

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2015

prepared according to International Financial Reporting
Standards,

as adopted by the European Union,
presented together with Independent Auditor's Report

Independent auditor's report to the shareholders of AB Novaturas

Report on the Financial Statements

We have audited the accompanying separate financial statements of AB Novaturas (hereinafter - the Company) and the consolidated financial statements of AB Novaturas and its subsidiaries (hereinafter - the Group), which comprise the statements of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AB Novaturas and the Group as at 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

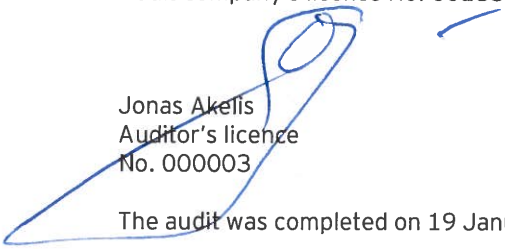
Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying consolidated and Company's Annual Report for the year ended 31 December 2015 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2015.

Other Matter

As described in Note 21 to the financial statements, these financial statements replace the previous version of the consolidated financial statements of the Group and separate financial statements of the Company for the year ended 31 December 2015 that have been approved by the management on 27 June 2016, on which we issued unmodified audit report dated 27 June 2016. Consequently, this audit report represents a re-issued audit report on the corrected consolidated and separate financial statements of AB Novaturas for the year ended 31 December 2015 as approved by the management on 19 January 2018.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 19 January 2018.

AB Novaturas (hereinafter the Company) was registered on 16 December 1999.

Company code: 135567698.

Company's address: A. Mickevičiaus str. 27, Kaunas, Lithuania.

The transformation of UAB Novaturas to AB Novaturas was registered in the register of legal entities on 25 November 2014. AB Novaturas took over all UAB Novaturas rights and obligations since the company's restructuring and a new legal status of the date of registration.

The main activity of the Company and its subsidiaries is organization and sales of holiday tours.

The share capital of the Company, amounting to EUR 226,106, consists of 7,807 ordinary shares with a nominal value of EUR 28,96 each. All shares are fully paid.

The Board of Directors has 5 members.

The Head of the Company is General Manager Linas Aldonis, who is the General Manager from October 2010.

As of 31 December 2015 the Company had 113 employees and the Group had 213 employees (respectively 107 and 198 employees as of 31 December 2014).

Subsidiaries of the Company (thereafter – the Group) are stated below:

Subsidiary	Country	Registration address	Share of the stock owned by the Company, (%) as of 31 December	
			2015	2014
SIA Novatours	Republic of Latvia	Kr. Valdemara st. 100, Riga, Latvia	100 %	99,14 %
OU Novatours	Republic of Estonia	Ravala st. 6, Tallinn, Estonia	100 %	100 %
UAB Aviaturas ir Partneriai	Republic of Lithuania	Konstitucijos av. 15/5, Vilnius, Lithuania	100 %	100 %
SRL Novatours Holidays	Republic of Romania	M. Caramfil st. 53, Bucharest, Romania	100 %	100 %

On 10 December 2015 the Company acquired 1,499 ordinary registered shares of Novatours SIA from LATTUR SIA, which comprise 0.86% of Novatours SIA's ownership and paid EUR 15 thousand.

The Company did not acquire its own shares during the year and had no its own shares at the end of the year. The Company's subsidiaries do not own any shares of the Company as well.

The Company has a branch, established in Vilnius, the results of which are included into the financial statements of the Company.

In 2015, the Company's activities remained tour organization and distribution of tours through the retail network of travel agencies and through own retail channels (own travel agencies, e-commerce sales, tickets only sales through Global Distribution System (GDS). The Group and the Company are selling own charters tickets from/to Vilnius, Riga, Tallinn via GDS and this means that Novaturas' charter tickets are available worldwide in GDS (Amadeus, Galileo, Sabre, Worldspan, etc.) for travel agents and directly for passengers via internet in internet portals for air tickets (such as greitai.lt , skrendu.lt , airtickets.com , eDreams.com , bravofly.com, skyscanner , lastminute.com, etc.). Revenue division by distribution channels is as follows:

	Group	
	2015	2014
Travel agencies	69.2%	69.8%
Own retail	15.2%	17.4%
Web sales	14.7%	11.9%
GDS	0.9%	0.9%
	100.0%	100.0%

Group passenger sales divided by source market is as follows:

	Group	
	2015	2014
Lithuania	91.7	80.9
Latvia	31.6	27.9
Estonia	42.4	37.5
Other	0.2	0.2
	165.9	146.5

Group passenger sales divided by product category is as follows:

	Group	
	2015	2014
Package travel	138.3	123.1
Round trips by plane	1.3	1.0
Round trips by coach	8.2	6.6
Other products (separate flight and hotel services)	18.1	15.8
	165.9	146.5

Group package travel revenue division by destinations is as follows:

	Group	
	2015	2014
Turkey	38.8%	37.3%
Greece	15.8%	15.7%
Egypt	15.0%	15.2%
Bulgaria	8.8%	9.6%
Spain (including Canary Islands)	9.9%(6.1%)	11.1%(6.5%)
Skiing	2.7%	2.2%
Long haul	1.7%	1.5%
Other destinations	7.3%	7.4%
	100.0%	100.0%

THE GROUP:

- Sales revenue increased from EUR 90,910 thousand in 2014 to EUR 99,091 thousand in 2015, i.e. by 9.0 %;
- Profit before tax decreased from EUR 4,901 thousand in 2014 to EUR 2,876 thousand in 2015;
- Net profit decreased from EUR 4,235 thousand in 2014 to EUR 2,245 thousand in 2015.

THE COMPANY:

- Sales revenue increased from EUR 54,546 thousand in 2014 to EUR 59,815 thousand in 2015, i.e. by 9.7 %;
- Profit before tax decreased from EUR 4,005 thousand in 2014 to EUR 2,454 thousand in 2015;
- Net profit decreased from EUR 3,404 thousand in 2014 to EUR 1,873 thousand in 2015.

Business activities of Romanian subsidiary SRL Novatours Holidays were suspended in the middle of 2009 and not resumed in 2015 due to still rapidly changing business environment.

In November, 2015 the Company signed agreements with AB DNB bankas regarding new overdraft which replaced AE Swedbank overdraft. According to this agreement the bank set maximum overdraft limit amounting to EUR 2,000 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period is not exceeding the maximum credit limit agreed for that particular period.

In order to reduce EUR/USD foreign exchange risk in December 2010 the Company and the Group started to use derivative financial instruments which allow to manage the foreign exchange and fluctuations of jet fuel prices risk. These financial instruments were successfully used by the Company and the Group in 2015 and 2014. Information on financial risk management of the Group and the Company is presented in the Group's and Parent Company's financial statements.

Information about subsequent events in the Group and the Company is disclosed in the notes of financial statements.

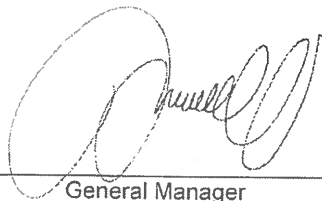
The Group and the Company was not engaged in any research and development activities.

Information about financial risk management and information about employees (number of employees and remuneration expenses) is described in the notes to the financial statements.

The main goals for 2016 are:

- To preserve leading market position in Baltic states.
- Introduction of new products and services for profitable growth.
- Maintain well balanced distribution channel mix and develop it further.

19 January 2018



General Manager
Linas Aldonis

Statements of financial position

	Notes	Group		Company	
		As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
ASSETS					
Non-current assets					
Intangible assets	3	30,618	30,565	30,613	30,550
Property, plant and equipment	4	339	179	225	139
Investments into subsidiaries	5	-	-	3,220	3,206
Long term receivables		43	45	-	-
Deferred income tax asset	17	13	6	-	-
Total non-current assets		31,013	30,795	34,058	33,895
Current assets					
Inventories		1	4	-	-
Prepayments and deferred expenses	6	3,825	4,676	2,769	3,248
Trade accounts receivable	7	542	531	299	234
Accounts receivable from related parties	20	-	-	1,742	197
Prepaid income tax		214	2	-	-
Other receivables	7	269	247	125	120
Other current financial assets	8	10	2,427	10	2,427
Cash and cash equivalents	9	5,861	4,715	3,222	3,613
Total current assets		10,722	12,602	8,167	9,839
Total assets		41,735	43,397	42,225	43,734

The accompanying notes are an integral part of these financial statements.

(cont'd on the next page)

Statements of financial position (cont'd)

	Notes	Group		Company	
		As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
EQUITY AND LIABILITIES					
Equity					
Share capital	1	226	226	226	226
Cash flow hedge reserve	8, 10	(21)	(1,521)	(21)	(1,521)
Legal reserve	10	29	29	29	29
Foreign currency translation reserve	10	145	145	-	-
Retained earnings		14,672	32,443	11,525	29,652
Equity attributable to equity holders of the parent		15,051	31,322	11,759	28,386
Non-controlling interests		-	19	-	-
Total equity		15,051	31,341	11,759	28,386
Liabilities					
Non-current liabilities					
Grants and subsidies		3	11	-	-
Non-current borrowings	11	8,914	-	8,914	-
Other non-current liabilities	8	-	863	-	863
Deferred income tax liabilities	17	1,533	771	1,533	771
Total non-current liabilities		10,450	1,645	10,447	1,634
Current liabilities					
Current portion of non-current borrowings	11	3,158	-	3,158	-
Current borrowings	11	-	-	8,318	7,150
Trade payables		2,620	2,108	2,229	1,532
Payables to related parties	20	2,928	-	3,091	369
Advances received	2.15	6,405	5,989	2,674	2,637
Income tax payable		61	89	61	89
Other current liabilities and accrued expenses	12	1,027	784	453	496
Other current financial liabilities	8	35	1,441	35	1,441
Total current liabilities		16,234	10,411	20,019	13,714
Total equity and liabilities		41,735	43,397	42,225	43,734

The accompanying notes are an integral part of these financial statements.

General Manager	Linas Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

Statements of comprehensive income

	Notes	Group		Company	
		2015 Restated*	2014 Restated*	2015	2014
Sales	13	99,091	90,910	59,815	54,546
Cost of sales	14	(81,895)	(75,223)	(49,682)	(45,034)
Gross profit		17,196	15,687	10,133	9,512
Operating (expenses)	15	(11,821)	(10,664)	(6,157)	(5,402)
Other operating income		45	157	5	17
Other operating (expenses)		(101)	(113)	-	(5)
Profit from operations		5,319	5,067	3,981	4,122
Finance income	16	193	2	117	1
Finance (expenses)	16	(2,636)	(168)	(1,644)	(118)
Profit before tax		2,876	4,901	2,454	4,005
Income tax (expense)	17	(631)	(666)	(581)	(601)
Net profit		2,245	4,235	1,873	3,404
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	8	1,765	(1,789)	1,765	(1,789)
Impact of income tax	17	(265)	268	(265)	268
Total comprehensive income for the year		3,745	2,714	3,373	1,883
Net profit attributable to:					
The shareholders of the Company		2,241	4,216	1,873	3,404
Non-controlling interests		4	19	-	-
		2,245	4,235	1,873	3,404
Total comprehensive income attributable to:					
The shareholders of the Company		3,741	2,695	3,373	1,883
Non-controlling interests		4	19	-	-
		3,745	2,714	3,373	1,883
Earnings per share (EPS) for continuing operations:	22				
Basic, profit for the year attributable to ordinary equity holders of the parent (in EUR)		287.56	542.46		

*Certain amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

The accompanying notes are an integral part of these financial statements.

General Manager	Linās Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

Statements of changes in equity

Group	Notes	Equity, attributable to the equity holders of the parent						Non-controlling interests	Total
		Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the parent		
Balance as of 31 December 2013		226	29	-	28,095	145	28,495	165	28,660
Net profit for the year		-	-	-	4,216	-	4,216	19	4,235
Other comprehensive income		-	-	(1,521)	-	-	(1,521)	-	(1,521)
Total comprehensive income		-	-	(1,521)	4,216	-	2,695	19	2,714
Acquisition of non-controlling interest	1	-	-	-	132	-	132	(165)	(33)
Balance as of 31 December 2014		226	29	(1,521)	32,443	145	31,322	19	31,341
Net profit for the year		-	-	-	2,241	-	2,241	4	2,245
Other comprehensive income		-	-	1,500	-	-	1,500	-	1,500
Total comprehensive income		-	-	1,500	2,241	-	3,741	4	3,745
Acquisition of non-controlling interest	1	-	-	-	(12)	-	(12)	(23)	(35)
Dividends approved	20	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Balance as of 31 December 2015		226	29	(21)	14,672	145	15,051	-	15,051

The accompanying notes are an integral part of these financial statements.

General Manager	Linas Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

AB NOVATURAS, company code 135567698, A. Mickevičiaus 27 av. 32, Kaunas, Lithuania
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2013		226	29	-	26,248	26,503
Net profit for the year		-	-	-	3,404	3,404
Other comprehensive income		-	-	(1,521)	-	(1,521)
Total comprehensive income		-	-	(1,521)	3,404	1,883
Balance as of 31 December 2014		226	29	(1,521)	29,652	28,386
Net profit for the year		-	-	-	1,873	1,873
Other comprehensive income		-	-	1,500	-	1,500
Total comprehensive income		-	-	1,500	1,873	3,373
Dividends approved	20	-	-	-	(20,000)	(20,000)
Balance as of 31 December 2015		226	29	(21)	11,525	11,759

The accompanying notes are an integral part of these financial statements.

General Manager	Linas Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

Statements of cash flows

	Notes	Group		Company	
		2015	2014	2015	2014
Cash flows from (to) operating activities					
Net profit		2,245	4,235	1,873	3,404
Adjustments for non-cash items:			-		-
Depreciation and amortization	3, 4	222	43	154	11
Allowance for doubtful receivables and prepayments made	15	3	(4)	12	11
Change in deferred income tax	17	490	515	497	512
Current income tax expenses	17	140	151	84	89
Elimination of financial, investment and other non-cash activity results		1,858	(2,858)	1,814	(2,762)
		4,958	2,082	4,434	1,265
Changes in working capital:					
Decrease in inventories		3	2	-	-
(Increase) decrease in trade receivables		(14)	(184)	(1,622)	2,489
(Increase) decrease in other receivables		(109)	228	(94)	(27)
(Increase) decrease in prepayments and deferred expenses		891	(2,179)	591	(1,634)
Increase in trade payables		512	254	697	108
Increase in advances received		416	1,544	37	1,073
Income tax (paid)		(291)	(140)	(23)	-
Increase (decrease) in other accounts payable and accrued expenses		243	699	(248)	840
Net cash flows from operating activities		6,609	2,306	3,772	4,114
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)	3, 4	(435)	(315)	(303)	(295)
Proceeds from sale of non-current assets (except investments)		-	1	-	-
Interest received		-	1	-	1
Collected loans		-	8	-	8
Net cash flows (to) investing activities		(435)	(305)	(303)	(286)

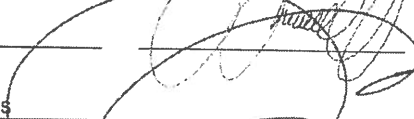
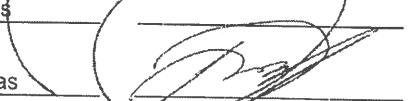
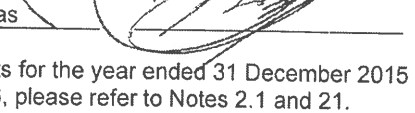
The accompanying notes are an integral part of these financial statements.

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Statements of cash flows (cont'd)

	Notes	Group		Company	
		2015	2014	2015	2014
Cash flows from financing activities					
Loans received	11	12,072	-	13,240	-
(Repayment) of loans		-	(4,123)	-	(6,387)
Interest (paid)		(13)	(150)	(13)	(150)
Dividends (paid)		(17,072)	-	(17,072)	-
Acquisition of non-controlling interest	1	(15)	(33)	(15)	(33)
Net cash flows (to) financing activities		(5,028)	(4,306)	(3,860)	(6,570)
Net increase (decrease) in cash flows		1,146	(2,304)	(391)	(2,742)
Cash and cash equivalents at the beginning of the year		4,715	7,019	3,613	6,355
Cash and cash equivalents at the end of the year		5,861	4,715	3,222	3,613

The accompanying notes are an integral part of these financial statements.

General Manager	Linas Aldonis		19 January 2018
Finance Director	Tomas Staškūnas		19 January 2018
Chief Financier	Giedrius Ribakovas		19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**
(all amounts are in thousand EUR unless otherwise stated)**Notes to the financial statements****1 General information**

AB Novaturas (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

A. Mickevicius st. 27, Kaunas,
Lithuania.

The transformation of UAB Novaturas to AB Novaturas was registered in the register of legal entities on 25 November 2014. AB Novaturas took over all UAB Novaturas rights and obligations since the company's restructuring and a new legal status of the date of registration.

The Company operates as a tour operator and travel agency. The Company was registered on 16 December 1999.

The shareholders of the Company were:

	As of December 2015		As of December 2014	
	Number of shares held	Percentage	Number of shares held	Percentage
Central European Tour Operator S.R.A.L.	5,521	70.72 %	5,521	70.72 %
Vidas Paliūnas	762	9.76 %	762	9.76 %
Ugnius Radvila	762	9.76 %	762	9.76 %
Rytis Šumakaris	762	9.76 %	762	9.76 %
Total	7,807	100.00 %	7,807	100.00 %

The ultimate parent of the Central European Tour Operator S.A.R.L (Luxemburg) is L.P. Polish Enterprise Fund VI with registered address in Ugland House, South Church street, KY – George Town, Cayman Islands.

All shares with a nominal value of EUR 28.96 each are ordinary and were fully paid as of 31 December 2015 and 2014. The share capital did not change in 2015 and 2014. Subsidiaries did not hold any shares of the Company as of 31 December 2015 and 2014. The Company also did not hold its own shares.

The Group consists of AB Novaturas and the following subsidiaries (hereinafter the Group):

Company	Registration address	Share of the stock held by the Group 2015.12.31	Share of the stock held by the Group 2014.12.31	Main activities
Novatours SIA	Kr. Valdemara str. 100, Riga, Latvia	100 %	99.14 %	Organization and distribution of tours
Novatours OU	Ravala pst. 6, Talinas, Estonia	100 %	100 %	
UAB Aviaturas ir partneriai	Konstitucijos av. 15/5, Vilnius, Lithuania	100 %	100 %	Organization and distribution of tours
SRL Novatours Holidays	M. Caramfil g. 53, Bucharest, Romania	100 %	100 %	Organization and distribution of tours

In 2015 and 2014 the subsidiary of the Company SRL Novatours Holidays was not active.

As of 31 December 2015 the Company had a branch with registered office at Jasinskio st. 16, Vilnius, Lithuania. The registration code of the branch is 125142371. Operating results of the branch are included in the financial statements of the Company.

As of 31 December 2015 the number of employees of the Group was 213 (as of 31 December 2014 – 198 employees) and the number of employees of the Company was 113 (as of 31 December 2014 – 107 employees).

2 Accounting principles

The main accounting principles, which have been applied in preparation of the Company's and the Group's financial statements for the year ended 31 December 2015, are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

The Company's management authorized these financial statements on 19 January, 2018. These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016 and subsequently by the shareholders of the Company. Previously issued financial statements are re-issued based on the decision of the management as requested by the shareholders due to correction of error as a result of discovered management wrongdoing as disclosed in note 21. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for derivative financial instruments that are carried at fair value.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2015:

- Annual Improvements to IFRSs 2011 – 2013 Cycle
- IFRIC Interpretation 21: Levies
- **Annual Improvements to IFRSs 2011 – 2013 Cycle** is a collection of amendments to the following IFRSs:
 - IFRS 3 *Business Combinations*:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
 - **IFRS 13 *Fair value Measurement*:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
 - **IAS 40 *Investment property*:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

IFRIC Interpretation 21 Levies

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs.

The implementation of these standards had no effect on the financial statements of the Group and the Company.

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The Group and the Company expects no material impact of the implementation of this standard.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company but may result in changes in disclosures.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial years beginning on or after 1 January 2017)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group and the Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group and the Company does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The implementation of these amendments will not have any impact on the financial position or performance of the Company.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group and the Company has no interest in a joint operations.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group and the Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 January 2016)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of this standard will not have any impact on the Company as the Company is not investment entity.

Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged 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 and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group/Company has no associates or joint ventures, therefore these amendments will not have any impact on the financial statements of the Group/Company.

2 Accounting principles (cont'd)**2.1. Basis of preparation (cont'd)****IFRS 15 *Revenue from Contracts with Customers*** (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group/Company has not yet evaluated the impact of the implementation of this standard and the management plans to assess the impact of the implementation while preparing its 2017 annual financial statements.

IFRS 15: *Revenue from Contracts with Customers (Clarifications)* (effective for annual periods beginning on or after 1 January 2018).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Group/Company has not yet evaluated the impact of the implementation of this standard as noted above.

IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group and the Company has not yet evaluated the impact of the implementation of this standard.

IFRS 2: *Classification and Measurement of Share based Payment Transactions (Amendments)* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group/Company has no share based payment transactions, therefore these amendments will not have any impact on the financial statements of the Group/Company.

Amendments to IAS 40: *Transfers to Investment Property* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group/Company has no investment property, therefore these amendments will not have any impact on the financial statements of the Group/Company.

IFRIC INTERPETATION 22: *Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

IFRIC INTERPETATION 23: *Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Improvements to IFRSs

In December 2013 IASB issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle** (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*.

In September 2014 IASB issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle** (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The adoption of the above amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group and the Company.

The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 *Disclosure of Interests in Other Entities* and on or after 1 January 2018 for IFRS 1 *First-time Adoption of International Financial Reporting Standards* and for IAS 28 *Investments in Associates and Joint Ventures*. Earlier application is permitted for IAS 28 *Investments in Associates and Joint Ventures*. These annual improvements have not yet been endorsed by the EU. These amendments will not have any impact on the financial statements of the Group/Company.

- **IFRS 1 *First-time Adoption of International Financial Reporting Standards***: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 *Investments in Associates and Joint Ventures***: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 *Disclosure of Interests in Other Entities***: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

On 12 December 2017 the IASB issued **Annual Improvements to IFRS Standards 2015 – 2017 Cycle**, which contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are all effective for annual periods beginning on or after 1 January 2019. These annual improvements have not yet been endorsed by the EU. Annual Improvements to IFRS Standards 2015–2017 Cycle makes amendments to the following standards:

- **IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements***: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 12 *Income Taxes***: The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 23 *Borrowing Costs***: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are expected to have no impact of the Group/Company.

The Group and the Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2 Accounting policies (cont'd)**2.2. Functional and presentation currency**

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, euro (EUR), which is also the functional currency of the Company and the Group companies located in Lithuania and in other Eurozone countries. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Starting from 1 January 2015 euro has become the local currency of the Republic of Lithuania. As a result of transition to euro, all balances were converted from Litas (LTL) to euro at the official fixed rate of 3.4528 Litas for 1 euro.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

The assets and liabilities of foreign subsidiaries are translated into euro at the reporting date using the rate of exchange as of the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognized in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that foreign operation is recognized in profit (loss).

Long-term receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future are considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that foreign operation is recognized in the profit (loss).

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Novaturas and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date from which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition of control and up to the effective date of the loss of control, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests (even if this results in the non-controlling interests having a deficit balance). The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. The financial statements of subsidiaries used for consolidation purposes are prepared for the financial year of the parent company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

Acquisitions and disposals of minority interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the minority interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

2 Accounting policies (cont'd)**2.3. Principles of consolidation (cont'd)**Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages at the acquisition date the fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets and liabilities. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in a statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. Investments in subsidiaries (the Company)

Investments in subsidiaries in the Company's separate financial statements are accounted at cost, less impairment.

2.5. Intangible assets (other than goodwill)

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company have no intangible assets with indefinite useful life except for goodwill.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives.

Software

The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized over a period of 3 years.

Costs incurred in order to restore or maintain the future economic benefits that are expected from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

2.6. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When an item of property, plant and equipment is sold or retired, its cost and accumulated depreciation are eliminated and gain (loss) is included in the statement of comprehensive income.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2 Accounting policies (cont'd)**2.6. Property, plant and equipment (cont'd)**

Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Vehicles	6-10 years
Other equipment, tools and fixtures	2-5 years
Other property, plant and equipment	2-5 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

2.7. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The financial assets that are accounted at fair value through profit and loss includes financial assets that are held for sale, if financial assets was acquired for the purpose of selling it in the near future and assets that have been classified to this category at initial recognition. Gain or losses on investments held for selling are recognized in the statement of comprehensive income.

Derivative financial instruments, for which hedge accounting is not applied, are classified as financial asset at fair value through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group / the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortized cost, using effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized (written-off) when they are assessed as uncollectible.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income.

2 Accounting principles (cont'd)**2.7. Financial assets (cont'd)**Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, or cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group and the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

The resulting gain or loss from the change of fair value of the financial derivative is immediately recognized in profit or loss in the comprehensive income statement.

2.8. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group/Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2 Accounting principles (cont'd)**2.8. Fair value (cont'd)**

The Group/Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group/Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's/Company's management at each reporting date. For the purpose of fair value disclosures, the Group/Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

2.9. Derecognition of financial assets and liabilitiesFinancial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group / the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group / the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

2.10. Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months.

2 Accounting principles (cont'd)

2.11. Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

No borrowing costs meeting capitalization criteria have been incurred in 2014 and 2015.

Borrowings are initially recognized at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortized cost, the difference between net proceeds and redemption value being recognized in the net profit or loss over the period of the borrowings using the effective interest method (except for the capitalized part). The borrowings are classified as non-current if the completion of a refinancing agreement before the date of the statement of financial position provides evidence that the substance of the liability at the date of the statement of financial position was long-term.

2.12. Financial and operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Financial lease

The Group and the Company recognize financial leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, the Company's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Group's and the Company's statement of comprehensive income for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over the period longer than lease term, unless the Group or the Company, according by the lease contract, gets transferred their ownership after the lease term is over.

Operating lease

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.13. Provisions

Provisions are recognized when the Group / the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2 Accounting principles (cont'd)**2.14. Income tax**

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The Company's corporate income tax is calculated in accordance with provisions of tax legislation of the Republic of Lithuania. The income taxes of foreign subsidiaries are calculated in accordance with tax legislation applicable in those jurisdictions.

Standard income tax rate in Lithuania is 15 %.

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

Starting from 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

According to Estonian legislation, profit of Estonian entities is not subject to income tax, if the profits are retained in the Company. Earnings are subject to tax when they are distributed in the form of dividends or other form. Applied tax rate for distributed earnings is 20/80. As the taxable object is retained profit but not in financial period earned profit there are no temporary differences between assets and liabilities tax and balance sheet values, which would create recognition of deferred tax asset or liability.

Income tax rate in Romania and Latvia is 16% and 15%, respectively.

Deferred taxes are calculated using liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax asset has been recognized in the statement of financial position to the extent the management believes it will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

2.15. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and service provided net of value-added tax, rebates or discounts.

Revenue is recognized on accrual basis: revenue is recognized when earned, irrespective of cash receipts. Revenue from tours are recognized on the first day of the trip.

Advance payments are received from clients, paying according to the standard schedule. According it the client pays 20 percent at the moment of booking with remaining 80 percent paid three weeks before the trip starts. Advance payments are accounted as liabilities under Advances received caption and taken to revenue on the first day of the trip as noted above.

Interest income is recognized on accrual basis, based on the amount of outstanding debt and using effective interest rate. Interest inflows are presented under investing activities in the statements of cash flows.

The Group and the Company recognizes revenue from the inbound tourism promotion program approved by Turkish and Egyptian governments based on the number of flights, tourists, which arrived to resorts listed by Turkish and Egyptian governments during the period of promotion program, and of a fixed incentive amount, approved by local government. The related accrued revenue is estimated by the management based on historical experience and other relevant information available.

2.16. Commission expenses

Commissions, which are paid to travel agencies for sale of travel packages provided by the Company and the Group, are recognized as operating expenses.

2 Accounting principles (cont'd)**2.17. Impairment of assets**Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortized cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in the statement of comprehensive income. The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Other assets (excluding goodwill)

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the statement of comprehensive income as the impairment loss.

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.18. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by the EU, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.6 and 4), amortization (Notes 2.5 and 3), impairment evaluation of goodwill (Notes 2.3 and 3), including judgment on allocation of goodwill to the group of cash generating units (CGU) due to inability to allocate on a non-arbitrary basis to individual CGU, impairment evaluation of other assets (Notes 2.18, 5, 6 and 7, 8) and assumptions used while assessing accrued revenue amount (Note 7) and estimation of error correction as disclosed in Note 21 as judgment was required in concluding which expenses possibly caused damage to the subsidiary as well as assessing the potential additional tax risks. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.19. Contingencies

Contingent liabilities are not recognized in the financial statements, except to contingent liabilities, related to business acquisition. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

2.20. Subsequent events

Subsequent events that provide additional information about the Group's and the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.21. Offsetting

When preparing the financial statements, assets and liabilities as well as revenue and expenses are not set off, except the cases when certain International Financial Reporting Standards specifically requires such set-off.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**
(all amounts are in thousand EUR unless otherwise stated)**3 Intangible assets**

Group	Goodwill	Software	Total
Acquisition cost:			
Balance as of 31 December 2013	30,326	253	30,579
Additions	-	179	179
Write-offs	-	(2)	(2)
Balance as of 31 December 2014	30,326	430	30,756
Additions	-	175	175
Balance as of 31 December 2015	30,326	605	30,931
Accumulated amortization/impairment of goodwill:			
Balance as of 31 December 2013	-	200	200
Charge for the year	-	19	19
Write-offs	-	(28)	(28)
Balance as of 31 December 2014	-	191	191
Charge for the year	-	122	122
Balance as of 31 December 2015	-	313	313
Net book value as of 31 December 2015	30,326	292	30,618
Net book value as of 31 December 2014	30,326	239	30,565
Net book value as of 31 December 2013	30,326	53	30,379

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets (cont'd)**Company**

	Goodwill	Software	Total
Acquisition cost:			
Balance as of 31 December 2013	30,327	173	30,500
Additions	-	179	179
Balance as of 31 December 2014	30,327	352	30,679
Additions	-	172	172
Balance as of 31 December 2015	30,327	524	30,851
Accumulated amortization /impairment of goodwill:			
Balance as of 31 December 2013	-	146	146
Charge for the year	-	17	17
Write-offs	-	(34)	(34)
Balance as of 31 December 2014	-	129	129
Charge for the year	-	109	109
Balance as of 31 December 2015	-	238	238
Net book value as of 31 December 2015	30,327	286	30,613
Net book value as of 31 December 2014	30,327	223	30,550
Net book value as of 31 December 2013	30,327	27	30,354

After merging of UAB Central European Tour Operator on 30 September 2008 into UAB Novaturas, goodwill, which arose on the acquisition of shares of UAB Novaturas, was recognized in the financial statements of the Company and the Group. The goodwill is not amortized, but it is tested for impairment.

For the purposes of measurement of goodwill impairment, total goodwill as of 31 December 2015 and 2014 was allocated to all subsidiaries of UAB Novaturas (units generating cash flows from tour organizing and distribution, flight package tours segment) owned at the moment of business combination.

The recoverable amount of every cash generating unit as of 31 December 2015 and 2014 was determined based on the expected future cash flows of these units in accordance with 5 year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2015 and 2014 are described below. When determining the recoverable amount of cash generating units in 2015 and 2014 it was assumed that the level of commissions and related costs would not change and the increase of operating expenses will be lower than increase of revenue due to increased efficiency of work organization. Starting from 2016, there will be a reasonable increase of revenue influenced by rising prices and recovering market. Cash flows after 5 years horizon were extrapolated based on 2 % constant annual growth assumption, which reflects the best management's estimate of the situation in this industry. Discount rates were based on weighted average cost of capital applicable to each cash generating unit individually, and are as follows: 12.84 % (after tax) - for Lithuanian, 12.84 % (after tax) – for Latvian, 12.84 % (after tax) – for Estonian cash generating units (in 2015 (after tax) – 12.84 %, 12.84 %, 12.84 %, respectively).

Based on the total estimated recoverable values of group of cash generating units as of 31 December 2015 and 2014, no impairment of goodwill was recognized.

According to management estimate, no reasonable change in the assumptions used in impairment testing of the recoverable amount of cash generating units as of 31 December 2015 and 2014 as described above would result in material impairment.

The Group and the Company has no internally generated intangible assets. The amortization expenses for the years 2015 and 2014 are included within operating expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 258 thousand as of 31 December 2015 (EUR 241 thousand as of 31 December 2014) was fully amortized, but was still in use by the Group. Software with the acquisition cost of EUR 126 thousand as of 31 December 2015 (EUR 121 thousand as of 31 December 2014) was fully amortized, but was still in use by the Company.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment**Group**

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2013	206	223	75	504
Additions	20	52	63	135
Disposals	(12)	(64)	(33)	(109)
Balance as of 31 December 2014	214	211	105	530
Additions	13	125	122	260
Disposals	(76)	(74)	(9)	(159)
Balance as of 31 December 2015	151	262	218	631
Accumulated depreciation:				
Balance as of 31 December 2013	175	190	37	402
Charge for the year	11	14	33	58
Disposals	(12)	(63)	(34)	(109)
Balance as of 31 December 2014	174	141	36	351
Charge for the year	17	21	62	100
Disposals	(76)	(74)	(9)	(159)
Balance as of 31 December 2015	115	88	89	292
Net book value as of 31 December 2015	36	174	129	339
Net book value as of 31 December 2014	40	70	69	179
Net book value as of 31 December 2013	31	33	38	102

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(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment (cont'd)**Company**

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Acquisition cost:				
Balance as of 31 December 2013	144	246	44	434
Additions	20	52	44	116
Disposals	(12)	(63)	(24)	(99)
Balance as of 31 December 2014	152	235	64	451
Additions	13	109	9	131
Disposals	(76)	(75)	-	(151)
Balance as of 31 December 2015	89	269	73	431
Accumulated depreciation:				
Balance as of 31 December 2013	121	217	44	382
Charge for the year	11	14	4	29
Disposals	(12)	(63)	(24)	(99)
Balance as of 31 December 2014	120	168	24	312
Charge for the year	17	20	8	45
Disposals	(76)	(75)	-	(151)
Balance as of 31 December 2015	61	113	32	206
Net book value as of 31 December 2015	28	156	41	225
Net book value as of 31 December 2014	32	67	40	139
Net book value as of 31 December 2013	23	29	-	52

Property, plant and equipment of the Group and the Company is used only for the Group's and the Company's purposes.

Depreciation expenses of the Group's and the Company's property, plant and equipment for 2015 and 2014 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 298 thousand and EUR 221 thousand, respectively, were fully depreciated as of 31 December 2015 (as of 31 December 2014 – EUR 303 thousand and EUR 258 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

5 Investments into subsidiaries

Investments into subsidiaries of the Company as of 31 December are as follows:

Subsidiary	2015				2014			
	Acquisition cost	Controlled part, %	Net profit (loss) of subsidiary	Equity of subsidiary	Acquisition cost	Controlled part, %	Net profit (loss) of subsidiary	Equity of subsidiary
Novatours SIA	1,073	100	37	176	1,059	99.14	334	176
Novatours OU	1,786	100	327	102	1,786	100	625	102
UAB Aviaturas ir Partneriai	361	100	9	36	361	100	5	36
SRL Novatours Holidays	95	100	-	-	95	100	-	-
Less impairment	(95)	-	-	-	(95)	-	-	-
Total carrying value	3,220				3,206			

As of 31 December 2015 and 2014 impairment of investment into subsidiary SRL Novatours Holidays was accounted for.

As of 31 December 2015 the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the AB DNB bankas in accordance with the credit line agreement (Note 11).

As of 31 December 2014 the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the bank Swedbank, AB in accordance with the credit line agreement (Note 11).

6 Prepayments and deferred expenses

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Prepayments	3,457	4,509	2,721	3,180
Deferred expenses	484	283	48	68
Less: impairment	(116)	(116)	-	-
	3,825	4,676	2,769	3,248

The main part of the Group's and the Company's prepayments as of 31 December 2015 and 2014 consisted of amounts paid to suppliers for flight tickets and hotels. Change in allowance for doubtful prepayments for the years 2015 and 2014 has been included into operating expenses. Deferred expenses of the Group and the Company consist of cost related to airline tickets, hotel services, visas, ferry boat tickets and other services.

