprus Ltd)*. Transactions with these companies are presented separately. Related parties also include subsidiaries of *Vertas Management AB* group. They are presented as other related parties. Transactions with related parties are carried out based on the arm's length principle.

The Group and its related parties are providing to each other business consulting and management services, aircraft maintenance, providing of spare parts, private jet charter services. During the 2019 amount of sales of aircraft maintenance services from the Group to related parties was EUR 4 398 thousand (2018: EUR 9 517 thousand). During the year ended 31 December 2019 amount of purchases of premises lease services was EUR 1 680 thousand (in 2018: EUR 1 672 thousand).

Investments into property, plant and equipment

The Group has increased the level of its assets by investing in property, plant and equipment for the total amount of EUR 26.2 million (during 2018: EUR 30.1 million). The majority of capital investments were used for acquisitions and capital improvement of aircraft and acquisitions of full flight simulators.

Investments ('000 EUR)	**2019**	**2018**	**Change**
Aviation Support Services	12 326	26 386	*-53.3%*
Aviation Logistics and Distribution Services	12 261	3 592	*+241.3%*
Aircraft Trading and Portfolio Management	1 044	-	*n/a*
Unallocated business segment	520	129	*+303.1%*
Total investments	**26 151**	**30 107**	*-13.1%*

All details concerning the non-current assets of the Group are presented in the Consolidated Financial Statements for the year ended 31 December 2019 (Notes 5, 16, 17).

Research and development activities

During the year ended 31 December 2019 the Group invested into on-going improvements of Group's services and especially:

- Development of process based IT solution for aircrafts MRO organization. Modules that will be developed: Bidding & Quoting, Planning, HR, Quality, Execution, Parts & Tools, integrations with 3rd party software, such as Airbus (AMM documentation), Quantum, Navision, etc.
- Development of modern web-based and cloud-enabled operation management solution for airports and ground handling operators. SENSUS.AERO provides following modules: AODB (Airport Operational Data Base), RMS (Resource Management System), FIDS (Flight Information Display System), PA (Public Announcement), Quality Control System, GSE (Ground Service Equipment) management, commerce and billing, reporting, Rostering (Staff planning), Slot Coordination System, Fuel Operation management, Fuel Storage Management and DCS (Departure Control System);
- XML invoicing for all BGS clients project. Already three clients are satisfied with the invoicing upgrade and numerous are in process to receive a specific XML format.
- Implemented e-learning system for faster, cheaper and better quality employee trainings. This system also helps to standartize employee training throughout whole group.
- Started using video surveillance cameras to monitor quality of ground handling and fuelling operations. It allows fast and easy control of operations, reducing the risk of errors and increasing operations efficiency.
- Sensus MRO, expanded its team of professionals and optimised its production processes. The company implemented a new analytical tool and development kit in order to achieve a high quality of service delivery.
- The start of shipping module and promotion of additional products such as Sensus MRO ERP had a positive impact on the growth.

Environmental protection

In its activities, the Group uses innovative means and the modern technological processes that meet all ecological standards and help reduce the negative impact on the environment.

Risk management

The main risk factors associated with the activities of 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 2019 the Group 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 Group will proceed with its profit protection plans, including further control on operating working capital.

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

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollar (USD), British Pound (GBP), Polish Zloty (PLN) and Russian Ruble (RUB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. Foreign exchange risk is controlled by monitoring the foreign currency exposure of its purchase contracts and lease commitments. The Group seeks to reduce its foreign rate exchange exposure through a policy of matching possible receipts and payments in each individual currency.

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

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

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

More detail information about the Group's financial risk management is provided in Note 3 of the Group's Financial Statements for the year ended 31 December 2019.

Significant post balance sheet events

All significant post balance sheet events of the Group are presented in the Note 39 in the Consolidated Financial Statements for the year ended 31 December 2019.

Plans and forecasts

Avia Solutions Group operations were significantly impacted by the spread of COVID-19 virus. Lockdowns are being enforced and prolonged across territories restricting daily operations. In April 2020 passenger air traffic decreased more than 80% as compared to the previous year that drives down the demand for aviation related services except for Cargo Services which operates at increased capacity. Currently Cargo operation are actively working to address increased demand of the market, MRO services are operating at decreased capacity and remaining operations are either operating at minimum capacity or idling.

Management of the Group established crisis management committee, has put comprehensive plan in place to minimise and control the effects of this crisis, including through utilization of support offered by the governments in terms of employee cost compensation packages during lock downs, downsizing of labor force, introducing payroll reductions, applying for tax incentives and negotiating with certain counterparties in order to agree on more favorable terms and conditions. These measures facilitate in significantly decreasing cash burn of idle operations of the Group. The Group is in the process of taking action in order to minimise and control the effects of this crisis.

Government officials started indicating that each county shall introduce its operation resumption plans, however it is uncertain when restrictions to conduct operations will be lifted. Having this uncertainty, the Management of the Group also prepared cash flow forecast considering worst case scenario, whereby operations do not resume until April 2021 and it concluded that the Group will have sufficient liquidity to continue as going concern more than a year from the approval of this Management Report.

