Travel Service, a.s.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2015

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

Prepared on 25 September, 2017

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Chairman of the Board of Directors

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Member of the Board of Directors

Content

Consolidated income statement

	Note	2015	2014
		Period of 12 months ended 31 December	
Operating revenue			
Sales for transportation services	*5*	16 402 529 094	16 136 293 249
Other operating revenue	*6*	355 551 349	425 508 486
Total Operating revenue		**16 758 080 443**	**16 561 801 736**
Operating expenses			
Salaries	*8*	(1 436 347 122)	(1 292 247 752)
Fuel costs		(3 337 178 043)	(4 777 991 262)
Aircraft lease		(3 533 197 053)	(3 121 047 199)
Landing and handling cost		(4 754 404 398)	(4 483 179 144)
Maintenance cost		(2 169 461 789)	(1 596 776 900)
Other operating expenses	*7*	(1 074 937 550)	(1 033 077 424)
Depreciation		(64 618 960)	(69 356 153)
Total Operating expenses		**(16 370 144 915)**	**(16 373 675 834)**
Net operating profit before net financing costs		**387 935 528**	**188 125 901**
Net interest expense/income	*9*	(42 861 851)	(41 826 757)
Net financial expense/income	*10*	(220 772 603)	(223 771 723)
Net finance expense		**(263 634 454)**	**(265 598 480)**
Share on profit of at equity investments		228 641 633	0
Profit before tax		**352 942 707**	**(77 472 579)**
Income tax	*11*	(28 499 564)	7 780 588
Profit for the period		**324 443 143**	**(69 691 990)**

Consolidated statement of comprehensive income

Profit for the period		**324 443 143**	**(69 691 990)**
Foreign currency translation differences		1 471 346	457 305
Share on OCI of at equity investments	*20*	31 978 001	0
Other comprehensive income for the period		**33 449 347**	**457 305**
Total comprehensive income for the period		**357 892 490**	**(69 234 685)**

Consolidated Balance Sheet

	Note	31 December 2015	31 December 2014
Assets			
Non-current assets			
Aircraft, buildings and other operating assets	*15*	370 706 575	969 458 510
Prepayments on F/A acquisitions & F/A under constr.	*15*	236 868 191	104 823 840
Security deposits paid	*19*	622 103 180	558 782 020
Investments in subsidiaries		675 625	(0)
Investments in associates	*17*	315 585 222	2 569 977
Other intangible assets	*14*	30 101 187	21 174 627
Deferred tax assets	*11*	120 813 626	83 685 665
Total Non-current assets		**1 696 853 605**	**1 740 494 639**
Current assets			
Inventories	*18*	116 869 318	106 664 531
Income tax receivable	*11*	11 658 622	32 769 211
Trade and other receivables and deferred expenses	*19*	1 448 642 983	1 269 159 206
Cash and cash equivalents	*13*	266 657 269	231 457 984
Total Current assets		**1 843 828 191**	**1 640 050 932**
Total assets		**3 540 681 797**	**3 380 102 175**

Consolidated Balance Sheet

	Note	31 December 2015	31 December 2014
Equity and liabilities			
Equity	*20*		
Share capital		250 000 000	250 000 000
Share premium		10 148 658	10 148 658
Translation reserve		(23 863 086)	(25 334 432)
Statutory reserve		42 089 846	34 089 846
Retained earnings		166 455 984	(149 987 155)
Share on OCI at equity investments		31 978 001	0
Total equity		**476 809 403**	**118 916 917**
Non-current liabilities			
Loans and borrowings	*22*	83 333 333	0
Provisions	*21*	263 814 383	254 776 716
Deferred tax liabilities	*11*	22 419 835	22 359 430
Finance lease liabilities	*22*	0	436 792 556
Total Non-current liabilities		**369 567 551**	**713 928 702**
Current liabilities			
Bank overdrafts	*22*	476 491 452	505 965 666
Loans and borrowings	*22*	620 381 728	370 000 000
Trade and other payables	*24*	1 263 627 593	1 236 285 239
Payables to related parties	*25*	71 237 280	13 740 800
Current portion of long term finance lease liabilities	*23*	0	71 450 382
Income tax payable	*11*	25 335 902	1 898 046
Deferred income and advanced payment received	*24*	49 961 340	20 772 595
Provisions	*21*	163 786 620	88 871 006
Negative fair values of derivatives	*12*	23 482 926	238 716 218
Total Current liabilities		**2 694 304 842**	**2 547 699 953**
Total equity and liabilities		**3 540 681 797**	**3 380 102 175**

Travel Service, a.s.
CZK - Czech crown

Consolidated Statement of Cash Flows

	31 December 2015	31 December 2014
Profit/loss for the period	**324 443 143**	**-69 691 990**
Adjustments for:		
Depreciation and amortisation	64 618 960	69 356 153
Deferred income tax	-37 067 557	-7 564 475
Gain on disposal of long-term assets	-75 840 423	-55 603
Net change in inventories	-10 204 787	-13 856 411
Net change in receivables, other asssets and prepaid expenses	-242 804 937	71 750 267
Net change in trade accounts payable and other current liabilities	94 791 502	-275 521 981
Net change in provisions	83 953 282	49 483 707
Gains/Losses on revaluation of derivatives at fair value, net	-215 233 292	238 716 218
Share of profit of equity investments	-226 747 280	0
Interest income	-1 544 276	-564 285
Interest expenses	44 406 128	42 391 042
Income tax expense	65 850 462	13 870 087
Cash generated from operations	**-131 379 074**	**118 312 726**
Interest received	1 544 276	564 285
Interest expenses paid	-25 170 052	-18 948 739
Income taxes paid	-21 302 017	-97 396 004
Net cash flows from operating activities	**-176 306 867**	**-115 780 458**
Purchases of non-current assets	-332 617 255	-41 979 263
Proceeds from sale of non-current assets	749 126 181	767 602
Cash flows from investing activities	**416 508 925**	**-41 211 661**
Proceeds from the issue of share capital	0	0
Long term borrowings, change	333 715 061	75 319 238
Short term borrowings, change	-29 474 214	3 519 133
Finance lease liabilities, change	-508 242 938	-24 259 000
Dividends paid	0	0
Cash flows from financing activities	**-204 002 091**	**54 579 372**
Net increase in cash and cash equivalents	**36 199 968**	**15 899 979**
Cash and cash equivalents on 1 January	231 457 984	217 363 699
Effect of exchange rate fluctuations on cash held	-1 000 684	-1 805 694
Cash and cash equivalents on 31 December	**266 657 269**	**231 457 984**

Consolidated statement of changes in equity

	Share capital	Share premium and Other capital contributions	Statutory reserve	Retained Earnings	Foreign currency translation reserve	Share on OCI at equity investments	Total Equity
Balance as at 31 December 2013	**250 000 000**	**10 148 658**	**26 089 846**	**-34 295 166**	**-25 791 737**	**0**	**226 151 601**
Allocation of retained earnings			8 000 000	-8 000 000			**0**
Result for the period				-69 691 990			**-69 691 990**
Dividends				-38 000 000			**-38 000 000**
Other comprehensive income					457 305	0	**457 305**
Balance as at 31 December 2014	**250 000 000**	**10 148 658**	**34 089 846**	**-149 987 155**	**-25 334 432**	**0**	**118 916 917**
Allocation of retained earnings			8 000 000	-8 000 000			**0**
Result for the period				324 443 143			**324 443 143**
Other comprehensive income				-3	1 471 346	31 978 001	**33 449 343**
Balance as at 31 December 2015	**250 000 000**	**10 148 658**	**42 089 846**	**166 455 984**	**-23 863 086**	**31 978 001**	**476 809 403**

1 INTRODUCTION AND GENERAL INFORMATION

1.1. General information

The consolidated financial statements of Travel Service, a. s. (the "Company") for the year ended 31st December 2015 comprise Travel Service, a. s., its subsidiaries Travel Service, légiforgálmi és szolgáltató Korlátolt Felelősségű Tarsaság, shortly Travel Service, Kft, Travel Service Polska spólka z Ograniczona Odpowiedzialonšcia, shortly Travel Service Polska Sp. z O. O., Travel Service Slovensko, s. r. o., T. S. Building, s. r. o. and the interest in an associate České aerolinie, a. s. (together referred to as „Travel Service" or the „Group").

Travel Service, a. s. is a joined stock company with its registered office in the Czech Republic, Prague 6, K Letišti 1068/30 bearing its registration number 256 63 135. The seat of the Company and the place of a real management is located at the address – K Letišti 1068/30, 160 08 Prague 6, Czech Republic. The registered capital of Travel Service, a. s. is CZK 250,000,000.

The Group´s ordinary shares are not publicity traded.