7 Trade and other receivables

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Trade receivables, gross	742	727	464	386
VAT receivable	112	103	112	103
Other receivables	156	144	12	17
Less: allowance for doubtful receivables	(199)	(196)	(164)	(152)
	811	778	424	354

Change in allowance for doubtful receivables for the year 2015 and 2014 has been included into operating expenses.

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

7 Trade and other receivables (cont'd)

Movement in the allowance for the Group's and the Company's receivables are as follows:

	Group	Company
	<u>Individually impaired</u>	<u>Individually impaired</u>
Balance as of 31 December 2013	(200)	(141)
Charge for the year	15	-
Reversal of impairment for the year	(11)	(11)
Balance as of 31 December 2014	(196)	(152)
Reversal of impairment for the year	29	20
Charge for the year	(32)	(32)
Balance as of 31 December 2015	<u>(199)</u>	<u>(164)</u>

The ageing analysis of the Group's trade and other receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

		<u>Receivables past due, but not impaired</u>					
	<u>Receivables neither past due nor impaired</u>	<u>Less than 30 days</u>	<u>30 – 60 days</u>	<u>60 – 90 days</u>	<u>90 – 120 days</u>	<u>More than 120 days</u>	<u>Total</u>
2014	200	30	158	60	109	118	675
2015	284	64	162	56	53	80	699

The ageing analysis of the Company's trade and other receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

		<u>Receivables past due, but not impaired</u>					
	<u>Receivables neither past due nor impaired</u>	<u>Less than 30 days</u>	<u>30 – 60 days</u>	<u>60 – 90 days</u>	<u>90 – 120 days</u>	<u>More than 120 days</u>	<u>Total</u>
2014	48	20	57	45	27	54	251
2015	72	62	16	52	51	59	312

No interests are applied for trade receivables from clients. Generally, the Company and the Group require settlement of receivable for the tour before the commencement of the tour.

Prepayments paid to suppliers for plane rent and hotels are accounted under long term receivables caption in the statement of financial position.

8 Other current financial assets and other current and non-current financial liabilities

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Financial asset at fair value through other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	10	514	10	514
Total financial assets at fair value through other comprehensive income	<u>10</u>	<u>514</u>	<u>10</u>	<u>514</u>
Financial asset at fair value through profit or loss				
Derivatives deposit	-	1,913	-	1,913
Total financial asset at fair value through profit or loss	<u>-</u>	<u>1,913</u>	<u>-</u>	<u>1,913</u>
Total other current financial assets	<u>10</u>	<u>2,427</u>	<u>10</u>	<u>2,427</u>

AB NOVATURAS
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(all amounts are in thousand EUR unless otherwise stated)

8 Other current financial assets and other current and non-current financial liabilities (cont'd)

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Other non-current financial liabilities at fair value other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	-	863	-	863
Other current financial liabilities at other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	35	1,441	35	1,441
Total other current and non-current financial liabilities	35	2,304	35	2,304

Since 1 January 2014 the Group and the Company has applied the hedge accounting policy (cash flow hedge) for financial instruments (ICE Brent Futures, Foreign exchange forwards). On the basis of documentation of hedge transactions, derivative financial instruments, for the hedge of foreign currency exchange rate and aviation fuel price fluctuation risks, are recognized at fair value at the day of the contract and on an ongoing basis. Quoted market prices are used for fair value measurements (level 2 of fair value hierarchy). Positive fair values of the contracts are recognized in the statement of financial position as assets and negative fair values of contracts are recognized in the statement of financial position as liabilities. Resulting profit or loss from the changes of fair value of derivatives is recognized in the statement of comprehensive income, until the factual date when hedge transaction occurs. The transactions, which are hedged by the instruments are expected to occur within next financial year.

As of 31 December 2015 the Group and the Company accounted for current liability of EUR 35 thousand as well as asset of EUR 10 thousand which were respectively accounted for in the financial statements under the captions of other current assets and other current liabilities.

As of 31 December 2015 the Group and the Company has accounted for the loss of EUR 926 thousand, by increasing the main activity cost of aviation and hotel respectively by EUR 610 thousand and EUR 316 thousand, in profit or loss of the statement of comprehensive income.

As of 31 December 2014 the Group and the Company accounted for non-current liability of EUR 863 thousand and current liability of EUR 1,441 thousand as well as asset of EUR 514 thousand which were respectively accounted for in the financial statements under the captions of other current assets and other current and non-current liabilities. In the statement of comprehensive income the Group and the Company has accounted for the gain of EUR 188 thousand under the caption of result of changes in cash flow hedge.

9 Cash and cash equivalents

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Cash at bank	5,054	4,410	3,183	3,546
Cash on hand	128	147	30	41
Cash in transit	26	39	9	26
Term deposits with maturities of less than 3 months	653	119	-	-
	5,861	4,715	3,222	3,613

As of 31 December 2014 the Company's cash held in AB Swedbank bank accounts was pledged for a credit line provided by the bank (Note 11), however, there were no limitations to use those funds.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

10 ReservesLegal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. The legal reserve can only be used to cover accumulated losses.

Legal reserve of the Group and the Company amounted to EUR 29 thousand as of 31 December 2015 and 2014 and was fully formed.

Foreign currency translation reserve

The foreign currency translation reserve is made for translation differences arising on consolidation of financial statements of foreign subsidiaries.

Exchange differences are presented in equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the exchange differences accumulated in the translation reserve are recognized as income or expenses in the same period, when the gain or loss on disposal by investment is recognized.

Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of the derivative financial instruments, used by the Group and the Company to secure the cash flows from aviation fuel and foreign currency exchange (USD) change risk, at the reporting date. The reserve is accounted for according to the requirements of IAS 39.

11 Borrowings

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Long term borrowings				
AB DNB bankas loan, annual interest rate as at 31 December 2015 – 3 month EURIBOR + 3.20 %	12,072	-	12,072	-
Total long term borrowings	12,072	-	12,072	-
Less: current portion of non-current borrowings	(3,158)	-	(3,158)	-
	<u>8,914</u>	<u>-</u>	<u>8,914</u>	<u>-</u>
Short term borrowings				
Short-term loan granted by Novatours OU (EUR), annual interest rate as at 31 December 2015 – 1.7 %	-	-	4,089	-
Over-night loan granted by Novatours OU (EUR), interest free	-	-	1,715	4,596
Over-night loan granted by UAB Aviaturas ir Partneriai (EUR), interest free	-	-	75	-
Over-night loan granted by Novatours SIA (EUR), interest free	-	-	2,439	2,554
	<u>--</u>	<u>-</u>	<u>8,318</u>	<u>7,150</u>

Weighted average effective interest rates of borrowings outstanding at the year-end:

	2015	2014
Short term loans	1.7 %	-
Long term loans	3.2 %	-

In 2015 and 2014 part of the Company's short-term loans were interest-free, since loans have very short maturities, interests would not be material.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

11 Borrowings (cont'd)

Terms of repayment of debts are as follows:

Year	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
2016	3,158	-	3,158	-
2017	3,158	-	3,158	-
2018	3,158	-	3,158	-
2019	2,598	-	2,598	-
	12,072	-	12,072	-

As of 31 December borrowings outstanding were denominated in national and foreign currencies as follows:

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Currency of the borrowing:				
EUR	12,072	-	20,390	7,150
	12,072	-	20,390	7,150

As of 31 December 2015 shares of SIA Novatours, OU Novatours ir UAB Aviaturas ir Partneriai owned by the Company were pledged to AB DNB bankas for non-current loan and credit line granted (Note 5).

As of 31 December 2014 shares of SIA Novatours, OU Novatours ir UAB Aviaturas ir Partneriai owned by the Company were pledged to AB Swedbank bank for credit line granted (Note 5).

As of 31 December 2014 the Company's cash held in AB Swedbank bank accounts was pledged for the credit line provided by the bank (Note 10).

As of 31 December 2015 total amount of unused credit facility of the Company and the Group was equal to EUR 4,928 thousand (as of 31 December 2015 – EUR 2,000 thousand).

In November, 2015 the Company signed agreement with AB DNB bankas regarding new overdraft which changed previous AB Swedbank overdraft. According to this agreement the bank set maximum overdraft limit amounting to EUR 2,000 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period does not exceed the maximum credit limit agreed for that particular period.

In November, 2015 the Company signed agreement with AB DNB bankas regarding long-term loan. Principal amount of the loan amounts to EUR 15,000 thousand, which maturity is till 31 October 2020. As of 31 December 2015 the unused balance of this loan amounted to EUR 2,928 thousand.

In October, 2014 the Company signed an agreement with the Swedbank AB bank regarding changes and supplements of credit contract terms. The bank set the maximum overdraft amount of EUR 2,000 thousand for 2015 as well as committed to provide an additional credit line of EUR 1,500 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period does not exceed the maximum credit limit agreed for that particular period. The credit amount which will be provided and not paid back have to be repaid until 28 November 2015. The credit line had to be repaid until 28 November 2015. In 2015 the Company has not used this overdraft.