The Management of the Group considers this outbreak to be a non-adjusting post balance sheet event, assessment of an entity's ability to continue as a going concern is presented in Note 4 in the Consolidated Financial Statements for the year ended 31 December 2019.

III. INFORMATION ABOUT SHARE CAPITAL AND SHAREHOLDERS

Share capital

On 31 December 2018 the share capital of Avia Solutions Group PLC amounted to EUR 25 700 and consisted of 25 700 ordinary registered shares with a nominal value of 1 Euro each. All shares were fully paid up.

On 21 March 2019 the share capital was increased to EUR 29 812 divided into 29 812 ordinary shares of nominal value 1 Euro each by issuing 4 112 new ordinary shares.

On 22 March 2019 the share capital was converted and subdivided into EUR 29 812 divided into 102 800 ordinary shares of nominal value 0.29 each.

As of 16 July 2019, in accordance with common cross-border merger terms, all Avia Solutions Group AB assets, rights and liabilities were taken over by Avia Solutions Group PLC that continues its activities thereafter. Before the merger the share capital of Avia Solutions Group PLC amounted to EUR 29 812 and consisted of 102 800 ordinary registered shares with a nominal value of 0.29 Euro each. After the merger the share capital of the Company amounted to EUR 2 255 557 and consisted of 7 777 783 ordinary registered shares with a nominal value of 0.29 Euro each. All shares were fully paid up.

As at 16 September 2019 the share capital of Avia Solutions Group PLC was increased to EUR 22 555 555 divided into 77 777 777 shares of a nominal value of EUR 0,29 each.

During 2019 following the increase of the share capital, the recognised share premium increased by EUR 249 025 thousand and amounted to EUR 282 158 thousand as at 31 December 2019.

Shareholders

Shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2019:

		31 December 2019	
		Number of shares	Percentage owned
1.	FZE PROCYONE	39 199 969	**50.40%**
2.	VERTAS AIRCRAFT LEASING LIMITED	15 706 725	20.19%
3.	Mesotania Holdings Ltd.	11 416 335	14.68%
4.	Other Shareholders	11 454 748	14.73%
	Total issued	**77 777 777**	**100.00%**
	Treasury shares	270 014	0,35%
	Total	**77 507 763**	

The number of shares directly owned by the Management of the Company and Directors of the Board as on 31 December 2019 is listed in the table below:

Name	Role in the Company's Management	Number of shares	%
Jonas Janukėnas	Member of the Board of Directors, CEO of AVIA SOLUTIONS GROUP PLC	174 535	0.22
Žilvinas Lapinskas	Member of the Board of Directors, CEO of FL Technics UAB	312 480	0.40
Linas Dovydėnas	Member of the Board of Directors	322 478	0.41
Vygaudas Ušackas	Member of the Board of Directors	65 000	0.08
Aurimas Sanikovas	Member of the Management Board until 14 July 2019, CFO of AVIA SOLUTIONS GROUP PLC	529 210	0.68

From February 2019, the ultimate controlling party of the Group is Gediminas Žiemelis. Before February 2019, there was no ultimate controlling party, just entities having significant influence.

Treasury stocks

As at 31 December 2019 the Group has 270 014 treasury shares which are deducted from equity attributable to the Group's equity holders. On 31 December 2018 neither the Company nor its subsidiaries hold any treasury stock.

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. One ordinary registered share of *AVIA SOLUTIONS GROUP PLC* gives one vote in the General Meeting of Shareholders. As mentioned above one of the Company's' subsidiaries owned 270 014 shares of the Company **as** at 31 December 2019.

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.

Type of shares	Number of shares	Nominal value in EUR	Total nominal value in EUR
Ordinary registered shares	77,777,777	0.29	22,555,555

Dividends

The Company has not declared or paid out to the shareholders any dividends during the year ended 31 December 2019 and year ended 31 December 2018.

IV. INFORMATION ABOUT 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

All of them were members of the Board throughout the year 2019, except Mr Linas Dovydėnas, Mr. Gediminas Žiemelis, and Mr Žilvinas Lapinskas, who were appointed as Directors on the 12th of July 2019. Mr. Vygaudas Ušackas who was appointed as Director on the 16th of September 2019. Mr. Ricardas Laukaitis who was appointed as Director on the 12th of July 2019 and resigned on the 16th of September 2019. Mr. Aurimas Sanikovas who held office as of 16th of August 2018, resigned on 12th of September 2019.

In accordance with the Company's Articles of Association Messrs Jonas Janukėnas and one of Linas Dovydėnas, Gediminas Žiemelis and Žilvinas Lapinskas will retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

V. OTHER INFORMATION

Information about trading in the Company's securities

As at 31 December 2019 securities of the Company and the Company's subsidiaries are not publicly traded.

On 3 December 2019 Avia Solutions Group PLC completed bonds issue process and issued USD 300 000 thousand of senior unsecured notes which included 7,875% USD interest. The notes were issued in the Euronext Dublin.

Events after the balance sheet date

The material post balance sheet events, which have a bearing on the understanding of the consolidated financial statements are disclosed in Note 39.

Auditors

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.

By Order of the Board

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas