

AB NOVATURAS

**CONSOLIDATED AND COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2017**

**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 Audit of the Financial Statements

Opinion

We have audited the separate financial statements of AB Novaturas (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2017, and their financial performance and their cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Other matter

The financial statements of the Group and the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 19 January 2018.

Other information

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

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

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

In addition, our responsibility is to consider whether information included in the Group's and the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Group's and the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Group's and the Company's annual report has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

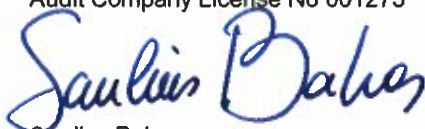
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Deloitte Lietuva UAB
Audit Company License No 001275



Saulius Bakas
Lithuanian Certified Auditor
License No 000604

Vilnius, Republic of Lithuania
8 February 2018

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

Company code: 135567698.

Company's address: A. Mickevičiaus av. 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 organisation 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 Managing Director Linas Aldonis, who is the Managing Director from October 2010.

As of 31 December 2017, the Company had 124 employees and the Group had 240 employees (respectively 119 and 222 employees as of 31 December 2016).

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	
			2017	2016
SIA Novatours	Republic of Latvia	Kr. Valdemara st. 100, Riga, Latvia	100%	100%
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%

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 2017, the Company's activities remained tour organisation 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	
	2017	2016
Travel agencies	70.8%	69.5%
Own retail	13.2%	14.2%
Web sales	14.2%	14.9%
GDS	1.8%	1.4%
	100.0%	100.0%

Group passenger sales divided by source market is as follows (presented in thousands of passengers):

	Group	
	2017	2016
Lithuania	126.3	101.9
Latvia	44.3	31.9
Estonia	61.6	45.4
Other	1.3	1.0
	233.5	180.2

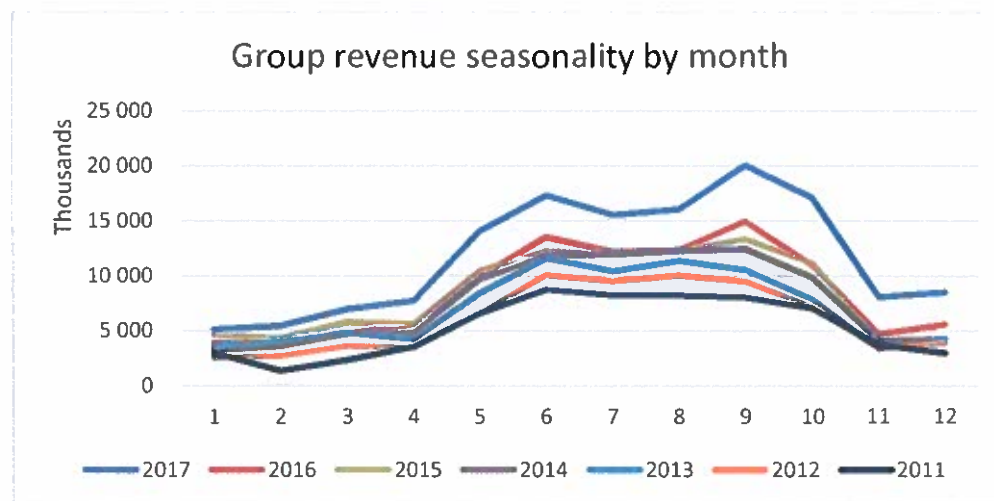
Group passenger sales divided by product category is as follows (presented in thousands of passengers):

	Group	
	2017	2016
Package travel	185.7	144.8
Round trips by plane	1.4	1.3
Round trips by coach	11.8	10.3
Other products (separate flight and hotel services)	34.6	23.8
	233.5	180.2

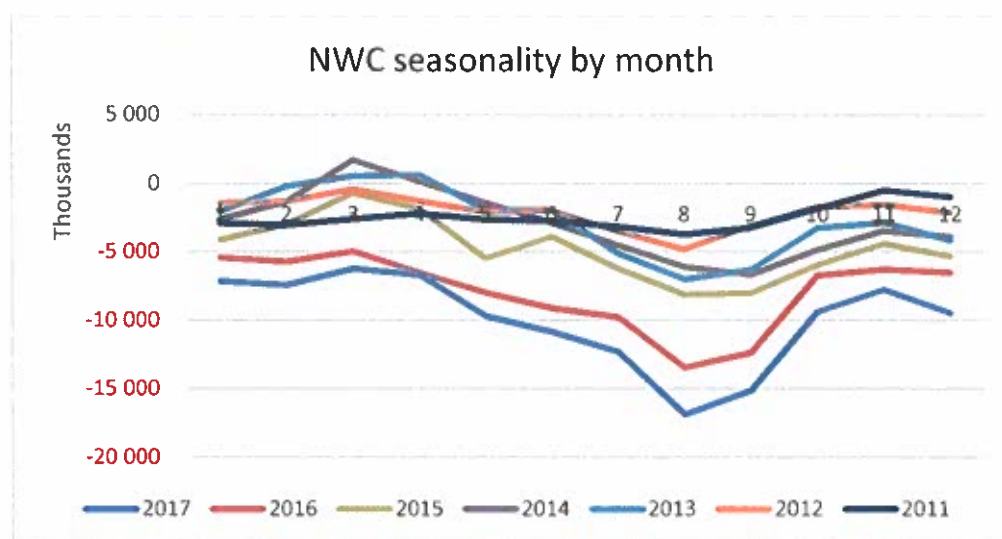
Group package travel revenue division by destinations is as follows:

	Group	
	2017	2016
Turkey	31.1%	27.7%
Greece	19.3%	22.4%
Egypt	14.8%	9.2%
Bulgaria	10.4%	12.9%
Spain (including Canary Islands)	12.2% (8.5%)	13.7% (9.5%)
Skiing	2.2%	3.1%
Long haul	3.1%	3.1%
Other destinations	6.9%	7.9%
	100.0%	100.0%

Group monthly revenue seasonality is as follows:



Group Net Working Capital (excluding free cash) monthly seasonality during the year is as follows:



THE GROUP:

- Sales revenue increased from EUR 101,525 thousand in 2016 to EUR 141,147 thousand in 2017, i.e. by 39%;
- Profit before tax increased from EUR 5,100 thousand in 2016 to EUR 9,135 thousand in 2017;
- Net profit increased from EUR 4,462 thousand in 2016 to EUR 8,151 thousand in 2017.

THE COMPANY:

- Sales revenue increased from EUR 61,145 thousand in 2016 to EUR 81,230 thousand in 2017, i.e. by 33%;
- Profit before tax increased from EUR 3,499 thousand in 2016 to EUR 4,830 thousand in 2017;
- Net profit increased from EUR 2,988 thousand in 2016 to EUR 4,114 thousand in 2017.

Business activities of Romanian subsidiary SRL Novatours Holidays were suspended in the middle of 2009 and not resumed in 2017 due to still rapidly changing business environment.

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 2017 and 2016. 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.

The main goals for 2018 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.

8 February 2018



Managing Director
Linas Aldonis

Statements of financial position

	Notes	Group		Company	
		As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
ASSETS					
Non-current assets					
Goodwill	3	30,327	30,327	30,327	30,327
Other intangible assets	3	448	442	359	441
Property, plant and equipment	4	297	324	233	232
Investments into subsidiaries	5	-	-	3,220	3,220
Long term receivables	7	56	342	15	329
Deferred income tax asset	17	6	10	-	-
Total non-current assets		31,134	31,445	34,154	34,549
Current assets					
Inventories		1	1	1	-
Prepayments and deferred expenses	6	5,940	2,748	2,953	1,542
Trade accounts receivable	7	522	433	285	257
Accounts receivable from related parties	20	-	-	11,508	2,411
Prepaid income tax		101	86	100	25
Other receivables	7	2,202	2,429	1,474	1,381
Other current financial assets	8	569	478	569	478
Restricted cash	9	2,000	-	2,000	-
Cash and cash equivalents	9	7,984	6,646	3,871	5,073
Total current assets		19,319	12,821	22,761	11,167
Total assets		50,453	44,266	56,915	45,716

(cont'd on the next page)

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

Statements of financial position (cont'd)

	Notes	Group		Company	
		As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
EQUITY AND LIABILITIES					
Equity					
Share capital	1	226	226	226	226
Cash flow hedge reserve	8, 10	484	299	484	299
Legal reserve	10	29	29	29	29
Foreign currency translation reserve	10	145	145	-	-
Retained earnings		13,785	15,134	5,127	10,513
Equity attributable to equity holders of the parent		14,669	15,833	5,866	11,067
Non-controlling interests					
		-	-	-	-
Total equity		14,669	15,833	5,866	11,067
Liabilities					
Non-current liabilities					
Grants and subsidies		-	-	-	-
Non-current borrowings	11	-	10,842	-	10,842
Other non-current liabilities	8	-	-	12,000	-
Deferred income tax liabilities	17	2,606	2,033	2,621	2,033
Total non-current liabilities		2,606	12,875	14,621	12,875
Current liabilities					
Current portion of non-current borrowings	11	14,000	3,158	14,000	3,158
Current borrowings	11	-	-	6,826	12,450
Trade payables		3,882	3,130	2,876	2,219
Payables to related parties	20	-	-	5,735	162
Advances received	2, 15	12,102	7,988	4,799	3,020
Income tax payable		296	-	161	-
Other current liabilities and accrued expenses	12	2,898	1,282	2,031	765
Other current financial liabilities	8	-	-	-	-
Total current liabilities		33,178	15,558	36,428	21,774
Total equity and liabilities		50,453	44,266	56,915	45,716

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

Managing Director	Linas Aldonis	8 February 2018
Finance Director	Tomas Staškūnas	8 February 2018
Chief Financier	Giedrius Ribakovas	8 February 2018

Statements of comprehensive income

	Notes	Group		Company	
		2017	2016	2017	2016
Sales	13	141,147	101,525	81,230	61,145
Cost of sales	14	(114,345)	(83,762)	(66,400)	(50,867)
Gross profit		26,802	17,763	14,830	10,278
Operating (expenses)	15	(16,473)	(12,207)	(8,595)	(6,497)
Other operating income		1	21	-	16
Other operating (expenses)		(29)	(221)	-	(5)
Profit from operations		10,301	5,356	6,235	3,792
Finance income	16	564	494	253	353
Finance (expenses)	16	(1,730)	(750)	(1,658)	(646)
Profit before tax		9,135	5,100	4,830	3,499
Income tax (expense)	17	(984)	(638)	(716)	(511)
Net profit		8,151	4,462	4,114	2,988
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	8	218	376	218	376
Impact of income tax		(33)	(56)	(33)	(56)
Total comprehensive income for the year		8,336	4,782	4,299	3,308
Net profit attributable to:					
The shareholders of the Company		8,151	4,462	4,114	2,988
Non-controlling interests		-	-	-	-
		8,151	4,462	4,114	2,988
Total comprehensive income attributable to:					
The shareholders of the Company		8,336	4,782	4,299	3,308
Non-controlling interests		-	-	-	-
		8,336	4,782	4,299	3,308
Earnings per share (EPS) for continuing operations:	21				
Basic, profit for the year attributable to ordinary equity holders of the parent (in EUR)		1044.06	571.54		

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

Managing Director	Linus Aldonis	8 February 2018
Finance Director	Tomas Staškūnas	8 February 2018
Chief Financier	Giedrius Ribakovas	8 February 2018

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 2015		226	29	(21)	14,672	145	15,051	-	15,051
Net profit for the year		-	-	-	4,462	-	4,462	-	4,462
Other comprehensive income		-	-	320	-	-	320	-	320
Total comprehensive income		-	-	320	4,462	-	4,782	-	4,782
Dividends paid	20	-	-	-	(4,000)	-	(4,000)	-	(4,000)
Balance as of 31 December 2016		226	29	299	15,134	145	15,833	-	15,833
Net profit for the year		-	-	-	8,151	-	8,151	-	8,151
Other comprehensive income		-	-	185	-	-	185	-	185
Total comprehensive income		-	-	185	8,151	-	8,336	-	8,336
Dividends paid	20	-	-	-	(9,500)	-	(9,500)	-	(9,500)
Balance as of 31 December 2017		226	29	484	13,785	145	14,669	-	14,669

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

Managing Director	Linas Aldonis	8 February 2018
Finance Director	Tomas Staškunas	8 February 2018
Chief Financier	Giedrius Ribakovas	8 February 2018

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as of 31 December 2015		226	29	(21)	11,525	11,759
Net profit for the year		-	-	-	2,988	2,988
Other comprehensive income		-	-	320	-	320
Total comprehensive income		-	-	320	2,988	3,308
Dividends approved	20	-	-	-	(4,000)	(4,000)
Balance as of 31 December 2016		226	29	299	10,513	11,067
Net profit for the year		-	-	-	4,114	4,114
Other comprehensive income		-	-	185	-	185
Total comprehensive income		-	-	185	4,114	4,299
Dividends approved	20	-	-	-	(9,500)	(9,500)
Balance as of 31 December 2017		226	29	484	5,127	5,866

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

Managing Director	Linus Aldonis	8 February 2018
Finance Director	Tomas Staškūnas	8 February 2018
Chief Financier	Giedrius Ribakovas	8 February 2018

Statements of cash flows

	Notes	Group		Company	
		2017	2016	2017	2016
Cash flows from (to) operating activities					
Net profit		8,151	4,462	4,114	2,988
Adjustments for non-cash items:					
Depreciation and amortisation	3, 4	310	276	265	212
Allowance for doubtful receivables and prepayments made	15	-	(18)	-	(31)
Change in deferred income tax	17	568	447	588	444
Current income tax expenses	17	431	192	161	67
Elimination of financial, investment and other non-cash activity results		747	843	964	932
		10,207	6,202	6,092	4,612
Changes in working capital:					
Decrease in inventories		-	(1)	(1)	-
(Increase) decrease in trade receivables		(89)	143	(9,125)	(596)
(Increase) in other receivables and accrued revenue		136	(2,628)	(184)	(1,725)
Decrease in prepayments and deferred expenses		(2,906)	778	(1,097)	898
Increase (decrease) in trade payables		752	510	6,230	(11)
Increase in advances received		4,114	1,583	1,779	346
Income tax paid		(141)	(124)	(75)	(152)
Increase (decrease) in other accounts payable and accrued expenses		1,616	220	1,266	277
Net cash flows from operating activities		13,689	6,683	4,885	3,649
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)	3, 4	(290)	(419)	(275)	(381)
Proceeds from sale of non-current assets (except investments)		5	10	95	10
Net cash flows (to) investing activities		(285)	(409)	(180)	(371)

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

Statements of cash flows (cont'd)

	Notes	Group		Company	
		2017	2016	2017	2016
Cash flows from financing activities					
Loans received	11	-	2,928	12,000	7,061
(Repayment) of loans	11	-	(1,000)	(5,625)	(1,000)
Interest (paid)		(566)	(489)	(782)	(560)
Dividends (paid)		(9,500)	(6,928)	(9,500)	(6,928)
Acquisition of non-controlling interest	1	-	-	-	-
Net cash flows (to) financing activities		(10,066)	(5,489)	(3,907)	(1,427)
Net increase (decrease) in cash flows		3,338	785	798	1,851
Cash and cash equivalents at the beginning of the year		6,646	5,861	5,073	3,222
Cash and cash equivalents at the end of the year		9,984	6,646	5,871	5,073

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

Managing Director	Linas Aldonis	8 February 2018
Finance Director	Tomas Staškūnas	8 February 2018
Chief Financier	Giedrius Ribakovas	8 February 2018

Notes to the financial statements

1 General information

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

A. Mickevičiaus av. 27, Kaunas,
Lithuania.

The Group and the Company operate as tour operators and travel agencies. The Company was registered on 16 December 1999.

The shareholders of the Company were:

	As of December 2017		As of December 2016	
	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.R.A.L (Luxemburg) is L.P. Polish Enterprise Fund VI with residence in Ugland House, South Church street, KY – George Town, USA.

All shares with a nominal value of EUR 28.96 each are ordinary and were fully paid as of 31 December 2017 and 2016. The share capital did not change in 2017 and 2016. Subsidiaries did not hold any shares of the Company as of 31 December 2017 and 2016. 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 31 December 2017	Share of the stock held by the Group 31 December 2016	Main activities
Novatours SIA	Kr. Valdemara st. 100, Riga, Latvia	100%	100%	Organisation and distribution of tours
Novatours OU	Ravala st. 6, Talinas, Estonia	100%	100%	Organisation and distribution of tours
UAB Aviaturas ir partneriai	Konstitucijos av. 15/5, Vilnius, Lithuania	100%	100%	Organisation and distribution of tours
SRL Novatours Holidays	M. Caramfil st. 53, Bucharest, Romania	100%	100%	Organisation and distribution of tours

In 2017 and 2016, the subsidiary of the Company SRL Novatours Holidays was not active.

As of 31 December 2017 and 2016, the Company had a branch with a 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 2017, the number of employees of the Group was 240 (as of 31 December 2016 – 222 employees) and the number of employees of the Company was 124 (as of 31 December 2016 – 119 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 2017, are as follows:

2.1. Basis of preparation

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

The Company's management authorised these financial statements on 8 February 2018. 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 the 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 2017:

- **Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative***
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Management has not made use of this amendment.
- **Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation***
The amendment is effective for annual periods beginning on or after 1 January 2016 and 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. Application of these amendments had no effect on the Group's/Company's financial statements.
- **Amendments to IAS 19 *Employee Benefits***
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group/Company had no plans that fall within the scope of this amendment.
- **Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations***
The amendment is effective for annual periods 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/Company had no transactions in scope of this amendment.
- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Group's/Company's financial statements:
 - 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*.
- The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Group's/Company's financial statements:
 - 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*.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective

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

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/Company has not yet evaluated the impact of the implementation of this standard.

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. Apart from providing more comprehensive disclosures about revenue transactions, the Group/Company does not anticipate that the application of IFRS 15 will have a significant impact on financial position and/or financial performance of the Group/Company.

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

IFRS 16 replaces IAS 17 and specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise 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/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 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.

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.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

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 recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises 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.

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 organisation, 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 summarised 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/Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2 Accounting principles (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, Latvia and Estonia. 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.

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 recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised 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 recognised 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 recognised in other comprehensive income relating to that foreign operation is recognised 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 recognised 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 amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised 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 recognised as an expense when the restoration or maintenance work is carried out.

2 Accounting policies (cont'd)

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.

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 derecognised 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 derecognised.

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 recognised on the trade date. When financial assets are recognised 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 were 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 recognised 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 and 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 amortised cost, using effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation 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 amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation 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 derecognised (written-off) when they are assessed as uncollectible.

2 Accounting principles (cont'd)

2.7. Financial assets (cont'd)

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 unrealised gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised 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.

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 recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised 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 recognised 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 recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised 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 recognised 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 recognised 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 amortised to profit or loss from that date.

The resulting gain or loss from the change of fair value of the financial derivative is immediately recognised 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised 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 recognised in the financial statements on a recurring basis, the Group/Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (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 liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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 and 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 recognised 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 and the Company could be required to repay.

Financial liabilities

A financial liability is derecognised 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 recognised in the statement of comprehensive income.

2 Accounting principles (cont'd)

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.

2.11. 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 2017 and 2016.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings using the effective interest method (except for the capitalised 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 fulfilment 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 recognise 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 recognised as an expense in the income statement on a straight-line basis over the lease term.

2.13. Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of the 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 recognised 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 and permanent establishments in Estonia are not subject to income tax, if the profits are retained. 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 a recognition of deferred tax asset or liability.

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

Deferred taxes are calculated using the 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 recognised 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 realised, this part of the deferred tax asset is not recognised in the financial statements.

2.15. Revenue recognition

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

Advance payments are received from clients, paying according to the standard schedule. According to 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 recognised 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 recognises 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 the 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 recognised as operating expenses matching with revenue recognised from related trip.

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 amortised 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 recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised 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 recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

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 recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised 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 of 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 recognised. 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 the 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), amortisation (Notes 2.5 and 3), impairment evaluation of goodwill (Notes 2.3 and 3), impairment evaluation of other assets (Notes 2.17, 5, 6 and 7, 8) and assumptions used while assessing accrued revenue amount (Note 7). 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 recognised 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 recognised in the financial statements but disclosed when an inflow or an economic benefit 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.

3 Intangible assets

Group	Goodwill	Other intangible assets	Total
Acquisition cost:			
Balance as of 31 December 2015	30,327	604	30,931
Additions	-	306	306
Write offs	-	(26)	(26)
Balance as of 31 December 2016	30,327	884	31,211
Additions	-	206	206
Write offs	-	-	-
Balance as of 31 December 2017	30,327	1,090	31,417
Accumulated amortisation/impairment of goodwill:			
Balance as of 31 December 2015	-	313	313
Charge for the year	-	155	155
Write offs	-	(26)	(26)
Balance as of 31 December 2016	-	442	442
Charge for the year	-	200	200
Write offs	-	-	-
Balance as of 31 December 2017	-	642	642
Net book value as of 31 December 2017	30,327	448	30,775
Net book value as of 31 December 2016	30,327	442	30,769
Net book value as of 31 December 2015	30,327	291	30,618

3 Intangible assets (cont'd)

Company	Goodwill	Other intangible assets	Total
Acquisition cost:			
Balance as of 31 December 2015	30,327	524	30,851
Additions	-	305	305
Write offs		(26)	(26)
Balance as of 31 December 2016	30,327	803	31,130
Additions	-	206	206
Write offs	-	(90)	(90)
Balance as of 31 December 2017	30,327	919	31,246
Accumulated amortisation/impairment of goodwill:			
Balance as of 31 December 2015	-	238	238
Charge for the year	-	150	150
Write offs		(26)	(26)
Balance as of 31 December 2016	-	362	362
Charge for the year	-	198	198
Write offs	-	-	-
Balance as of 31 December 2017	-	560	560
Net book value as of 31 December 2017	30,327	359	30,686
Net book value as of 31 December 2016	30,327	441	30,768
Net book value as of 31 December 2015	30,327	286	30,613

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 recognised in the financial statements of the Company and the Group. The goodwill is not amortised, but it is tested for impairment.

For the purposes of measurement of goodwill impairment, the goodwill as of 31 December 2017 and 2016 was allocated to one cash flow generating unit – AB Novaturas and all its subsidiaries owned at the moment of business combination.

The recoverable amount of every cash generating unit as of 31 December 2017 and 2016 was determined based on the expected future cash flows in accordance with 5 year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2017 and 2016 are described below. When determining the recoverable amount of cash generating unit in 2017 and 2016 it was assumed that the level of commissions and related costs would not change and the change in operating expenses will be similar to the increase of revenue. Starting from 2018, 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 rate was based on weighted average cost of capital and was 8.41% (after tax) for 2017 and 2016, respectively).

Based on the estimated recoverable values of cash generating unit as of 31 December 2017 and 2016, no impairment of goodwill was recognised.

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 2017 and 2016 as described above would result in material impairment.

The Group and the Company has no internally generated intangible assets. The amortisation expenses for the years 2017 and 2016 are included within operating expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 323 thousand as of 31 December 2017 (EUR 232 thousand as of 31 December 2016) was fully amortised, but was still in use by the Group. Software with the acquisition cost of EUR 323 thousand as of 31 December 2017 (EUR 100 thousand as of 31 December 2016) was fully amortised, but was still in use by the Company.

4 Property, plant and equipment

Group

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2015	151	262	218	631
Additions	7	85	21	113
Disposals	(8)	(86)	(9)	(103)
Balance as of 31 December 2016	150	261	230	641
Additions	23	45	16	84
Disposals	-	(5)	-	(5)
Balance as of 31 December 2017	173	301	246	720
Accumulated depreciation:				
Balance as of 31 December 2015	115	88	89	292
Charge for the year	17	42	62	121
Disposals	(7)	(86)	(3)	(96)
Balance as of 31 December 2016	125	44	148	317
Charge for the year	14	51	45	110
Disposals	-	(4)	-	(4)
Balance as of 31 December 2017	139	91	193	423
Net book value as of 31 December 2017	34	210	53	297
Net book value as of 31 December 2016	25	217	82	324
Net book value as of 31 December 2015	36	174	129	339

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 2015	89	269	73	431
Additions	7	68	1	76
Disposals	(8)	(86)	(6)	(100)
Balance as of 31 December 2016	88	251	68	407
Additions	23	45	1	69
Disposals	-	(5)	-	(5)
Balance as of 31 December 2017	111	291	69	471
Accumulated depreciation:				
Balance as of 31 December 2015	61	113	32	206
Charge for the year	17	37	8	62
Disposals	(7)	(86)	-	(93)
Balance as of 31 December 2016	71	64	40	175
Charge for the year	14	45	8	67
Disposals	-	(4)	-	(4)
Balance as of 31 December 2017	85	105	48	238
Net book value as of 31 December 2017	26	186	21	233
Net book value as of 31 December 2016	17	187	28	232
Net book value as of 31 December 2015	28	156	41	225

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 2017 and 2016 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 173 thousand and EUR 98 thousand, respectively, were fully depreciated as of 31 December 2017 (as of 31 December 2016 – EUR 202 thousand and EUR 128 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

5 Investments into subsidiaries

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

Subsidiary	2017				2016			
	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	1,414	4,048	1,073	100	454	2,641
Novatours OU	1,786	100	2,601	7,802	1,786	100	987	5,196
UAB Aviaturas ir Partneriai	361	100	6	155	361	100	33	150
SRL Novatours Holidays	95	100	-	-	95	100	-	-
Less impairment	(95)	-	-	-	(95)	-	-	-
Total carrying value	3,220				3,220			

As of 31 December 2017 and 2016, impairment of investment into subsidiary SRL Novatours Holidays was accounted for.

As of 31 December 2017 and 2016, 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 long-term loan agreement (Note 11).

6 Prepayments and deferred expenses

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Prepayments	5,367	2,390	2,640	1,396
Deferred expenses	739	474	313	146
Less: impairment	(166)	(116)	-	-
	5,940	2,748	2,953	1,542

The main part of the Group's and the Company's prepayments as of 31 December 2017 and 2016 consisted of amounts paid to suppliers for flight tickets and hotels. Change in allowance for doubtful prepayments for the years 2017 and 2016 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, other and long term receivables

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Trade receivables, gross	751	650	480	452
VAT receivable	98	293	54	241
Accrued revenue from government subsidies	2,061	1,301	1,403	841
Accrued supplier discounts	-	291	-	291
Other receivables	44	544	17	8
Less: allowance for doubtful receivables	(230)	(217)	(195)	(195)
	2,724	2,862	1,759	1,638

The Group's and the Company's accrued revenue is based on the inbound tourism promotion program approved by Turkish and Egyptian governments. According to this program, the Group and the Company assessed the size of accrual as of 31 December 2017. Accrual was accounted for according to the approved methodology by assessing 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 accrued revenue amount is the best estimate as of 31 December 2017 of the Group's and the Company's management of the amounts the Group and the Company is entitled to in accordance with these programs and are expected to be collected based on actual experience (including subsequent collections) and the information available.

Change in allowance for doubtful receivables for the year 2017 and 2016 has been included into operating expenses.

7 Trade, other and long term receivables (cont'd)

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

	Group Individually impaired	Company Individually impaired
Balance as of 31 December 2015	(199)	(164)
Reversal of impairment for the year	3	-
Written off amounts	10	-
Charge for the year	(31)	(31)
Balance as of 31 December 2016	(217)	(195)
Reversal of impairment for the year	-	-
Written off amounts	-	-
Charge for the year	(13)	-
Balance as of 31 December 2017	(230)	(195)

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:

		Receivables past due, but not impaired					Total
	Receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2016	682	70	38	14	35	138	977
2017	143	124	40	31	6	221	565

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:

		Receivables past due, but not impaired					Total
	Receivables neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2016	152	40	5	7	12	49	265
2017	11	111	42	27	1	110	302

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 financial liabilities

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial asset at fair value through other comprehensive income				
Derivative financial instruments that are subject to hedge accounting (effective part)	569	351	569	351
Total financial assets at fair value through other comprehensive income	569	351	569	351
Financial asset at fair value through profit or loss				
Derivative financial instruments that are subject to hedge accounting (ineffective part)	-	127	-	127
Total financial asset at fair value through profit or loss	-	127	-	127
Total other current financial assets	569	478	569	478
	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Other current financial liabilities at other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	-	-	-	-
Total other current and non-current financial liabilities	-	-	-	-

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 recognised 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 recognised in the statement of financial position as assets and negative fair values of contracts are recognised in the statement of financial position as liabilities. Resulting profit or loss from the changes of fair value of derivatives is recognised in the statement of comprehensive income (other comprehensive income), until the factual date when hedge transaction occurs. The transactions, which are hedged by the instruments outstanding are expected to occur within next financial year.

As of 31 December 2017, the Group and the Company accounted for current asset of EUR 569 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 218 thousand was accounted for in the other comprehensive income (Note 16).

As of 31 December 2016, the Group and the Company accounted for current asset of EUR 478 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 376 thousand was accounted for in the other comprehensive income and EUR 127 thousand in the profit or loss in the statement of comprehensive income (Note 16).

During the year of 2017 the Group and the Company has accounted for the gain of EUR 193 thousand, by decreasing the main activity cost of aviation and hotel respectively by EUR 134 thousand and EUR 59 thousand, in profit or loss of the statement of comprehensive income.

As of 31 December 2016 the Group and the Company has accounted for the gain of EUR 355 thousand, by decreasing the main activity cost of aviation and hotel respectively by EUR 260 thousand and EUR 95 thousand, in profit or loss of the statement of comprehensive income.

9 Cash, cash equivalents and restricted cash

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Cash at bank	7,929	6,368	3,856	5,063
Cash on hand	55	269	15	10
Cash in transit	-	9	-	-
Restricted cash	2,000	-	2,000	-
	9,984	6,646	5,871	5,073

EUR 2,000 thousand from cash at bank was restricted till 31 December 2018 for the issued bank guarantees according to law requirements.

10 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the 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 2017 and 2016 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 classified as share capital 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 recognised as income or expenses in the same period, when the gain or loss on disposal by investment is recognised.

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 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Long term borrowings				
AB DNB bankas loan, annual interest rate – 3 month EURIBOR + 3.50%	14,000	14,000	14,000	14,000
OU Novatours loan, annual interest rate – 3 month EURIBOR + 2.68%	-	-	12,000	-
Total long term borrowings	14,000	14,000	26,000	14,000
Less: current portion of non-current borrowings	(14,000)	(3,158)	(14,000)	(3,158)
	-	10,842	12,000	10,842
Short term borrowings				
Short-term loan granted by OU Novatours (EUR), annual interest rate – 1.7%	-	-	-	4,089
Over-night loan granted by OU Novatours (EUR), interest free	-	-	-	4,568
Over-night loan granted by SIA Novatours (EUR), interest free	-	-	6,826	3,793
	-	-	6,826	12,450

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

	2017	2016
Short term loans	-	1,1 %
Long term loans	3,5 %	3,2 %

In 2017 and 2016 part of the Company's short-term loans were interest-free, since loans have very short maturities, interests would not be material.

Terms of repayment of long-term borrowings are as follows:

	Group		Company	
Year	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
2017	-	3,158	-	3,158
2018	14,000	3,158	14,000	3,158
2019	-	3,158	-	3,158
2020	-	4,526	-	4,526
Later	-	-	12,000	-
	14,000	14,000	26,000	14,000

11 Borrowings (cont'd)

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

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Currency of the borrowing:				
EUR	14,000	14,000	32,826	26,450
	14,000	14,000	32,826	26,450

As of 31 December 2017 and 2016 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 granted (Note 5).

As of 31 December 2017 and 2016, the Company and the Group had no unused credit facility.

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. The credit line had to be repaid until 31 October 2016. Credit agreement was prolonged till 31 October 2017.

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.

Breach of loan agreement covenant

According to credit and loan agreements of the bank, the Group and the Company must comply with financial and non-financial ratios and covenants. As of 31 December 2017, the Company has not met 30% equity ratio financial obligation contained in the loan agreement with AB DNB Bankas with a carrying amount of EUR 14.0 mln. The breach arose because of a delay in signing the loan agreement amendment. The lender did not request accelerated repayment of the loan and the waiver was received by the Company in February 2018. As a result, the Company and the Group reclassified long-term portion of the loan to short term as of 31 December 2017. In addition, the loan agreement amendment was signed on 7 February 2018, which reduced such equity ratio to 27% for Q1 2018 and amended the repayment schedule of the loan. Management has increased its procedures to monitor compliance with bank's covenants to ensure that such circumstances do not recur.

12 Other current liabilities and accrued expenses

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Payroll related liabilities	268	384	169	290
Taxes payable (except for income tax)	246	421	198	158
Other payables and accrued expenses	2,384	477	1,664	317
	2,898	1,282	2,031	765

Other current liabilities are interest free and are settled during 1-90 days.

13 Sales

	Group		Company	
	2017	2016	2017	2016
Flight package tours	120,567	86,447	63,460	46,794
Sightseeing tours by coach	3,785	3,269	3,785	3,269
Sightseeing tours by plane	1,590	1,392	1,590	1,392
Other sales	15,205	10,417	12,395	9,690
	141,147	101,525	81,230	61,145

14 Cost of sales

	Group		Company	
	2017	2016	2017	2016
Cost of flight package tours	94,748	70,384	51,527	39,403
Cost of sightseeing tours by coach	3,351	2,665	3,351	2,665
Cost of sightseeing tours by plane	1,104	980	1,104	980
Cost of other sales	15,142	9,733	10,418	7,819
	114,345	83,762	66,400	50,867

15 Operating expenses

	Group		Company	
	2017	2016	2017	2016
Agency commissions	7,541	4,973	3,757	2,736
Salaries and related taxes	4,528	4,184	2,842	2,109
Advertising and marketing expenses	982	835	583	461
Consulting expenses	364	116	213	116
Depreciation and amortisation	310	278	264	211
Rent and maintenance expenses	304	280	129	120
Business trips expenses	178	153	136	113
Transportation expenses	126	125	85	73
Representation expenses	124	127	79	67
Communication expenses	93	93	45	44
Training expenses	14	13	7	12
Allowance for and write-off of receivables and prepayments made	-	18	-	31
Other	1,909	1,012	455	404
	16,473	12,207	8,595	6,497

Investigation done during year 2017 has uncovered improper management behaviour and accounting in subsidiary in Estonia. 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 damage made to the Group for the periods of 2017 and 2016 were EUR 534 thousand and EUR 628 thousand EUR respectively and were presented in these financial statements under Other line. 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 behaviour in the future.

The Group and the Company had several contracts of operating lease of offices concluded as of 31 December 2017 and 2016. 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	
	2017	2016	2017	2016
Within one year	188	188	131	131
From the second to the fifth year inclusive	391	391	32	163
After five years	269	457	-	-
	848	1,036	163	294

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	
	2017	2016	2017	2016
Foreign currency exchange gain	563	367	253	226
Gain from derivative financial instruments	-	127	-	127
Other financial income (including fines)	1	-	-	-
Total financial income	564	494	253	353
Interest expenses	(566)	(482)	(782)	(553)
Loss from derivative financial instruments	(127)	-	(127)	-
Foreign currency exchange loss	(1,036)	(267)	(748)	(92)
Other financial expenses	(1)	(1)	(1)	(1)
Total financial expenses	(1,730)	(750)	(1,658)	(646)
	(1,166)	(256)	(1,405)	(293)

17 Income tax

	Group		Company	
	2017	2016	2017	2016
Components of the income tax expenses (income)				
Current income tax expenses	431	191	161	67
Deferred income tax (income) expenses	553	447	555	444
Income tax (income) expenses recorded in the statement of comprehensive income	984	638	716	511

17 Income tax (cont'd)

	Group		Company	
	2017	2016	2017	2016
Deferred income tax asset				
Tax loss carry forward	129	505	129	505
Impairment of investments and loans granted	-	-	224	224
Allowance for doubtful accounts receivable	34	33	29	29
Derivative financial instruments	-	-	-	-
Other accruals	121	16	111	7
Deferred income tax asset, before fair value allowance	284	554	493	765
Less: allowance	-	(3)	(224)	(224)
Deferred income tax asset, net of fair value allowance	284	551	269	541
Deferred income tax liability				
Amortisation of goodwill	(2,805)	(2,502)	(2,805)	(2,502)
Derivative financial instruments	(85)	(72)	(85)	(72)
Deferred income tax liability	(2,890)	(2,574)	(2,890)	(2,574)
Deferred income tax, net	(2,606)	(2,023)	(2,621)	(2,033)
Deferred income tax asset	-	10	-	-
Deferred income tax liability	(2,606)	(2,033)	(2,621)	(2,033)

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 2017 and 2016. As of 31 December 2017 and 2016, deferred taxes of Romanian and Latvian entities were calculated using rates of 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 7,690 thousand as of 31 December 2017, income tax liability would amount to EUR 1,538 thousand. This income tax calculation is based on 20/80 tax tariff applicable for distributable profits.

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 2016	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2017
Tax loss carry forward	3,366	(2,507)	-	859
Impairment of investments and loans granted	1	(1)	-	-
Allowance for doubtful accounts receivable	217	13	-	230
Amortisation of goodwill and other intangibles	(16,680)	(2,022)	-	(18,702)
Derivative financial instruments	(478)	127	(218)	(569)
Other accruals	107	770	-	877
Total temporary differences before fair value	(13,467)	(3,620)	(218)	(17,305)
Less: allowance	(20)	20	-	-
Total temporary differences	(13,487)	(3,600)	(218)	(17,305)
Deferred income tax, net	(2,023)	(540)	(33)	(2,596)

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

	As of 31 December 2016	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2017
Tax loss carry forward	3,366	(2,507)	-	859
Impairment of investments and loans granted	1,495	-	-	1,495
Allowance for doubtful accounts receivable	195	-	-	195
Derivative financial instruments	(478)	127	(218)	(569)
Other accruals	41	703	-	744
Amortisation of goodwill	(16,680)	(2,022)	-	(18,702)
Total temporary differences before fair value allowance	(12,061)	(3,699)	(218)	(15,978)
Less: allowance	(1,495)	-	-	(1,495)
Total temporary differences	(13,556)	(3,699)	(218)	(17,473)
Deferred income tax, net	(2,033)	(555)	(33)	(2,621)

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 2015	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2016
Tax loss carry forward	4,233	(867)	-	3,366
Impairment of investments and loans granted	1	-	-	1
Allowance for doubtful accounts receivable	200	17	-	217
Amortisation of goodwill and other intangibles	(14,658)	(2,022)	-	(16,680)
Derivative financial instruments	25	(127)	(376)	(478)
Other accruals	107	-	-	107
Total temporary differences before fair value allowance	(10,092)	(2,999)	(376)	(13,467)
Less: allowance	(40)	20	-	(20)
Total temporary differences	(10,132)	(2,979)	(376)	(13,487)
Deferred income tax, net	(1,520)	(447)	(56)	(2,023)

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

	As of 31 December 2015	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2016
Tax loss carry forward	4,215	(849)	-	3,366
Impairment of investments and loans granted	1,493	-	-	1,493
Allowance for doubtful accounts receivable	164	31	-	195
Derivative financial instruments	25	(127)	(376)	(478)
Other accruals	36	5	-	41
Amortisation of goodwill	(14,658)	(2,022)	-	(16,680)
Total temporary differences before fair value allowance	(8,725)	(2,962)	(376)	(12,063)
Less: allowance	(1,493)	-	-	(1,493)
Total temporary differences	(10,218)	(2,962)	(376)	(13,556)
Deferred income tax, net	(1,533)	(444)	(56)	(2,033)

17 Income tax (cont'd)

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	
	2017	2016	2017	2016
Income tax expenses (income) computed at statutory rate 15%	1,370	765	725	525
Effect of different tax rate applicable to foreign subsidiaries	(390)	(148)	-	-
Change in deferred tax asset valuation allowance	3	3	-	-
Non-deductible expenses for tax purposes (not taxable income)	1	18	(9)	(14)
Income tax expenses reported in the statement of comprehensive income	984	638	716	511

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 recognised at the statement of financial position. Moreover, the Group's and the Company's ageing analysis of trade receivables as of 31 December 2017 and 2016 shows that there are no significant debts overdue more than 90 days, except accrued revenue (Note 7) which recovery period is not defined at the date of financial statements.

Interest rate risk

As of 31 December 2017, 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 2017 and 2016.

The sensitivity analyses below have been determined based on the exposure to floating interest rates for loan agreement with AB DNB bankas at the end of the reporting period. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2017 would decrease/increase by EUR 70 thousand (2016: decrease/increase by EUR 75 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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).

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	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Euro	13,801	23,131	10,123	20,094
U.S. dollars	16	280	293	193
Indian rupee	-	-	1	-
Tunisian dinar	-	-	2	4
Thai Baht	8	252	5	154
	13,825	23,663	10,424	20,445

Company	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Euro	20,184	31,205	9,923	31,205
U.S. dollars	16	97	23	97
Indian rupee	-	-	1	-
Tunisian dinar	-	4	2	4
Thai Baht	8	164	5	164
	20,208	31,470	9,954	31,470

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
2017				
U.S. dollars	(10%)	(10)	(10%)	7
U.S. dollars	10%	10	10%	(7)
2016				
U.S. dollars	(10%)	(10)	(10%)	7
U.S. dollars	10%	10	10%	(7)

Fair value of financial assets and liabilities

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 of financial instruments between the levels during 2017 and 2016.

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 Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial assets				
Restricted cash	2,000	-	2,000	-
Cash and cash equivalents	7,984	6,646	7,984	6,646
Trade accounts receivable	522	433	522	433
Other current financial assets	569	478	569	478
Other receivables	2,104	2,136	2,104	2,136
Financial liabilities				
Interest bearing borrowings	14,000	14,000	14,000	14,000
Trade accounts payable and payables to related parties	3,882	3,130	3,882	3,130
Other current financial liabilities	-	-	-	-
Other current liabilities and accrued expenses	2,384	477	2,384	477

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 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial assets				
Cash and cash equivalents	5,871	5,073	5,871	5,073
Accounts receivable from related parties	11,508	2,411	11,508	2,411
Trade accounts receivable	285	257	285	257
Other current financial asset	569	478	569	478
Other receivables	1,420	1,140	1,420	1,140
Financial liabilities				
Interest bearing borrowings	26,000	18,089	26,000	18,089
Interest free short term loans	6,826	8,361	6,826	8,361
Trade accounts payable (including trade payables to related parties)	8,611	2,381	8,611	2,381
Other current financial liabilities	-	-	-	-
Other current liabilities and accrued expenses	1,664	318	1,664	318

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 borrowings 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 2017 were 0.58 and 0.58, respectively (0.82 and 0.82 as of 31 December 2016, respectively). The Company's liquidity and quick ratios as of 31 December 2017 were 0.62 and 0.62, respectively (0.51 and 0.51 as of 31 December 2016).

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

As of 31 December 2017, the Group's current liabilities exceeded current assets by EUR 13,859 thousand. 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:

- The main objective of the Group for the year 2018 - to be profitable and to generate positive cash flows. The Group management plans that the Group will generate operating cash flows in 2018 not lower than the actual operating cash flows for the year 2017. The Group management believes that plans for the year 2018 will be achieved also considering the actual interim results of operations in 2018.
- A significant part of EUR 33,178 thousand of current liabilities as at 31 December 2017 is related to advances received from customers, which will not require repayment and will be settled by delivering services in the future. Also, part of future service delivery costs are prepaid to suppliers (EUR 5,940 as of 31 December 2017).

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. Company's going concern assessment is made in the context of the Group as the Company can use free financial resources of its subsidiaries.

