Avia Solutions Group

AVIA SOLUTIONS GROUP PLC

Separate financial statements,
Independent Auditor's Report and
Management Report
for the year ended 31 December 2019

Avia Solutions Group

CONTENTS

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 Financial Statements

Opinion

We have audited the financial statements of parent company Avia Solutions Group PLC (the "Company"), and its subsidiaries (the "Group"), which are presented on pages 7 to 50 and comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Avia Solutions Group PLC as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

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

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

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

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Responsibilities of the Board of Directors for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the 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 Financial Statements

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

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

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

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

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

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

Report on Other Legal Requirements

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

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

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

Other Matter

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

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, 28 May 2020

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019	2018
Revenue	5	**2 103**	**136**
Other income	6	356	-
Cost of services and goods	7	(175)	(20)
Employee related expenses	8	(1 869)	(76)
Other operating expenses	9	(4 136)	(33)
Depreciation and amortization	10	(458)	-
Impairment of financial assets	3.1	(965)	-
Other impairment-related expenses	15	(5 346)	-
Other gain/(loss) - net		(18)	-
Operating loss		**(10 508)**	**7**
Finance income	11	14	-
Finance costs	11	(752)	(9)
Finance costs – net		**(738)**	**(9)**
Loss before income tax		**(11 246)**	**(2)**
Income tax	12	608	(1)
Loss for the year		**(10 638)**	**(3)**
Other comprehensive income			
Net gain on cash flow hedge		-	-
Income tax effect		-	-
Other gain (loss)		-	-
Other comprehensive income (loss)		**-**	**-**
Total comprehensive loss		**(10 638)**	**(3)**

The notes on pages 11 to 50 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 28 May 2020:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

STATEMENT OF FINANCIAL POSITION

	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	2 576	-
Intangible assets	14	85	-
Financial assets	15	328 841	-
Deferred tax assets	12	656	-
Trade and other receivables	17	11 250	72
		343 408	**72**
Current assets			
Inventories		11	-
Trade and other receivables	17	6 640	80
Contract assets		35	-
Prepaid income tax		1	-
Cash and cash equivalents	3.1, 18	464	35
		7 151	**115**
Total assets		**350 559**	**187**
EQUITY			
Share capital	1, 19	22 556	26
Share premium	19	282 158	-
Other reserves		60	-
Retained earnings		(17 699)	(3)
Total equity		**287 075**	**23**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	20	36 988	-
Non-current security deposits received		83	83
Non-current financial guarantees		5	-
Non-current trade and other payables	21	5 556	-
		42 632	**83**
Current liabilities			
Loans and borrowings	20	8 459	-
Trade and other payables	21	12 252	1
Contract liabilities		55	79
Financial guarantees		86	-
Current tax liabilities		-	1
		20 852	**81**
Total liabilities		**63 484**	**164**
Total equity and liabilities		**350 559**	**187**

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance as at 28 February 2018	**-**	**-**	**-**	**-**	**-**
Contribution to share capital	26	-	-	-	**26**
Profit (loss) for the period	-	-	-	(3)	**(3)**
Balance as at 31 December 2018	**26**	**-**	**-**	**(3)**	**23**
Profit (loss) for the period	-	-	-	(10 638)	**(10 638)**
Allocation to other reserves	-	-	60	**-**	**60**
Merger adjustments (Note 1)	2 230	33 133	-	(7 058)	**28 305**
Increase in share capital	20 300	249 025	-	-	**269 325**
Balance at 31 December 2019	**22 556**	**282 158**	**60**	**(17 699)**	**287 075**

The notes on pages 11 to 50 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 28 May 2020:

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Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

STATEMENT OF CASH FLOWS

	Notes	2019	2018
Operating activities			
Loss for the year		(10 638)	(3)
Income tax	12	(608)	1
Adjustments for:			
Depreciation and amortization	10	458	-
Impairment-related expenses	3.1	6 311	-
Interest expenses	11	536	-
Interest income	6	(253)	-
Currency translations differences		16	-
Loss on PPE disposals		9	-
Discounting effect on financial assets		215	-
Amortization of intra-group financial guarantees	6	(103)	-
Changes in working capital:			
- Inventories		11	-
- Trade and other receivables		(4 069)	(152)
- Trade and other payables, advances received		5 003	163
Cash generated from (used in) operating activities		**(3 112)**	**9**
Interest received		86	-
Interest paid		(51)	-
Income tax paid		-	-
Net cash (used in) generated from operating activities		**(3 077)**	**9**
Investing activities			
Purchase of PPE and intangible assets		(563)	-
Loans granted		(867)	-
Repayments of loans granted		2 231	-
Deposits placed		(60)	-
Repayments of deposits placed		25	-
Cash received during merger	1	148	-
Purchase of subsidiaries		(39 759)	-
Establishment of subsidiaries	15	(5)	26
Net cash (used in) generated from investing activities		**(38 850)**	**26**
Financing activities			
Borrowings from related parties received		42 596	-
Repayment of lease liabilities		(240)	-
Net cash generated from financing activities		**42 356**	**-**
Increase in cash and cash equivalents		**429**	**35**
Cash and cash equivalents at the beginning of the year		35	-
Cash and cash equivalents at the end of the year		**464**	**35**

The notes on pages 11 to 50 form an integral part of these financial statements.

Financial statements of the Company have been approved and signed on 28 May 2020:

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company Avia Solutions Group PLC (Former: Avia Solutions Group (Cy) PLC) ((referred to as the Company) was incorporated in Cyprus on 28th February 2018 (registration number – HE380586) as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 28 Oktovriou, 1, ENGOMI BUSINESS CENTER BLC E, Flat 111, Egkomi, 2414, Nicosia, Cyprus. On 15 October 2019 name of the Company was changed to Avia Solution Group PLC.

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 (CY) LTD to Avia Solution Group (CY) PLC. The share capital was increased from 1 000 EUR to 25 700 EUR.