1.2. Introduction

The principal Group´s activity is air transport of passengers operated from its hubs in Prague (CZ), Brno (CZ), Ostrava (CZ), Pardubice (CZ), Karlovy Vary (CZ), Bratislava (SK), Kosice (SK), Budapest (HU), Paris (FR), Lille (FR), Canary Islands (SP), Warsaw (PL), Krakow (PL) and Gdansk (PL). The group is also interested in wet and dry leases and in private services (Business Jets Aero cabs).

Travel Service, a. s. was established according to Law of the Czech Republic and it is registered in the Commercial Register maintained by the Municipal Court in Prague, Part B, Insert 5332. The Company was incorporated by the Memorandum of Association done on 23 January 1998 in form of a notarial record No. NZ/12/1998 (N21/1998).

The Group began its activity in 1998 and Travel Service, a. s. is one of the oldest, and in the same time, the biggest private air companies/groups in the central European countries, both in terms of the carriage capacity and the size of its fleet of aircrafts and the number of carried passengers, the generated revenues or the amount of its assets.

A significant position in the market of carriage of persons by air was retained by the Company or its subsidiaries – Travel Service Slovensko, s. r. o., Travel Service, Kft. and Travel Service Polska Sp. z O. O., in Slovakia, Hungary and Poland respectively.
The Company, together with its subsidiaries in Slovakia, Hungary and Poland, exploits the fleet of commercial aircrafts Boeing 737 – 900, Boeing 737 – 800, Boeing 737 – 700, Cessna 680 Citation Sovereign and Airbus A320-214 registered by Aviation Authorities in the Czech Republic, Hungary, Poland and Canada. Furthermore, it also exploits the short-

term lease of aircrafts rendered by other aviation companies. At the beginning of 2016, the operation of aircrafts Airbus A320-214 was terminated and the aircrafts were returned to the leasing companies.

On 31st March 2015, Travel Service, a.s. acquired 356,015 common registered certificated shares with a nominal value of CZK 5,000.00 each, Nos. 000 001 - 356,015 issued by the České aerolinie, a.s.. Total nominal value of the shares is CZK 1,780,075,000.00 [1]representing 34% of the registered capital of this company and 34% on voting rights on the General Meeting. Associated company České aerolinie, a. s. operates fleet of commercial aircrafts A330-300, A319-100, ATR 72 and ATR 42.

Travel Service, a.s. owns 100% share of the company T. S. Building, s. r. o., ID No. 645 83 970, with its registered seat Prague 1, Václavské nám. 53/815, Postal Code 110 00. This company does not undertake business of carriage of persons by air and it focuses mainly on the administration and lease of the non-residential premises.

2 BASIC PRINCIPLES AND PREPARATION OF FINACIAL STATEMENTS

2.1. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the IASB and endorsed for use in the European Union, that are applicable for the activity of the Group and effective for the accounting periods beginning 1 January 2015.

Either debt or equity instruments of Travel Service are not publicly traded. The Group has prepared the IFRS financial statements voluntarily. The management of the Group spent maximum effort to prepare the IFRS financial statements in reasonable time and to ensure that the financial statements and the Notes include all disclosures required under IFRS. All information is disclosed in the best detail available at this time with reasonable effort, in the manner and having the information value such as provided by the Group's existing information systems with a view to the time value and cost to benefit ratio of the information disclosed (its added value).

These consolidated financial statements have been audited by the auditors. Report on audit is attached to them.

2.2. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

[1] Czech Airlines Share Capital is CZK 5,235,510 thousand, number of the shares is 1,047,102.00, Number of the Shares hold by Korea is 460,725, i. e. CZK 2,303,625 th. nominal value, Number of the Shares hold by Prisko is 206,654, i. e. CZK 1,033,270 th nominal value, Number of the Shares hold by Česká pojišťovna, a. s. is 23,708, i. e. CZK 118,540 th. nominal value.

The principal accounting policies set out below have been, in all material aspects, applied consistently to all periods presented in the consolidated financial statements. The accounting policies have been applied consistently by all Group companies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The consolidated financial statements have been prepared in Czech Crowns ("CZK), unless stated otherwise. The Czech National Bank exchange rate was CZK 27.025 to the Euro as at 31 December 2015 and CZK 27.725 to the Euro as at 31 December 2014. Other important exchange rates are disclosed in note 13.

2.3. Going concern

The Group is exposed to general business risks like fluctuating currency rates, jet fuel prices, interest rates, financial default of travel agencies and passengers demand. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group will generate sufficient cash to meet its liabilities to continue as a going concern for the forseeable future.

2.4. Use of estimates-critical judgements, key sources of estimation uncertainty

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the presented amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Management of the Group believes that the estimates and assumptions used will not significantly differ from the actual results and outcomes in the following reporting periods.