According to credit and loan agreements of the bank the Group and the Company must comply with financial and non-financial ratios and covenants. According to the management's assessment, as of 31 December 2015 and 2014 the Group and the Company complied with these covenants.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

12 Other current liabilities and accrued expenses

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Payroll related liabilities	362	365	252	251
Taxes payable (except for income tax)	193	70	-	-
Other payables and accrued expenses	472	349	201	245
	1,027	784	453	496

13 Sales

	Group		Company	
	2015*	2014*	2015	2014
Flight package tours	84,658*	77,468*	46,118	40,199
Sightseeing tours by coach	2,809	2,547	2,809	2,547
Sightseeing tours by plane	1,225	876	1,225	876
Other sales	10,399	10,019	9,663	10,924
	99,091	90,910	59,815	54,546

*The amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

14 Cost of sales

	Group		Company	
	2015*	2014*	2015	2014
Cost of flight package tours	68,844*	62,643*	38,864	32,903
Cost of sightseeing tours by coach	2,272	2,046	2,272	2,046
Cost of sightseeing tours by plane	868	691	868	691
Cost of other sales	9,911*	9,843	7,678	9,394
	81,895	75,223	49,682	45,034

*Certain amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

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15 Operating expenses

	Group		Company	
	2015*	2014*	2015	2014
Commissions	4,859	4,488	2,714	2,403
Salaries and related taxes	3,556	3,086	1,686	1,549
Advertising and marketing expenses	1,052	968	568	546
Rent and maintenance expenses	295	284	122	114
Depreciation and amortization	222	78	154	46
Allowance for and write-off of receivables and prepayments made	12	148	12	11
Business trips expenses	137	84	103	57
Communication expenses	95	83	43	36
Consulting expenses	198	299	211	246
Transportation expenses	115	123	72	76
Representation expenses	91	64	14	24
Training expenses	23	52	22	52
Other	1,166*	907*	436	242
	11,821	10,664	6,157	5,402

*Certain amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

The Group and the Company had several contracts of operating lease of offices and vehicles concluded as of 31 December 2015 and 2014. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

Minimal lease payments according to the non-cancellable lease contracts signed are as follows:

	Group		Company	
	2015	2014	2015	2014
Within one year	152	138	50	50
From the second to the fifth year inclusive	404	392	83	85
After five years	445	336	-	-
	1,001	866	133	135

The Company has also several vehicle operating lease agreements with employees, but these agreements are cancellable, therefore minimum lease payments related to those agreements are not presented.

16 Finance income (expenses), net

	Group		Company	
	2015	2014	2015	2014
Interest income	-	1	-	1
Foreign currency exchange gain	186	-	110	-
Other financial income (including fines)	7	1	7	-
Total financial income	193	2	117	1
Interest (expenses)	(13)	(72)	(13)	(72)
Loss from derivative financial instruments	(2,274)	(31)	(1,333)	(31)
Foreign currency exchange (loss)	(258)	(60)	(215)	(10)
Other financial expenses	(91)	(5)	(83)	(5)
Total financial (expenses)	(2,636)	(168)	(1,644)	(118)
	(2,443)	(166)	(1,527)	(117)

Loss from derivative financial instruments in 2015 represents the effect of termination of hedging relationship due to the early termination of derivatives contracts by the Company/the Group in the process of changing the Group's bank.

17 Income tax

	Group		Company	
	2015	2014	2015	2014
Components of the income tax expenses (income)				
Current income tax expenses	140	155	84	90
Deferred income tax (income) expenses	491	511	497	511
Income tax (income) expenses recorded in the statement of comprehensive income	631	666	581	601
	Group		Company	
	2015	2014	2015	2014
Deferred income tax asset				
Tax loss carry forward	635	825	632	825
Impairment of investments and loans granted	-	-	224	224
Allowance for doubtful accounts receivable	30	30	25	23
Derivative financial instruments	4	268	4	268
Other accruals	16	14	5	9
Deferred income tax asset, before fair value allowance	685	1,137	890	1,349
Less: allowance	(6)	(6)	(224)	(224)
Deferred income tax asset, net of fair value allowance	679	1,131	666	1,125
Deferred income tax liability				
Amortization of goodwill and other intangibles	(2,199)	(1,896)	(2,199)	(1,896)
Deferred income tax liability	(2,199)	(1,896)	(2,199)	(1,896)
Deferred income tax, net	(1,520)	(765)	(1,533)	(771)
Deferred income tax asset	13	6	-	-
Deferred income tax liability	(1,533)	(771)	(1,533)	(771)

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17 Income tax (cont'd)

Deferred tax asset and liabilities were offset in the consolidated statement of financial position by the amounts, which relate to tax levied by the same tax authority and to the same taxable entity.

Tax loss carry forward of the Group and the Company can be transferred for unlimited period.

While assessing deferred tax assets and liabilities for the Lithuanian entities, 15% tax rate was applied in 2015 and 2014. As of 31 December 2015 and 2014, deferred taxes of Estonian, Romanian and Latvian entities were calculated using rates of 0%, 16% and 15% respectively.

A tax rate of 0% was levied on the retained profits of the Estonian subsidiary. If the management decides to distribute all retained profits of OU Novatours (Estonia), which amount to EUR 4,096 thousand as of 31 December 2015, income tax liability would amount to EUR 1,089 thousand. This income tax calculation is based on 20/80 tax tariff applicable for distributable profits.

The changes of temporary differences before and after tax effect in the Group were as follows:

	As of 31 December 2014	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2015
Tax loss carry forward	5,504	(1,271)	-	4,233
Impairment of investments and loans granted	(1)	-	-	(1)
Allowance for doubtful accounts receivable	196	4	-	200
Amortization of goodwill and other intangibles	(12,636)	(2,022)	-	(14,658)
Derivative financial instruments	1,789	-	(1,764)	25
Other accruals	88	19	-	107
Total temporary differences before fair value allowance	(5,060)	(3,270)	(1,764)	(10,094)
Less: allowance	(40)	-	-	(40)
Total temporary differences	(5,100)	(3,270)	(1,764)	(10,134)
Deferred income tax, net	(765)	(491)	(265)	(1,520)

The changes of temporary differences before and after tax effect in the Company were as follows:

	As of 31 December 2014	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2015
Tax loss carry forward	5,504	(1,289)	-	4,215
Impairment of investments and loans granted	996	-	-	996
Allowance for doubtful accounts receivable	152	12	-	164
Derivative financial instruments	1,789	-	(1,764)	25
Other accruals	54	(18)	-	36
Amortization of goodwill	(12,636)	(2,022)	-	(14,658)
Total temporary differences before fair value allowance	(4,141)	(3,317)	(1,764)	(9,222)
Less: allowance	(996)	-	-	(996)
Total temporary differences	(5,137)	(3,317)	(1,764)	(10,218)
Deferred income tax, net	(771)	(498)	(265)	(1,533)

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17 Income tax (cont'd)

The changes of temporary differences before and after tax effect in the Group were as follows:

	As of 31 December 2013	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2014
Tax loss carry forward	6,896	(1,392)	-	5,504
Impairment of investments and loans granted	-	(1)	-	(1)
Allowance for doubtful accounts receivable	189	7	-	196
Amortization of goodwill and other intangibles	(10,622)	(2,014)	-	(12,636)
Derivative financial instruments	31	(31)	1,789	1,789
Other accruals	68	20	-	88
Total temporary differences before allowance	(3,438)	(3,411)	1,789	(5,060)
Less: allowance	(47)	7	-	(40)
Total temporary differences	(3,485)	(11,752)	1,789	(5,100)
Deferred income tax, net	(522)	(510)	267	(765)

The changes of temporary differences before and after tax effect in the Company were as follows:

	As of 31 December 2013	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2014
Tax loss carry forward	6,896	(1,392)	-	5,504
Impairment of investments and loans granted	1,496	(500)	-	996
Allowance for doubtful accounts receivable	141	11	-	152
Derivative financial instruments	31	(31)	1,789	1,789
Other accruals	24	30	-	54
Amortization of goodwill	(10,622)	(2,014)	-	(12,636)
Total temporary differences before allowance	(2,034)	(3,896)	1,789	(4,141)
Less: allowance	(1,496)	500	-	(996)
Total temporary differences	(3,530)	(3,396)	1,789	(5,137)
Deferred income tax, net	(527)	(511)	267	(771)

The reported amount of income tax expenses attributable to the year can be reconciled to the amount of income tax expenses that would result from applying statutory income tax rate to pre-tax income as follows:

	Group		Company	
	2015	2014	2015	2014
Income tax expenses (income) computed at statutory rate 15%	431	735	368	601
Effect of different tax rate applicable to foreign subsidiaries	(49)	(94)	-	-
Change in deferred tax asset valuation allowance	-	(1)	-	-
Non-deductible expenses for tax purposes (not taxable income)	249	26	213	-
Income tax expenses reported in the statement of comprehensive income	631	666	581	601

18 Financial assets and liabilities and risk managementCredit risk

The Group's and the Company's credit risk is relatively low, since there is a requirement to pay for the tour before the tour starts. In addition, travel agencies which carry out the majority of sales, are granted credit limits. The main purpose of these credit limits is to ensure timely payments. If they exceeded the credit limit, the Company's reservation system automatically blocks the sales.

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group and the Company consider that their maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognized at the statement of financial position. Moreover, the Group's and the Company's ageing analysis of trade receivables as of 31 December 2015 and 2014 shows that there are no significant debts overdue more than 90 days.