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 impact of merger to Avia Solutions Group PLC financial statements is disclosed below:

	Avia Solution Group AB as at 16 July 2019	Written off investment to *Avia Solutions Group PLC*	Reclassification of legal reserves	Final impact of merger to *Avia Solutions Group PLC* financial statements
Non-current assets				
Property, plant and equipment	185	-	-	185
Intangible assets	49	-	-	49
Financial assets	12 889	(26)	-	12 863
Deferred income tax assets	49	-	-	49
Non-current trade and other receivables	12 967	-	-	12 967
	26 139	**(26)**	**-**	**26 113**
Inventories	22	-	-	22
Trade and other receivables	3 499	-	-	3 499
Contract assets	55	-	-	55
Prepaid income tax	32	-	-	32
Cash and cash equivalents	148	-	-	148
	3 756	**-**	**-**	**3 756**
Total assets	**29 895**	**(26)**	**-**	**29 869**

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

1. General information (continued)

Equity				
Share capital	2 256	(26)	-	2 230
Share premium	33 133	-	-	33 133
Legal reserve	165	-	(165)	-
Retained earnings	(7 223)	-	165	(7 058)
	28 331	**(26)**	**-**	**28 305**
Non-current liabilities				
Borrowings	450	-	-	450
Financial guarantees	8	-	-	8
	458	**-**	**-**	**458**
Current liabilities				
Borrowings	400	-	-	400
Financial guarantees	187	-	-	187
Trade and other payables	519	-	-	519
	1 106	**-**	**-**	**1 106**
Total liabilities	**1 564**	**-**	**-**	**1 564**
Total equity and liabilities	**29 895**	**(26)**	**-**	**29 869**

The main shareholders, holding more than 5 per cent of the share capital and votes, as on 31 December 2019 of the Company were:

		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%**

From February 2019, the ultimate controlling party of the Company is Mr. G. Ziemelis. Before February 2019, there was no ultimate controlling party, just entities having significant influence.

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

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.

The number of full time staff employed by the Company at the end of 2019 amounted to 90 (2018: 10).

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

1. General information (continued)

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

The Company's Board of Directors have approved these financial statements and authorised them for issue on 28 May 2020.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as 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.

Despite the fact the Company's current ratio is 0,34, the Company is the holding entity controlling the Avia Solutions Group cash flows and approving the cash distribution within the group. Therefore, if required, the Company will be able to borrow additional required cash from financing entity and to finance it's operations.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2019 and are relevant to the Company's operations have been adopted by the EU through the endorsement procedure established by the European Commission.

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

2.2. Adoption of new or revised standards and interpretations

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019.

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

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 Company has initially adopted IFRS 16 "Leases" form 1 January 2019. The Company 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 Company's financial statements is disclosed in Note 25.

2. Summary of significant accounting policies (continued)

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 Company.

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 Company.

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 Company.

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 Company.

2. Summary of significant accounting policies (continued)

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 Company.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 2019 that would be expected to have a material impact to the Company.

(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 Company:*

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 Company 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 Company does not expect significant impact of the amendments on its financial statements.

2. Summary of significant accounting policies (continued)

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 Company is currently assessing the impact of the amendments on its financial statements.

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28. 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 Company 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 Company.

2. Summary of significant accounting policies (continued)

2.3. Foreign currency translation

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

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

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

2.4. Property, plant and equipment

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

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

Depreciation is calculated on the straight-line basis to write off the cost of assets to their residual values over their estimated useful life as follows:

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

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

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

2. Summary of significant accounting policies (continued)

2.5. Intangible assets

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

Licenses	3 - 20 years
Software	3 - 20 years

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

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

2.6. Investments into subsidiaries and associates

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

2.7. Impairment of non-financial assets

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

2.8. Financial instruments

Financial assets

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

Impairment:
The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3 for further details.

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

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

2. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

2.9. Inventories

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

2.10. Cash and cash equivalents

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

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

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

2.11. Provisions

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

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

2. Summary of significant accounting policies (continued)

2.12. Leases

Accounting policies applied before 1 January 2019

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.

As explained in Note 2.2 above, the Company has changed its accounting policy for leases where the Company is the lessee. The transition and the impact of the change are described in Note 25. The Company leases office properties.

The Company assesses whether a contract is or contains a lease based on IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.13. Financial guarantee contracts

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

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

2.14. Current and deferred income tax

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

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

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

The standard rate of Cyprus corporate income tax for 2019 and 2018 is 12.5%. In accordance with Lithuanian regulatory legislation on taxation corporate income tax for 2019 and 2018 is 15%.

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

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

2.15. Revenue recognition

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue of the Company is shown net of value-added tax, returns, rebates and discounts, sales taxes. Revenue is measured based on the consideration specified in a contract with a customer. Revenue from contracts with customers is recognised when a performance obligation by transferring a good or service to a customer is satisfied at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2. Summary of significant accounting policies (continued)

Consultancy services revenue

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

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

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

2.16. Employee benefits

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

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

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

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

3. Financial risk management

3.1. Financial risk factors

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

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

3. Financial risk management (continued)

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

Market risk

(a) Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US dollar (USD) and Russian rubles (RUB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. Trade and other receivables include: trade receivables, other financial receivables, VAT receivables and loans granted. Trade and payables include: trade payables, other financial payables, salaries and social security payable and other accrued expenses.

The tables below provide summary on the Company's exposure to foreign exchange risk.

2019	EUR	USD	RUB	Other	Total
Trade and other receivables (Note 16, 17)	17 569	79	-	-	**17 648**
Contract assets	35	-	-	-	**35**
Cash and cash equivalents	361	-	84	19	**464**
	17 965	**79**	**84**	**19**	**18 147**
Borrowings	44 606	841	-	-	**45 447**
Financial guarantees	91	-	-	-	**91**
Trade and other payables (Note 16, 21)	17 567	23	19	136	**17 745**
	62 264	**864**	**19**	**136**	**63 283**
Net exposure	**(44 299)**	**(785)**	**65**	**(117)**	**(45 136)**

2018	EUR	USD	RUB	Other	Total
Trade receivables (Note 16, 17)	4	18	-	-	**22**
Cash and cash equivalents	9	-	26	-	**35**
	13	**18**	**26**	**-**	**57**
Trade payables (Note 16, 21)	-	-	-		**-**
	-	**-**	**-**		**-**
Net exposure	**13**	**18**	**25**		**57**

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

	2019	2018
Reasonably possible change of EUR to US dollars	2%	5%
Reasonably possible change of EUR to Russian rubles	15%	13%

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

3. Financial risk management (continued)

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

		2019	
		Profit or loss	
		Strengthening	Weakening
Reasonably possible change of EUR to US dollars	**2%**	(16)	16
Reasonably possible change of EUR to RUB dollars	**15%**	(10)	10

		2018	
		Profit or loss	
		Strengthening	Weakening
Reasonably possible change of EUR to US dollars	**5%**	(1)	1
Reasonably possible change of EUR to RUB dollars	**13%**	(4)	4

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

(b) Price risk
The Company is not exposed to price risk of financial instruments since it does not possess any material financial instruments that could be sensitive to such risk.

(c) Cash flow and fair value interest rate risk
The Company is not bearing significant interest rate risk as all loans are granted and received with fixed interest rates.

Credit risk

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

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

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

	2019	**2018**
Loans granted (Note 17)	10 978	-
Trade receivables (Note 17)	2 747	22
Contract assets	35	-
Other financial receivables (Note 17)	3 923	-
Cash and cash equivalents (Note 18)	464	35
	18 147	**57**
Off-balance - financial guarantees issued on behalf of subsidiaries	33 034	-
Total	**51 181**	**57**

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

3. Financial risk management (continued)

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

	2019	2018
Lithuania	2 530	19
Poland	77	-
Other countries	140	3
Total	**2 747**	**22**

(b) Impairment of financial assets
As the amounts of the financial assets as at 31 December 2018 were minor, the Company have not been exposed to any impairment losses in 2018. Information about expected credit losses during the year 2019 and as at 31 December 2019 is presented below.

Grouping of financial assets for ECL measurement purposes
The Company has two groups of financial instruments:

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

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

	Loss allowance provision		
	For trade receivables	For other financial assets	Total
As at 1 January 2019	-	-	-
Increase in the provision due to merger	(823)	(8 730)	**(9 553)**
(Increase) decrease in the provision recognised in profit or loss in other expenses during the period	(53)	(912)	**(965)**
As at 31 December 2019 (Note 17)	**(876)**	**(9 642)**	**(10 518)**

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

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

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

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

3. Financial risk management (continued)

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

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

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

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

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

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

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

3. Financial risk management (continued)

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

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
Expected loss rate	0.77%	0.78%	1.43%	41.58%	**17.09%**
Gross carrying amount	911	385	350	1 087	**2 733**
Loss allowance provision	(7)	(3)	(5)	(452)	**(467)**

The assessment performed as at 31 December 2018 did not identify any material loss allowance provision.

The Company uses individual assessment model for determining ECL for large trade receivables (above EUR 2 million) or strategic clients based on the Company's Management decision. For these exposures, individual assessment model is used as described below in the paragraph *Measurement of ECL - other financial assets at amortised cost*.

Lifetime expected credit loss is calculated for trade receivables applying the simplified approach and they are classified in Stage 2 in line with requirements of IFRS9.

The Company's loss allowance provision as at 31 December 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	1,09%	12 months expected losses.	95	(1)
Category 3	Stage 2	11,54%		26	(3)
Category 6	Stage 3	100,00%	Lifetime expected losses	3	(3)
Category 7 (for start-ups)	Stage 2	50,06%		803	(402)
		44,12%		**927**	**(409)**

The assessment performed as at 31 December 2018 did not identify any material loss allowance provision.

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

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

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

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

3. Financial risk management (continued)

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

The Company's loss allowance provision as at 31 December 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	1,14%	12 months expected losses.	11 978	(120)
Category 3	Stage 2	13,47%	Lifetime expected losses	518	(70)
Category 4	Stage 2	30,06%		2 343	(704)
Category 5	Stage 3	50,10%		556	(279)
Category 6	Stage 3	100,00%		7 660	(7 660)
Category 7 (for start-ups)	Stage 2	50,00%		1 358	(679)
Category 9 (for start-ups)	Stage 3	100,00%		130	(130)
		39,29%		**24 543**	**(9 642)**

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

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

	Loss allowance provision			
	Corporate bonds	Loans	Other receivables	Total
As at 1 January 2019	-	-	-	-
Increase in the provision due to merger	(7 345)	(982)	(403)	**(8 730)**
Provision recognized in profit or loss	-	(872)	(40)	**(912)**
As at 31 December 2019	**(7 345)**	**(1 854)**	**(443)**	**(9 642)**

Cash and cash equivalents
Major amounts of cash are held in the banks with a Standards & Poor's rating not lower than "B-", the impact of IFRS 9 has no significant effect on the measurement and valuation of the Company's cash and cash equivalents.

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

	2019	2018
A	1	-
BBB+	16	-
BB+	83	-
B+	-	26
B-	-	9
Other	364	-
	464	**35**

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

3. Financial risk management (continued)

Liquidity risk

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

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

	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2019			
Trade and other payables	11 305	5 556	-
Borrowings from related parties	9 356	40 477	-
Security deposits received	-	83	-
Finance lease liabilities	639	1 668	-
	21 300	**47 784**	**-**

As at 31 December 2018 the Company did not hold any significant financial liabilities.

3.2 Fair value of financial assets and liabilities

The Company's financial assets and financial liabilities are accounted for at amortised cost and does not carry any financial instruments at their fair values. Based on the Company's management estimation the carrying values of the trade receivables at the balance sheet date corresponds to their fair values.

4. Critical Accounting Estimates and Significant Judgments

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

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

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

(a) Expected credit losses on accounts receivable

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

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL, all other financial assets with no significant increase in credit risk are measured as 12-month ECL, with significant increase in credit risk – lifetime ECL:
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument;
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

4. Critical Accounting Estimates and Significant Judgments (continued)

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

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

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

(b) Going concern

These financial statement were prepared on a going concern basis, which assumes that the Company will be able to meet its current liabilities and to continue as a going concern.

During 2020 the operations of Avia Solutions Group subsidiaries were significantly impacted by the spread of COVID-19 virus. As mentioned above Avia Solutions Group PLC is a holding company which principal activity is to provide management services to its main shareholder and other group companies, due to this reason, the assessment on continuance as a going concern below was performed on Group level.

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.

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.

Management considered the fact that the Company 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 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 Company's operations to respond to the possible changes in demand for the services offered by the entity.

On 3 December 2019 the Group completed 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, the management assessed the liquidity of the Company together with its subsidiaries by projecting cash flows for the next twelve months and considered the level of liquid assets necessary to meet these. Those group companies that has experienced most significant negative impact due to latest COVID-19 outbreak related events will rely on financial support and funds available within the group. The 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 Company together with its subsidiaries 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.

In management's view, the above factors support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements. As mentioned in Note 2.1 "Basis of preparation" the Company's ability to continue is in line with the group as it is the ultimate parent.

(c) Related party transactions

In the normal course of business the Company 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 23.

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

4. Critical Accounting Estimates and Significant Judgments (continued)

(d) Taxes

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

(e) Impairment of investments in subsidiaries

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

5. Revenue from contracts with customers

Revenue from main activity of the Company amounted to EUR 2 103 thousand in 2019 and EUR 136 thousand in 2018.

	2019	**2018**
Business Consulting and Development Services	666	-
Information Technology Support Services	463	-
Marketing and Public Relationship Services	268	-
Legal consulting revenue	267	114
Sales Services	223	-
Other revenue	216	22
	2 103	**136**

The revenue split by type of customers is provided below:

	2019	**2018**
Revenue from contracts with related parties (Note 23)	2 003	132
Revenue from contracts with third parties	100	4
Total	**2 103**	**136**

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

	2019	**2018**
At a point in time	2 103	136
Over time	-	-
Total	**2 103**	**136**

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

5. Revenue from contracts with customers (continued)

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

	2019	2018
Lithuania	1 988	125
Other countries	115	11
Total	**2 103**	**136**

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 79 thousand.

6. Other income

	2019	2018
Interest income on loans and other financial assets	253	-
Amortization of financial guarantees	103	-
	356	**-**

7. Cost of goods and services

	2019	2018
Rent and maintenance of premises and other equipment	(168)	(20)
Cost of purchased services	(7)	-
	(175)	**(20)**

8. Employee related expenses

	2019	2018
Wages and salaries	(1 810)	(71)
Social insurance expenses	(59)	(5)
	(1 869)	**(76)**
Number of employees at the end of the year	**90**	**10**

9. Other operating expenses

	2019	2018
Business travel expenses	(140)	(13)
Office administrative, communications and IT expenses	(157)	(5)
Consultation expenses	(3 564)	(4)
Transportation and related expenses	(72)	(4)
Marketing and sales expenses	(156)	-
Other expenses	(47)	(7)
	(4 136)	**(33)**

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

10. Depreciation and amortization

	2019	2018
Depreciation of tangible assets (Note 13)	(60)	-
Depreciation of right-of-use asset (Note 13)	(359)	-
Amortization of intangible assets (Note 14)	(39)	-
	(458)	**-**

11. Finance income and costs

	2019	2018
Foreign exchange gain on financing activities	14	-
Finance income	**14**	**-**
Interest expenses on borrowings	(536)	-
Foreign exchange loss on financing activities	-	(8)
Other finance costs	(216)	(1)
Finance costs	**(752)**	**(9)**
Finance costs – net	**(738)**	**(9)**

12. Income tax and deferred income tax

Income tax charge to profit and loss are provided below:	2019	2018
Current income tax	-	(1)
Change in deferred income tax	608	-
Total income tax expenses	**608**	**(1)**

The effective income tax calculation is provided below:

	2019	2018
Loss before tax	**(11 246)**	**(2)**
Tax calculated at a tax rate 15 %	1 071	-
Tax calculated at a tax rate 12,5 %	513	-
Tax effects of:		
- Expenses non-deductible for tax purposes	(989)	(1)
- Non-taxable income	13	
Tax loss carried forward/ (tax payable)	**608**	**(1)**

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

12. Income tax and deferred income tax (continued)

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

Deferred tax assets	Accumulated taxable losses	Discounting effect	Other	**Total**
At 01 January 2019	**-**	**-**		**-**
Merger adjustments (Note 1)	47	-	1	**48**
Charged to the income statement	576	23	9	**608**
At 31 December 2019	**623**	**23**	**10**	**656**

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

13. Property, plant and equipment

	Vehicles	**Other tangible fixed assets**	**Right-of-use assets**	**Total**
Carrying amount as at 1 January 2019	**-**	**-**	**-**	**-**
Merger adjustments (Note 1)	40	145	-	**185**
Additions	-	525	2 294	**2 819**
Disposals		(9)	-	**(9)**
Depreciation	(3)	(57)	(359)	**(419)**
Carrying amount as at 31 December 2019	**37**	**604**	**1 935**	**2 576**
At 31 December 2019				
Acquisition cost	86	950	2 294	**3 330**
Accumulated depreciation	(49)	(346)	(359)	**(754)**
Carrying amount as at 31 December 2019	**37**	**604**	**1 935**	**2 576**

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

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

14. Intangible assets

	Licenses	**Software**	**Total**
Opening net book amount as 1 January 2019	**-**	**-**	**-**
Merger adjustments (Note 1)	28	21	**49**
Additions	69	6	**75**
Amortization	(27)	(12)	**(39)**
Closing net book amount as at 31 December 2019	**70**	**15**	**85**
At 31 December 2019			
Cost	308	328	**636**
Accumulated amortization	(238)	(313)	**(551)**
Net book amount	**70**	**15**	**85**

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

15. Investments in subsidiaries and associate

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

	2019	2018
At the beginning of the period	**-**	**-**
Merger adjustments (Note 1)	12 863	-
Purchase of interest in subsidiaries	320 862	-
Impairment of investments*	(5 346)	-
Investment in other entities	2 868	-
Sales of investment in other entities	(2 868)	-
Share capital increase of subsidiaries	457	-
Subsidiary established	5	-
At the end of the period	**328 841**	**-**

*The subsidiary of the Company *Helisota UAB* has been operating under loss for the last three years and the Management of the Company carried out an assessment on the recoverability of investment. The recoverable amounts of subsidiary 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. Assessment performed using 10% weighted average cost of capital resulted in the impairment of the full amount of the investment to *Helisota UAB* and amounted to EUR 5 346 thousand as at 31 December 2019. Assessment on the recoverability of other investment held by the Company have not resulted in any additional impairment losses as at 31 December 2019.

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

Name of subsidiary / associate	Country of establishment	Carrying value 2019-12-31	Ownership % 31-12-2019	Activity
ASG Finance Designated Activity Company	Ireland	-	100.00	Financing activities
AviationCV.com UAB	Republic of Lithuania	40	100.00	Aviation personnel solutions.
BAA Training UAB	Republic of Lithuania	1 464	100.00	Aircraft crew training services.
Helisota UAB	Republic of Lithuania	-	100.00	MRO services for helicopters.
Jet Maintenance Solutions UAB	Republic of Lithuania	892	100.00	Maintenance services for business aircraft
KIDY Tour UAB	Republic of Lithuania	1 065	100.00	Tour operator services.
KIDY Tour OÜ	Republic of Estonia	2 542	100.00	Tour operator services.
KIDY Tour OOO	Russian Federation	49	100.00	Tour operator services.
KIDY Tour SIA	Republic of Latvia	10	100.00	Tour operator services.
DG21 UAB	Republic of Lithuania	10	100.00	Real estate management services
ASG Asset Management UAB	Republic of Lithuania	3	100.00	Asset management services
Baltic Ground Services UAB	Republic of Lithuania	377	100.00	Aircraft ground handling and fuelling services.
FL Technics UAB	Republic of Lithuania	1 517	100.00	MRO services.
Locatory UAB	Republic of Lithuania	5	99.00	Aircraft parts locator and IT solutions for MRO
Sky Knights SIA	Republic of Latvia	5	100.00	Aviation Supporting Services
AviaAM Leasing AB	Republic of Lithuania	168 899	98.84	Aircraft Trading and Portfolio Management
Eyjafjoll SAS	France	24 503	100.00	Aviation Logistics and Distribution Services
Smart Aviation Holding SIA	Republic of Latvia	75 983	100.00	Aviation Logistics and Distribution Services
Chapman Freeborn Holdings Limited	The United Kingdom	51 477	100.00	Aviation Logistics and Distribution Services
TOTAL		**328 841**		

On 15 January 2019 the Company established new subsidiary Sky Knights SIA. Registered capital is EUR 3 thousand. The company is going to provide flight support services to airlines.

15. Investments in subsidiaries and associate (continued)

On 4 March 2019 the Company completed the acquisition of 5.19% of the share capital in Avia AM Leasing AB for consideration of EUR 2 868 thousand. Avia AM 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.

On 16 September 2019 the Company has established ASG Finance DAC subsidiary in Republic of Ireland. Registered capital EUR 1 thousand.

On 2 October 2019 Avia Solutions Group PLC completed the acquisition of 77.26% of the share capital in Avia AM Leasing AB. Avia AM Leasing AB is engaged in the business of aircraft leasing, trading and management. The additional 8.44% of the share capital in Avia AM Leasing AB were acquired on 15 October 2019. The consideration for Avia AM 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 Avia AM Leasing AB (13.14% of the share capital). The consideration for those additional shares of Avia AM 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 Avia AM Leasing AB due to the fact that these transactions were entered into during a short 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 Avia AM Leasing AB.

The fair value of total consideration transferred for 98.84% in total of Avia AM Leasing AB shares is USD 184 626 thousand (EUR 168 839 thousand). The fair value of consideration transferred is determined based on the value of the Avia AM Leasing business appraised by independent valuators.

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 Eyjafjoll SAS. Eyjafjoll SAS controls 100 % of the share capital in Avion Express UAB. 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 Eyjafjoll SAS which controls 100 % of the share capital in Avion Express UAB. The consideration for Eyjafjoll SAS shares were newly issued 1 050 000 shares of Avia Solutions Group PLC.

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.

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. According to the share sale and purchase agreement the purchase consideration is split into two parts completion consideration and deferred consideration of EUR 12 500 thousand, which is paid in two years. 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.

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

16. Financial instruments by category

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

	2019	2018
Loans granted (Note 17)	10 978	-
Trade receivables (Note 17)	2 747	22
Contract assets	35	-
Other financial receivables (Note 17)	3 951	-
Cash and cash equivalents (Note 18)	464	35
	18 175	**57**

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

	2019	2018
Loans and borrowings (Note 20)	45 447	-
Financial guarantees	91	-
Trade and other payables (Note 21)	17 745	-
	63 283	**-**