The table below summarises the maturity profile of the Group's financial liabilities as of 31 December 2017 and 2016 based on contractual undiscounted payments (the maturity is based on long-term loan not reclassified into current loans as Company received waiver from bank for covenant breach and subsequently signed amendments to long-term loan agreement):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	123	3,484	11,380	14,987
Trade accounts payable	-	3,882	-	-	3,882
Other current liabilities	-	2,384	-	-	2,384
As of 31 December 2017	-	6,389	3,484	11,380	21,253
Interest bearing borrowings	-	112	3,443	11,407	14,962
Trade accounts payable	-	3,130	-	-	3,130
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	1,282	-	-	1,282
As of 31 December 2016	-	4,524	3,443	11,407	19,374

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2017 and 2016 based on contractual undiscounted payments (the maturity is based on long-term loan not reclassified into current loans as Company received waiver from bank for covenant breach and subsequently signed amendments to long-term loan agreement):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	201	3,718	12,628	16,547
Interest free short term loans	6,826	-	-	-	6,826
Trade accounts payable (including trade payables to related parties)	-	8,611	-	-	8,611
Other current liabilities	-	1,664	-	-	1,664
As of 31 December 2017	6,826	10,476	3,718	12,628	33,648
Interest bearing borrowings	-	112	7,602	11,406	19,120
Interest free short term loans	8,361	-	-	-	8,361
Trade accounts payable (including trade payables to related parties)	-	2,381	-	-	2,381
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	317	-	-	317
As of 31 December 2016	8,361	2,810	7,602	11,406	30,179

The Group and the Company is not expecting that any cash flow will be significantly before or afterwards the periods listed above.

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 2017 and 2016.

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 2017 and 2016, the Group and the Company also had external share capital requirements from the bank regarding equity and asset ratio. As of 31 December 2017 and 2016, the Company and the Group were in compliance with the above mentioned requirements.

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 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Non-current liabilities	2,606	12,875	14,621	12,875
Current liabilities	33,178	15,558	36,428	21,774
Total liabilities	35,784	28,433	51,049	34,649
Equity attributable to the equity holders of the parent	14,669	15,833	5,866	11,067
Liabilities and equity ratio	2.44	1.80	8.70	3.13

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as of 31 December 2017 and 2016 except for required by law Tour Operator commitments insurance or bank guarantees which are for the Group and the Company in amount of EUR 12,000 thousand and EUR 5,450 thousand as of 31 December 2017.

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 2017 and 2016 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 Note 1.

20 Related party transactions (cont'd)

Group

2017	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

2016	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

Company

2017	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Subsidiaries	1,257	3,531	11,508	24,543
	1,257	3,531	11,508	24,543

2016	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Subsidiaries	2,283	3,941	2,411	12,612
	2,283	3,941	2,411	12,612

As of 31 December 2017 and 2016 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 1,042.91 in 2017 (EUR 571.54 in 2016).

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 2017 and 2016:

	Receivables past due but not impaired					
	Receivables neither past due nor impaired	Less than 30 days	31 – 60 days	61 – 90 days	Overdue for more than 91 day	Total
2016	2,411	-	-	-	-	2,411
2017	11,508	-	-	-	-	11,508

20 Related party transactions (cont'd)

Management remuneration and other payments

In 2017, the remuneration for the management of the Group and the Company amounted to EUR 748 thousand and EUR 748 thousand, respectively (EUR 671 thousand and EUR 470 thousand, respectively, in 2016). The management of the Group comprised 5 persons as of 31 December 2017 (5 persons as of 31 December 2016). The management of the Company consisted of 5 persons as of 31 December 2017 (2 persons as of 31 December 2016).

Investigation done during year 2017 has uncovered improper management behaviour and accounting in subsidiary in Estonia. The management of subsidiary in Estonia has, without any authorization or approval by the subsidiary's shareholder, awarded themselves suspected remuneration of EUR 171 thousand in 2017 and EUR 275 thousand in 2016, 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 recognised or assets transferred to the management of the Group and of the Company.

21 Earnings per share (EPS)

	Group	
	2017	2016
Net profit attributable to ordinary equity holders of the parent company	8,151	4,462
Weighted average number of ordinary shares	7,807	7,807
Basic earnings per share (EUR)	1,044.06	571.54

There are no dilutive instruments.

22 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.

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(all amounts are in thousand EUR unless otherwise stated)

22 Segment information (cont'd)

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.

Year ended 31 December 2017	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	120,567	3,785	1,590	15,205	141,147
Cost of sales	(94,748)	(3,351)	(1,104)	(15,142)	(114,345)
Gross margin	25,819	434	486	63	26,802
Sales commission expenses	(7,264)	(186)	(91)	-	(7,541)
Sales profit by segment	18,555	248	395	63	19,261

Unallocated income (expenses)

Other operating income	1
Operating expenses (other than sales commission)	(8,932)
Other operating (expenses)	(29)
Profit from operations	10,301
Finance income (expenses), net	(1,166)
Profit before tax	9,135
Income tax (expenses)	(984)
Net profit	8,151

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

Year ended 31 December 2016	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	86,447	3,269	1,392	10,417	101,525
Cost of sales	(70,384)	(2,665)	(980)	(9,733)	(83,762)
Gross margin	16,063	604	412	684	17,763
Sales commission expenses	(4,703)	(179)	(91)	-	(4,973)
Sales profit by segment	11,360	425	321	684	12,790

Unallocated income (expenses)

Other operating income	21
Operating expenses (other than sales commission)	(7,234)
Other operating (expenses)	(221)
Profit from operations	5,356
Finance income (expenses), net	(256)
Profit before tax	5,100
Income tax (expenses)	(638)
Net profit	4,462

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

22 Segment information (cont'd)**Geographic information**

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

Year ended 31 December 2017	Lithuania	Latvia	Estonia	Other	Group
Sales	77,197	26,158	37,073	719	141,147
Non-current assets	697	55	49	-	801

Year ended 31 December 2016	Lithuania	Latvia	Estonia	Other	Group
Sales	57,358	17,994	25,609	564	101,525
Non-current assets	673	65	28	-	766

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.

23 Subsequent events

The Company has signed a loan agreements' appendix with AB Luminor bank on 7 February 2018. The changed borrowing covenants were agreed between the Company and the bank. Moreover, the Company agreed to repay EUR 4,000 thousand of long term loan and change repayment schedule for the remaining part with EUR 2,000 thousand to be repaid during 2018 and EUR 2,000 thousand to be repaid during 2019 while the remaining EUR 6,000 thousand to be repaid in 2020. Additionally Company signed financial limit agreement with maturity till end of 2018 for total amount of EUR 12,000 thousand from which EUR 8,000 thousand will be used for bank guarantees and remaining EUR 4,000 as overdraft.

During the extraordinary general meeting of shareholders of AB Novaturas held on 16 January 2018 at Jasinskio st. 16, Vilnius were decided to increase the authorized capital of AB Novaturas by a sum of EUR 8,119.28, i.e. from EUR 226,090.72 up to EUR 234,210 from Company's funds – retained earnings by increasing the nominal value of the share up to EUR 30.

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