Interest rate risk

As of 31 December 2015 the major part of the Group's and the Company's borrowings are subject to variable rates, related to EURIBOR, which creates an interest rate risk. There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 December 2015 and 2014. As of 31 December, 2014 the Group and the Company did not have any loans with fluctuating interest rate.

Based on the Group's and the Company's management assessment, possible changes in interest rates do not have significant effect on profit before tax of the Group and the Company.

Foreign exchange risk

The Group and the Company manage foreign exchange risk by contracting agreements in EUR and functional currency of subsidiaries in Latvia and Estonia is EUR.

In December 2010 the Company started to use derivative financial instruments in order to reduce EUR/USD foreign exchange risk and fuel price variance risk. For this purpose Foreign exchange forward and ICE Brent Future contracts were bought, which allow management of the aforementioned risks. Starting from 1 January 2014 the Group and the Company started to use derivatives, for which hedge accounting is applied (Note 8).

As of 31 December 2015 the Group and the Company has accounted for the loss of EUR 926 thousand, by increasing the main activity cost of aviation and hotel respectively by EUR 610 thousand and EUR 316 thousand, in profit or loss of the statement of comprehensive income.

As of 31 December 2014 the Group and the Company has accounted for the profit of EUR 188 thousand, by reducing the main activity cost of aviation and hotel respectively by EUR 128 thousand and EUR 66 thousand, in profit or loss of the statement of comprehensive income.

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18 Financial assets and liabilities and risk management (cont'd)
Foreign exchange risk (cont'd)

Monetary assets and liabilities stated in various currencies as of 31 December were as follows (EUR equivalent):

Group	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Lithuanian litas	-	-	3,556	4,386
Euro	6,827	19,253	4,324	1,044
U.S dollars	105	930	90	540
Indian rupee	1	-	1	-
Tunisian dinar	11	5	2	5
Thai Baht	8	88	-	81
	6,952	20,276	7,973	6,056

Company	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Lithuanian litas	-	-	3,063	4,245
Euro	5,295	26,865	3,443	7,932
U.S. dollars	82	834	72	448
Indian rupee	11	-	11	-
Tunisian dinar	2	5	2	5
Thai Baht	8	88	-	80
	5,398	27,792	6,591	12,710

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group and the Company's profit before tax (through the impact on monetary assets and liabilities) without the effect of hedge instruments owned:

	Group		Company	
	Increase/decrease in basis points	Effect on the profit before tax	Increase/decrease in basis points	Effect on the profit before tax
2015				
U.S dollars	(10%)	83	(10%)	75
U.S dollars	10%	(83)	10%	(75)
2014				
U.S. dollars	(10%)	45	(10%)	38
U.S. dollars	10%	(45)	10%	(38)

18 Financial assets and liabilities and risk management (cont'd)Fair value of financial assets and liabilities

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade, related parties and other payables, long-term and short-term borrowings.

The following methods and assumptions are used to estimate the fair values of each class of financial assets and liabilities:

- The carrying amount of trade, related party and other accounts receivable, current trade, related party and other accounts payable and current borrowings approximates fair value.
- The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile (level 2). The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. The fair value of borrowings with fixed interest rates has been calculated by discounting the expected future cash flows using market interest rates.
- Fair value of the derivative financial instruments are defined as level 2 based on market observable inputs.

There were no movements on the financial instruments between the levels during 2015 and 2014.

Set out is a comparison of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Financial assets				
Cash and cash equivalents	5,861	4,715	5,861	4,715
Trade accounts receivable	542	531	542	531
Other current financial assets	10	2,427	10	2,427
Other receivables	156	144	156	144
Financial liabilities				
Interest bearing borrowings	12,072	-	12,072	-
Trade accounts payable and payables to related parties	5,548	2,108	5,548	2,108
Other current financial liabilities	35	2,303	35	2,303
Other current liabilities and accrued expenses	472	348	472	348

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18 Financial assets and liabilities and risk management (cont'd)Fair value of financial assets and liabilities (cont'd)

Set out is a comparison of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Financial assets				
Cash and cash equivalents	3,222	3,613	3,222	3,613
Accounts receivable from related parties	1,742	197	1,742	197
Trade accounts receivable	299	234	299	234
Other current financial asset	10	2,427	10	2,427
Other receivables	12	17	12	17
Financial liabilities				
Interest bearing borrowings	16,161	-	16,161	-
Interest free short term loans	4,229	7,150	4,229	7,150
Trade accounts payable (including trade payables to related parties)	5,320	1,901	5,320	1,901
Other current financial liabilities	35	2,303	35	2,303
Other current liabilities and accrued expenses	201	245	201	245

The carrying amounts of financial assets and liabilities of the Group are approximately equal to their fair value because receivables are rather short term as well as amounts are not material, payables are rather short term and borrowing interest rate is considered to be at market terms without significant impact on the book values.

Liquidity management

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. Liquidity risk is managed by planning of the Group's and the Company's cash flows.

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 December 2015 were 0.66 and 0.66, respectively (1.21 and 1.21 as of 31 December 2014, respectively). The Company's liquidity and quick ratios as of 31 December 2015 were 0.41 and 0.41, respectively (0.72 and 0.72 as of 31 December 2014).

The Group's and the Company's financial statements were prepared under going concern assumption. The Group management's going concern assessment is based on the following main assumptions:

- As of 31 December 2015 total amount of unused credit facility for the Group and the Company was equal to EUR 4,928 thousand (as of 31 December 2014 – EUR 2,000 thousand).
- As the main objective in 2015 of the Group and the Company is the same for the year 2016 - to be profitable and to generate positive cash flows, the management believes, that plans for the year 2016 will be achieved.

In conclusion, the Group and the Company plan to use operating cash flows generated by their activity for repayment of the relevant portion of the credit received and plan to manage the effect of seasonality to cash flows by the use of credit line. Company's going concern assessment is made in the context of the Group as the Company can use free financial resources of its subsidiaries.

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18 Financial assets and liabilities and risk management (cont'd)

The table below summarizes the maturity profile of the Group's financial liabilities as of 31 December 2015 and 2014 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	97	3,378	9,355	12,830
Trade accounts payable and payables to related parties	-	5,548	-	-	5,548
Other current financial liabilities	-	-	35	-	35
Other current liabilities	-	472	-	-	472
As of 31 December 2015	-	6,117	3,413	9,355	18,885
Trade accounts payable and payables to related parties	-	2,108	-	-	2,108
Other non-current financial liabilities	-	-	-	863	863
Other current financial liabilities	-	-	1,441	-	1,441
As of 31 December 2014	-	2,108	1,441	863	4,412

The table below summarizes the maturity profile of the Company's financial liabilities as of 31 December 2015 and 2014 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	97	7,537	9,355	16,989
Interest free short term loans	4,229	-	-	-	4,229
Trade accounts payable (including trade payables to related parties)	-	5,320	-	-	5,320
Other current financial liabilities	-	-	35	-	35
Other current liabilities	-	201	-	-	201
As of 31 December 2015	4,229	5,618	7,572	9,355	26,774
Interest free short term loans	7,150	-	-	-	7,150
Trade accounts payable (including trade payables to related parties)	-	1,901	-	-	1,901
Other non-current financial liabilities	-	-	-	863	863
Other current financial liabilities	-	-	1,441	-	1,441
As of 31 December 2014	7,150	1,901	1,441	863	11,355

18 Financial assets and liabilities and risk management (cont'd)Capital management

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintain healthy capital ratios in order to support the business and to maximize shareholders' value (capital in the meaning of IAS 1 comprises of the equity presented in the financial statements).

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2015 and 2014.

The Group and the Company is obliged to upkeep the equity at not less than 50% of the share capital as imposed by the Law on Companies of the Republic of Lithuania. As of 31 December 2015 The Company and the Group had external share capital requirements from the bank regarding equity and asset ratio. There were no other externally imposed capital requirements on the Group and the Company as of 31 December 2014. As of 31 December 2015 and 2014 the Company and the Group were in compliance with the above mentioned requirement.

The Group and the Company assess capital using a ratio of total liabilities and equity. The Group's capital includes ordinary shares, reserves and retained earnings attributable to the equity shareholders of the parent company. The Group's and the Company's Management has not identified a specific target of the liabilities-to-equity ratio, however, below stated ratios are regarded as rather good by the management:

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Non-current liabilities	10,450	1,645	10,447	1,634
Current liabilities	16,234	10,411	20,019	13,714
Total liabilities	26,684	12,056	30,466	15,348
Equity attributable to the equity holders of the parent	15,051	31,322	11,759	28,386
Liabilities and equity ratio	1.77	0.38	2.59	0.54

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as of 31 December 2015 and 2014.

20 Related party transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company and the transactions with them in 2015 and 2014 were as follows (also see the table below):

Subsidiaries:

- SIA Novatours;
- OU Novatours;
- UAB Aviaturas ir Partneriai;
- SRL Novatours Holidays.

The shareholders of the Company are disclosed in the Note 1.

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20 Related party transactions (cont'd)

Group			Receivable amounts (including loans)	Payable amounts (including loans)
2015	Purchases	Sales		
The shareholders of the Company	-	-	-	2,928
Management related parties	-	-	-	-
	-	-	-	2,928
2014	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

In addition, as outlined in Note 21 **Error! Reference source not found.**, previously not identified related parties – entities related to the management of Estonian subsidiary were identified. Transactions amounts are not included in the table above, but are presented in Note 21 below.