17. Trade and other receivables

	2019	2018
Trade receivables from third parties	512	-
Less: provision for impairment of trade receivables from third parties	(419)	-
Trade receivables from third parties – net	**93**	**-**
Trade receivables from related parties	3 111	22
Less: provision for impairment of trade receivables from related parties	(457)	-
Trade receivables from related parties - net (Note 23)	**2 654**	**22**
Security deposits placed - gross	84	72
Less: provision for impairment of security deposits	(3)	-
Security deposits placed– net	**81**	**72**
Loans granted to third parties	1 943	-
Less: provision for impairment of loans granted to third parties	(102)	-
Loans granted - net	**1 841**	**-**
Loans granted to related parties	10 889	-
Less: provision for impairment of loans granted to related parties	(1 752)	-
Loans granted to related parties - net (Note 23)	**9 137**	**-**
Receivables from investment in bonds*	7 345	-
Less: provision for impairment of investment in bonds	(7 345)	-
Receivables from investment in bonds – net*	-	-
Other receivables	278	-
Less: discounting effect of other receivables	(22)	
Less: provision for impairment of other receivables	(68)	-
Other receivables - net	**188**	-
Other receivables from related parties	4 270	-
Less: discounting effect of other receivables from related parties	(160)	
Less: provision for impairment of other receivables from related parties	(375)	-
Other receivables from related parties – net (Note 23)	**3 735**	-
Security deposits placed to related companies (Note 23)	60	-
Deferred charges	41	-
VAT receivables	28	-
Prepayments	32	55
Prepayments to related parties for services provided (Note 23)	-	3
	17 890	**152**
Less non-current portion:	**(11 250)**	**(72)**
Current portion:	**6 640**	**80**

* The 7 345 TEUR bonds were acquired in 2014 by Avia Solutions Group AB from the related party, in which interest was disposed in 2018. The bonds are considered as a loan and due to the significant doubt of repayment they were impaired in full.

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

	Loans granted to third parties	Loans granted to related parties
Beginning of the period	**-**	-
Merger adjustments	1 841	11 806
Loan granted cash	-	60
Loan granted non-cash	-	867
Loan granted ECL	-	(873)
Loans repayments received cash	-	(2 231)
Loans repayments received no-cash	-	(492)
End of the period	**1 841**	**9 137**

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

17. Trade and other receivables (continued)

Non-current portion of other receivables is disclosed below:

	2019	2018
Security deposits placed - gross	81	72
Less: provision for impairment of security deposits	-	-
Security deposits placed– net	**81**	**72**
Loans granted	1 400	-
Less: provision for impairment of loans granted	(7)	-
Loans granted - net	**1 393**	**-**
Loans granted to related parties	10 889	-
Less: provision for impairment of loans granted to related parties	(1 752)	-
Loans granted to related parties - net (Note 23)	**9 137**	**-**
Receivables from investment in bonds	7 345	-
Less: provision for impairment of investment in bonds	(7 345)	-
Receivables from investment in bonds – net	-	-
Other receivables	133	-
Less: discounting effect of other receivables	(22)	
Less: provision for impairment of other receivables	(1)	-
Other receivables - net	**110**	-
Other receivables from related parties	576	-
Less: discounting effect of other receivables from related parties	(104)	
Less: provision for impairment of other receivables from related parties	(3)	-
Other receivables from related parties – net (Note 23)	**469**	-
Security deposits placed to related companies (Note 23)	60	-
Total	**11 250**	**72**

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

	2019	2018
Financial trade and other receivables		
Trade receivables	93	-
Trade receivables from related parties	2 654	22
Loans granted	1 841	-
Loans granted to related parties	9 137	-
Other receivables	188	-
Other receivables from related parties	3 735	-
Non-financial trade and other receivables		
Security deposits placed	81	72
Security deposits placed to related companies (Note 23)	60	-
Deferred charges	41	-
VAT receivables	28	-
Prepayments	32	55
Prepayments to related parties for services provided (Note 23)	-	3
Total	**17 890**	**152**

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

17. Trade and other receivables (continued)

All non-current receivables are due until 2024. The fair values of trade and other receivables are approximate to their carrying values. Weighted average interest rate of loans granted to third parties was 3.01%. Weighted average interest rate of loans granted to related parties was 3.54%.

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

	2019	**2018**
EUR	17 569	4
US dollars	79	18
	17 648	**22**

18. Cash and cash equivalents

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

	2019	**2018**
EUR	361	9
RUB	84	26
Other	19	-
	464	**35**

19. Share capital and share premium

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 of EUR 29 812 was divided into 102 800 ordinary shares of nominal value EUR 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.

Share premium of Avia Solutions Group AB which was merged to Avia Solutions Group PLC amounted to EUR 33 133 thousand as at 16 July 2019. Additionally, during 2019 following the increase of the share capital, the share premium increased by EUR 249 025 thousand and amounted to EUR 282 158 thousand as at 31 December 2019.

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

20. Borrowings

	2019	2018
Non-current		
Lease liabilities	542	-
Lease liabilities to related parties (Note 23)	900	-
Borrowings from related parties (Note 23)	35 546	-
	36 988	**-**
Current		
Lease liabilities	343	-
Lease liabilities to related parties (Note 23)	216	-
Borrowings from related parties (Note 23)	7 900	-
	8 459	**-**
Total borrowings	**45 447**	**-**

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

	2019	2018
EUR	44 605	-
USD	842	-
	45 447	**-**

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

	2019	2018
Less than 1 year	8 459	-
Between 1 and 5 years	36 988	-
Over 5 years	-	-
	45 447	**-**

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

	2019	2018
Lease liabilities	4.92%	-
Lease liabilities from related parties	3.31%	-
Borrowings from related parties	3.35%	-

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

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

	Lease liabilities	Lease liabilities from related parties	Borrowings from related parties	Total
Beginning of the period	**-**	**-**	**-**	**-**
Merger adjustments (Note 1)	-	-	850	850
Borrowings received cash	-	-	42 596	42 596
Borrowings received non-cash	1 125	1 116	1 446	3 687
Borrowings repayments cash	(240)	-	-	(240)
Borrowings repayments no-cash	-	-	(1 446)	(1 446)
End of the period	**885**	**1 116**	**43 446**	**45 447**
Less: non-current portion	(542)	(900)	(35 546)	(36 988)
Current portion:	**343**	**216**	**7 900**	**8 459**

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

21. Trade payables and other liabilities

	2019	2018
Trade payables	1 726	-
Amounts payable to related parties (Note 23)	462	-
Salaries and social security payable	509	-
Other payables to related parties (Note 23)	14 674	-
Other accrued expenses	374	-
Other payables	63	1
	17 808	**1**
Less: non-current portion	(5 556)	-
Current portion	**12 252**	**1**

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

	2019	2018
EUR	16 704	-
PLN	133	-
US dollars	23	-
Other currencies	2	-
	16 862	**-**

Fair value of trade and other payables approximates their carrying amount as at 31 December 2019.