The estimates are examined on an ongoing bases and are settled as soon as all the relevant information and documents are available, whereas the differences are accounted for in a current accounting period.

The following are the key assumptions and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

provisions for repair/overhaul and maintenance – note 4.20
provision for vacation – note 21
useful life and residual values of non-current assets (aircraft, rotables) – note 4.11
determination of an appropriate discount rate to calculate the present value of long-term financial assets and liabilities and provisions – note 19
fair value of aircrafts for the classification of lease contracts – note 4.13

3 BASIS OF CONSOLIDATION

3.1. Controlled companies (subsidiaries)

The consolidated financial statements comprise the financial statements of Travel Service, a.s. and entities controlled by Travel Service, a.s. (its subsidiaries) – the subsidiaries included in consolidation are described in note 1. Travel Service controls an entity when the group is exposed to, or has right to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Several of the subsidiaries prepare their financial statements in a currency other than Czech crown. The assets and liabilities of these subsidiaries are translated to CZK at the balance-sheet date exchange rate. The income and expenses of these subsidiaries are translated to CZK at the average exchange rate for the period. Foreign currency differences resulting are recognised directly in equity in the foreign currency translation reserve.

3.2. Associated companies (At equity investments)

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity.

The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of at equity investments using the equity method and are initially recognised at cost, from the date that significant influence commences until the date that significant influence ceases.

When the group's share of losses exceeds its interest in an at equity investment, the group's carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee.

The Group has only the interest in an associated company České aerolinie, a.s.

3.3. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with at equity investments are eliminated only to the extent of the group's interest in that entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.4. Companies excluded from consolidation

The Group's interest in Travel Service GmbH (100% share) has been considered as immaterial and has not been consolidated under IFRS 10, i.e. is accounted for and presented at cost. Travel Service GmbH was established to further support and develope the Group's business in Germany. Travel Service GmbH does not perform any activity and keeps equity in cash in the bank account.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1. Recognition of revenues and expenses

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar deductions.

Revenue relates primarily to transportation services provided. Flight revenue is recognized in the period to which they relate, i.e. the period in which the corresponding flight has been flown or service has been provided (e.g. ACMI rental). Expenses are recognised in the period in which they are incurred, which generally corresponds to the time at which the income is recognised.

Revenues from sales of services include revenues related to sales of charter flights (irregular air transport), revenues from ticket sales for regular flights – Smart Wings, revenues from leases of aircraft with a crew incl. maintenance and insurance (wet leasing, ACMI), revenues from sale of business jet flights and other revenues.

The Group does not offer any kind of frequent flyer program.

4.2. Deferred income

The Group records as deferred income amounts collected from the sale of air tickets or from prepayments for charter flights, which have not been provided at the balance sheet date.

4.3. Segment reporting

As either debt or equity instruments of Travel Service are not publicly traded, the Group does not apply IFRS 8.

4.4. Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Transactions in currencies other than the currency of the primary economic environment of the entity (foreign currencies) are recognised at the rates of exchange at the dates of the transactions or at the fixed rate valid for a monthly period. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates at that date.

Exchange differences are recognised in profit or loss in the period in which they arise. All exchange rate differences are classified as part of financial cost and/or financial income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Czech crowns using exchange rates at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve.

4.5. Borrowing costs

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

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

4.6. Retirement benefit costs

Contributions are made to the government's health and retirement benefit and unemployment schemes at the statutory rates based on gross salary payments. The cost of social security payments is charged to the income statement in the same period as the salary related cost.

Furthermore, the Group realises for its employees defined contribution schemes administered by commercial pension funds. The contributions to these schemes are charged to costs in the period in which they are incurred.

4.7. Government grants

The Group is not the recipient of any subsidies or any support from public sources, other than free of charge allocated CO2 emissions allowances – see note 4.8.

4.8. CO2 Emissions allowances

CO2 Emissions allowances are recognised as intangible assets. Allowances, both those purchased and allocated free of charge, are measured at cost and not amortised.

Any changes are given by the purchase of emission allowances, by free allocation of CO2 emissions allowances and their disposal. The Group is required to have these intangible assets under Directive 2008/101 EC of the European Parliament and of the Council of 19 November 2008 under which, on 1 January 2012, the civil aviation sector was brought within the existing EU ETS. Act No. 383/2012 transposed this Directive into the Czech legislation.

The EU ETS also applies to all operators of aircraft parked at or from airports in any Members States of the European Union (plus Iceland, Lichtenstein and Norway). The Group and its subsidiaries offering services in the area of air transport are also deemed to be the aircraft operator.