Company

2015	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	2,928
Subsidiaries	1,489	5,537	1,742	8,481
	1,489	5,537	1,742	11,409
2014	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Subsidiaries	1,302	8,907	197	7,568
	1,302	8,907	197	7,568

As of 31 December 2015 and 2014 there were no guaranties provided or assets pledged for any related party receivable or payable amounts. It is expected to cover receivable and payable amounts with related parties by cash payments or offsetting with payable or receivable amounts from these parties.

Approved dividends per one share amounted to EUR 2.56 thousand in 2015. There were no dividends approved in 2014.

As of 31 December 2015 the Group and the Company have accounted for EUR 2,928 thousand dividends payable in the caption of payables to related parties.

Transactions with related parties of the Company include purchases and sales of travel packages, commissions. The conditions of loans received from the Group companies are disclosed in Note 11.

The ageing analysis of the Company's receivables from related parties as at 31 December 2015 and 2014:

	Receivables neither past due nor impaired	Receivables past due but not impaired				Total
		less than 30 days	31 – 60 days	61 – 90 days	overdue for more than 91 day	
2014	197	-	-	-	-	197
2015	1,742	-	-	-	-	1,742

20 Related party transactions (cont'd)Management remuneration and other payments

In 2015, the remuneration for the management of the Group and the Company amounted to EUR 367 thousand and EUR 163 thousand, respectively (EUR 322 thousand and EUR 152 thousand, respectively, in 2014). The management of the Group comprised 6 persons as of 31 December 2015 (5 persons as of 31 December 2014). The management of the Company consisted of 2 persons as of 31 December 2015 (2 persons as of 31 December 2014).

In addition, as outlined in Note 21, the management of subsidiary in Estonia has, without any authorization or approval by the subsidiary's shareholder, awarded themselves suspected remuneration EUR 89 thousand in 2015 (EUR 11 thousand in 2014) in excess of their contractually limited remuneration for respective years. These amounts are not included in the figures of the Group management remuneration above.

There were no guarantees provided, other payments made, expenses recognized or assets transferred to the management of the Group and of the Company.

21 Correction of an error

Investigation done during year 2017 has uncovered improper management behavior and accounting in subsidiary in Estonia. Part of the expenses related to subsidiary's activities (salaries, consultation expenses, business trip expenses, other expenses) were reported improperly as cost of goods sold. Also some income of fines to customers for termination of contracts were not reported as income. Several key employees of the subsidiary received increased salary payments which were not approved by the supervising bodies. Some amounts were paid to external parties (some of them owned directly or indirectly by employees who committed wrongdoing in the subsidiary) possibly causing damage to the company. The amount related to all of the above for the period of 2015 and 2014 were EUR 399 thousand and EUR 668 thousand respectively (including unauthorized remuneration) and were reclassified for proper presentation in these financial statements as shown below. The statement of financial position, statement of changes in equity and cash flows statement were not affected by the aforementioned transactions. Employees involved in the alleged wrongdoing activities were removed from the company as the fact was discovered. Internal operating procedures were updated to prevent from improper behavior in the future.

The Group management believes that payments made in the wrongdoing by subsidiary's management as described above are the result of a proprietary crime and therefore should not bring any additional tax liabilities to the Group, considering the management's judgment about the relevance of similar courts practice based on the interpretation of facts and circumstances known.

The error has been corrected by restating each of the affected financial statements line items for the prior periods, as follows:

Impact on statements of comprehensive income (increase/(decrease) in profit)

	Group 2015	Group 2014
Sales	-	49
Cost of sales	344	586
Gross profit	344	635
Operating (expenses)	(344)	(635)
Other operating income	-	-
Other operating (expenses)	-	-
Profit from operations	-	-

In addition, the management noted, that previously issued financial statements did not include elimination of intercompany transactions from other income and respectively cost of sales reported in the consolidated statement of comprehensive income in the amount of EUR 521 thousand in 2015 and EUR 458 thousand in 2014. This error was corrected in these financial statements by reducing other income and cost of sales by EUR 521 thousand in 2015 and EUR 458 thousand in 2014. Also representative daily allowances were reported in operating expenses instead of cost of sales and this was corrected in these financial statements by reducing operating expenses and increasing cost of sales by EUR 271 thousand in 2015 and EUR 241 thousand in 2014. And additional price discounts from hotels that were included as reduction of sales in previously issued financial statements were reclassified to reduce cost of sales instead by EUR 217 thousand in 2015 and EUR 300 thousand in 2014.

21 Correction of error (cont'd)

The correction of errors had no effect on earnings per share.

In addition to correcting the classification error in the income statement as described above, in these financial statements, which replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, the management added disclosures about segment information (Note 23) and earnings per share (Note 22) taking into account plans of the initial public offering (IPO) of shares.

22 Earnings per share (EPS)

	Group	
	2015	2014
Net profit attributable to ordinary equity holders of the parent company	2,245	4,235
Number of ordinary shares	7,807	7,807
Basic earnings per share	287.56	542.46

There are no dilutive instruments.

23 Segment information

For management purposes, the Group is organized into business units based on its services (product category) and based on the source market. For the purpose of the segment information disclosures in accordance with IFRS 8, the management made a judgment to present the information on reportable segments identified by product category, which are as follows:

- Flight package tours
- Sightseeing tours by plane
- Sightseeing tours by coach
- Other

No operating segments have been aggregated to form the above reportable operating segments.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities by reportable segment and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on gross margin, which is measured consistently with the the gross margin in the statement of comprehensive income in the financial statements, and segment sales profit, which is measured as gross margin minus related direct sales commission expenses, which is included in operating expenses in the statement of comprehensive income in the financial statements.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

23 Segment information (cont'd)

Year ended 31 December 2015	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	84,658	2,809	1,225	10,399	99,091
Cost of sales	(68,844)	(2,272)	(868)	(9,911)	(81,895)
Gross margin	15,814	537	357	488	17,196
Sales commission expenses	(4,627)	(157)	(75)	-	(4,859)
Sales profit by segment	11,187	380	282	488	12,337
Unallocated income (expenses)					
Other operating income					45
Operating expenses (other than sales commission)					(6,962)
Other operating (expenses)					(101)
Profit from operations					5,319
Finance income (expenses), net					(2,443)
Profit before tax					2,876
Income tax (expenses)					(631)
Net profit					2,245

Unallocated expenses represent costs managed at Group level, such as operating expenses (except for sales commissions), financing and taxes.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

23 Segment information (cont'd)

Year ended 31 December 2014	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	77,468	2,547	876	10,019	90,910
Cost of sales	(62,643)	(2,046)	(691)	(9,843)	(75,223)
Gross margin	14,825	501	185	176	15,687
Sales commission expenses	(4,286)	(147)	(55)	-	(4,488)
Sales profit by segment	10,539	354	130	176	11,199
Unallocated income (expenses)					
Other operating income					157
Operating expenses (other than sales commission)					(6,176)
Other operating (expenses)					(113)
Profit from operations					5,067
Finance income (expenses), net					(166)
Profit before tax					4,901
Income tax (expenses)					(666)
Net profit					4,235

Unallocated expenses represent costs managed at Group level, such as operating expenses (except for sales commissions), financing and taxes.

Geographic information

Geographic information is presented by source market, i.e. based on location of customers, for revenue and based on location of the assets for non-current assets and is as follows:

Year ended 31 December 2015	Lithuania	Latvia	Estonia	Other	Group
Sales	54,675	18,916	25,380	120	99,091
Non-current assets	511	69	50	-	630
Year ended 31 December 2014	Lithuania	Latvia	Estonia	Other	Group
Sales	50,041	17,361	23,384	124	90,910
Non-current assets	362	31	25	-	418

Non – current assets for this purpose consists of property, plant and equipment and intangible assets, except goodwill (goodwill is allocated to cash generating units as disclosed in Note 3).

There was no single external customer generating revenues amounting to 10% or more of the Group's revenues.

24 Subsequent events

During year 2016 shareholders decided to distribute 4,000 thousand EUR as dividend. During year 2017 shareholders decided to distribute 9,500 thousand EUR as dividends. 5,000 thousands EUR were distributed after general shareholders meeting in May of 2017, additionally 4,500 thousand EUR were distributed after extraordinary shareholders meeting in December 2017.

The Company has signed a loan agreements' appendix with AB DNB bankas in 2017. The interest rate for bank loan was changed and new borrowing covenants were agreed between the Company and the bank. Moreover, the Company has signed agreement to change the credit limit, which matured in 2016, to financial liability limit of EUR 4,000 thousand. Financial liability limit will be used as the Company's assurance based on Law on Tourism of the Republic of Lithuania.

In June 2017 Company shareholders sign preliminary agreement to sell 100% of shares of the Company to Itaka Holdings subject the Itaka Holdings will get antimonopoly approval till the end of October 2017. In November 2017 the preliminary agreement was terminated. No liabilities or payments related to the signing and termination of agreement has arised to the Company. After termination of agreement with Itaka Holdings shareholders announced about IPO plans.

No other significant subsequent events related with the Group and the Company were recognized after the balance date.