22. Lease

Accounting policies applied from 1 January 2019

The future aggregate minimum payments under short-term and low-value leases, for which the Company has applied the exemption, as described under accounting policies note 2.12 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	2	1	-	-
Low value leases	-	-	-	-
Total	**2**	**1**	**-**	**-**

The Company leases include office properties.

Accounting policies applied before 1 January 2019

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

	2018
Less than 1 year	325
Between 1 and 5 years	839
Over 5 years	-
	1 164

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

23. Related party transactions

Related parties of the Company include all the entities directly or indirectly controlled by *Avia Solutions Group PLC*, entities having significant influence over the Company, key management personnel and other related parties. Avia Solutions Group PLC subsidiaries are entities under common control which are directly or indirectly controlled by Avia Solutions Group PLC. Entities having significant influence over the Company are directly controlled by the same ultimate beneficial owner or close members of that person's family and they are *Procyone Fze, Vertas Aircraft Leasing Limited, Vertas Cyprus Ltd* and *Vertas Management AB* (the sole shareholder of *Vertas Cyprus Ltd*). Transactions with these companies are presented separately. Other related parties include entities controlled by key management personnel and entities indirectly controlled by the same ultimate beneficial owner.

The following transactions were carried out with related parties:

	2019	2018
Sales of services to:		
Avia Solutions Group PLC subsidiaries	1 760	123
Entities having significant influence	4	-
Other related parties	239	9
	2 003	**132**
Purchases of services and goods from:		
Avia Solutions Group PLC subsidiaries	175	-
Other related parties	97	6
	272	**6**
Other income from:		
Avia Solutions Group PLC subsidiaries	298	-
Entities having significant influence	22	-
Other related parties	9	-
	329	**-**
Finance costs - net from/(to):		
Avia Solutions Group PLC subsidiaries	(360)	-
Other related parties	(39)	-
	(399)	**-**

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

	2019	2018
Trade receivables from:		
Avia Solutions Group PLC subsidiaries	3 063	8
Entities having significant influence	9	-
Other related parties	39	14
Impairment of trade receivables from other related parties	(6)	-
Impairment of trade receivables from subsidiaries	(451)	-
	2 654	**22**
Loans granted to:		
Avia Solutions Group PLC subsidiaries	10 889	-
Impairment of loans granted to subsidiaries	(1 752)	-
	9 137	**-**
Other financial receivables from:		
Avia Solutions Group PLC subsidiaries	1 541	-
Entities having significant influence	2 097	-
Other related parties	472	-
Impairment of other financial receivables from subsidiaries	(361)	
Impairment of other financial receivables from other related parties	(14)	-
	3 735	**-**

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

23. Related party transactions (continued)

	2019	2018
Contract assets from:		
Avia Solutions Group PLC subsidiaries	24	-
Entities having significant influence	1	-
Impairment of contract assets	(1)	-
	24	**-**
Security deposits paid to:		
Avia Solutions Group PLC subsidiaries	60	-
	60	**-**
Advances paid to:		
Other related parties	-	3
	-	**3**

Non-current receivables as at 31 December 2019 are due until 2020-2024. Non-current receivables as at 31 December 2018 were due until 2020-2022. The weighted average interest rate of current and non-current loans granted to ASG subsidiaries was 3.54% (The Company didn't have any significant loans granted at 31 December 2018). Loans granted have no pledged assets as a collateral.

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

	2019	2018
Borrowings from:		
Avia Solutions Group PLC subsidiaries	43 446	-
	43 446	**-**
Lease liabilities to:		
Avia Solutions Group PLC subsidiaries	1 116	-
	1 116	**-**
Other financial payables to:		
Avia Solutions Group PLC subsidiaries	2 851	-
Entities having significant influence	17	-
Other related parties	11 806	-
	14 674	**-**
Trade payables to:		
Avia Solutions Group PLC subsidiaries	460	-
Other related parties	2	-
	462	**-**
Security deposits received from:		
Avia Solutions Group PLC subsidiaries	83	-
Other related parties	-	83
	83	**83**
Contract liabilities to:		
Avia Solutions Group PLC subsidiaries	50	79
	50	**79**

Non-current payables as at 31 December 2019 are due until 2021-2024. Non-current receivables as at 31 December 2018 were due until 2020-2022. The weighted average interest rate of current and non-current borrowings from ASG subsidiaries was 3.35% (The Company didn't have any significant borrowings at 31 December 2018). The weighted average interest rate of lease liabilities from ASG subsidiaries was 3.31% (The Company didn't have any significant lease liabilities at 31 December 2018). Borrowings are not secured.

	Less than 1 year	Between 1 - 5 years	Over 5 years
31 December 2019			
Borrowings from ASG subsidiaries	7 900	35 546	-
Finance lease liabilities to ASG subsidiaries	216	900	-
	8 116	**36 446**	**-**

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

24. Remuneration of the Company's key management

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

	2019	2018
Salaries including termination benefits	370	2
Social insurance expenses	25	-
Bonuses	71	-
	466	**2**
Loans granted to key management at the end of year	**154**	**-**
The number of key management personnel at the end of year	**6**	**9**

As at 31 December 2019 the Company had 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 employees of the group, related to the Management of the Group, and have service conditions included. Additionally, these contracts have a lockup 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 Company 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 Company granted loans to the above mentioned Key Management personnel of the Company in relation to the share acquisitions as described above, in the amount of EUR 154 thousand.

25. Changes in accounting policy

Adoption of IFRS 16

The Company 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 Company's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, 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 policies.

The Company 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 Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company 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 Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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

25. Changes in accounting policy (continued)

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

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

The Company presents lease liabilities in 'Borrowings' in the statement of financial position. Significant accounting policies are disclosed in Note 2.12.

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 Company's incremental borrowing rate as at 1 January 2019. Right-at-use assets were measured an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Company applied this approach to all leases.

The Company 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 and excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Impacts on financial statements

On transition to IFRS 16, the Company recognised additional right-of-use assets, including investment property and additional lease liabilities. The impact on transition is summarised below:

	1 January 2019
Right-of-use assets presented in property, plant and equipment	1 082
Deferred tax asset	-
Retained earnings	-
Lease liabilities	1 082

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

25. Changes in accounting policy (continued)

When measuring present value of lease liabilities that were previously classified as operating leases the Company discounted lease payments using its incremental borrowing rate at 1 January 2019 – 5.0%.

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	1 164
Discounted using the Company's incremental borrowing rate of 5.0%	1 082
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): low-value leases recognised	-
(Less): short-term leases recognised	-
Lease liability recognised as at 1 January 2019	**1 082**
- non-current lease liability	868
- current lease liability	214

Right-of-use assets as at 31 December 2019 are presented in note 13, lease liability recognised as at 31 December 2019 are presented in note 20.

26. Events after the reporting date

COVID-19 impact on the Company's and its subsidiaries' 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 Company 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 Company. The Company 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 Company also prepared cash flow forecast considering worst case scenario, whereby operations do not resume until April 2021 and it concluded that the Company will have sufficient liquidity to continue as going concern more than a year from the approval of these financial statements.

The Management of the Company 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 "Critical accounting estimates and significant judgments".

26. Events after the reporting date (continued)

Other post balance sheet events

On 14th of February 2020 the 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.

On the 24th of January 2020, the Company 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.

Except for the above, there were no other post balance sheet events that would have a bearing on the understanding of these financial statements.

Independent auditor's report on pages 4 to 6.

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas

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

MANAGEMENT REPORT Approved by the Board as at 28 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 financial statements of the Company for the year ended 31 December 2019.

Principal activities and nature of operations of the Company

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

Changes in group structure

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.

On 22 May 2019 during the extraordinary general meeting of the shareholders of the Company, shareholders have approved merger plan between Avia Solutions Group AB and Avia Solutions Group PLC. On 28 June 2019 Nicosia District Court of the Republic of Cyprus issued decision ordering and approving the completion of a cross-border merger between two companies. Cross-border merger was completed on 15 July 2019.

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.

Acquisition of subsidiaries are disclosed in Note 15 of the financial statements.

Branches

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.

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

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

In 2019 *Avia Solutions Group PLC* generated net loss of EUR 10 638 thousand (in 2018 - EUR 3 thousand). The revenue has increased up to EUR 2 103 thousand as compared with EUR 136 thousand in 2018.

Key figures of the Company

Financial figures	2019	2018
Revenue (EUR thousand)	2 103	136
Operating profit (EUR thousand)	(10 508)	7
Profit (loss) before income tax (EUR thousand)	(11 246)	(2)
Net profit (loss) for the period (EUR thousand)	(10 638)	(3)

During the year ended 31 December 2019, the Company increased its turnover by 1446% as a result of which its turnover amounted to EUR 2 103 thousand compared to EUR 136 thousand during previous year as a result of merger. Despite the increase in its turnover, the Company's operating and net profit decreased by EUR 10 515 thousand and EUR 10 635 thousand respectively compared to 2018 mainly due to impairment of investments in subsidiaries (EUR 5 346 thousand), 3 564 thousand EUR in consultancy expenses and EUR 1 869 thousand in employee related expenses after the merger.

During the year ended 31 December 2019, the Company invested in acquisition of new subsidiaries amounting to EUR 320 802 thousand, which was partly financed by new borrowings amounting to EUR 42 596 thousand and partly by newly issued shares of Avia Solutions Group PLC. As at 31 December 2019, the Company's total assets amounted to EUR 350 499 thousand (2018: EUR 187 thousand), the significant increase was a result of the merger which is described in section "Changes in group structure".

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in Notes 3, 4 and 26 of the financial statements.

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

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

Strategic risk arises from adverse or erroneous business decisions, improper decisions implementation or lack of response to any political or regulatory developments. In 2019 the Company was constantly monitoring its' strategic risk.

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

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

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

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

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

The 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.

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.

Future developments of the Company

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 Company 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 Company 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 Company 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 Company 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 Financial Statements for the year ended 31 December 2019.

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

Results

The Company's results for the year are set out on page 7. The net loss for the period is carried forward.

Dividends

The Company has not paid out to the shareholders any dividends.

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. Share premium of Avia Solutions Group AB which was merged to Avia Solutions Group PLC amounted to EUR 33 133 thousand as at 16 July 2019.

Treasury shares

As at 31 December 2019 one of the Company's subsidiaries *Avia AM Leasing AB* has 270 014 shares of the Company. On 31 December 2018 neither the Company nor its subsidiaries hold any treasury stock.

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 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.

In accordance with the Company's Articles of Association Messrs Jonas Janukenas and one of Linas Dovydenas, Gediminas Ziemelis and Zilvinas Lapinskas will retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Events after the balance sheet date

All significant post balance sheet events of the Group are presented in the Note 26 in the Financial Statements for the year ended 31 December 2019.

Independent auditors

Auditors from PricewaterhouseCoopers Limited audited the balance sheet of the Company for the year ended 31 December 2019 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows and a summary of significant accounting policies and other explanatory notes for the years then ended.

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

By Order of the Board

Managing Director
Jonas Janukėnas

Director
Vygaudas Ušackas

Chief Financial Officer
Aurimas Sanikovas