Every year, each operator must determine and report the volume of its CO2 emissions produced in the given year.

CO2 emissions allowances that are consumed are recorded as per the emissions actually produced. An estimated payable for the obligation to submit CO2 emissions allowances to the relevant authorities is recognised for an amount equivalent to the carrying amount of the capitalised CO2 allowances. If the obligation is not fully covered by available allowances, the out-standing amount of the estimated payable is measured using the market price of the emissions allowances as of the reporting date.

4.9. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

- **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Current income tax due includes tax calculated from a tax base using the tax rate valid for the year 2015 according to Act no. 586/1992 Coll., Section 21, paragraph 1, which is 19% (2014: 19%).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

4.10. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible fixed assets include assets with an estimated useful life longer than one year and an acquisition cost exceeding CZK 2 thousand on an individual basis. Intangible fixed assets in an acquisition cost of up to CZK 2 thousand are expensed upon acquisition.

The Group does not recognise any internally produced intangible fixed assets or any intangible assets acquired in a business combination.

Amortisation of intangible assets is recorded according the straight-line basis over their estimated useful lives as follows:

	Method	Years
Software	Straight line	3 years
Other intangible assets at cost TCZK 2 to 60	Straight line	3 years

4.11. Property, plant and equipment („PP&E")

Acquired PP&E are stated at acquisition cost less accumulated depreciation and any recognised impairment losses. The acquisition cost includes the asset's purchase price and costs attributable to its acquisition. The Group does not record any internally produced PP&E.

Assets held under finance leases, are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation of PP&E is recorded on a straight-line basis over their estimated useful lives as follows:

	Method	Years
Machines, tools, computer and other equipments	Straight line	4 – 8 years
Aircrafts	Straight line	20 – 22 years
Rotable parts	Straight line	20 years
Cars	Straight line	4 years
Furniture and fixtures	Straight line	6 years
Other tangible assets at cost TCZK 2 to 40	Straight line	3 years

The Group operates aircrafts, particularly Boeing 737-900, Boeing 737-800 and Boeing 737-700, Cessna 680 Citation Sovereign and Airbus A320-214 under operating lease agreements. In the connection, the Group owns aircraft parts and equipment, which is classified as PP&E. Judgement is required in estimating their residual values and useful lives. Uncertainty exists in both the useful lives and the residual values.

The cost of major inspections and overhauls performed on leased aircraft are not capitalised and depreciated but accrued through the provision for checks further described in note 21.

4.12. Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The Group does not recognise any intangible assets with indefinite useful lives or goodwill. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

As the most significant asset of the Group generating cash inflows is the fleet, the Group is considered to be one cash generating unit.

Judgement is required in determining the cash generating unit, as well as in calculating value in use. All estimations are made based on planned business and operational development.

4.13. Leases

The Group leases a number of aircrafts under operating leases which require the Group to maintain the leased aircraft.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The assets are depreciated on a straight-line basis over the shorter of the lease term and the asset's useful life, unless it is reasonably certain that the lessee will obtain ownership by the end of the lease term. The related obligation is shown under Interest-bearing liabilities in the amount of discounted minimum lease payments less payments made.

Operating lease payments are recognised as an expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The overhaul of aircraft under operating lease is recognised as an expense in the period in which it is incurred. The periodocity of overhauls of aicrafts is considered in the form of provision for repair/overhaul and maintenance (refer to note 21).

At lease classification the group also considers the materiality aspect. Immaterial finance leases are classified as operating leases.

Repair and overhaul costs are not included in the lease rentals and the Group makes regular payments (so called supplemental rents) for future maintenance expenses to the lessor. These are based on the estimated costs and are calculated on agreed pattern (e.g. flight hours or cycles). When the maintenance is made, the Group is reimbursed for the payments already provided.

4.14. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost, calculated applying an arithmetic average method, includes any direct and indirect costs attributable to acquisition of inventories (particularly customs fees, transportation costs and packaging expenses). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories of materials in the Group can be divided as follows:

spares, materials and operating supplies (such as chemicals, cleaning products etc),
packaging materials, such as crates, boxes, bags, and racks, only if they do not represent fixed assets,

movable items with a useful life up to 1 year regardless of the amount of the purchase cost, such as carpets and upholstery.

Less important inventory item is merchandise, which include aircraft models mainly.

The Group also stores materials that it does not own (mainly spare parts). This material is stored separately from the material owned by the Group.

4.15. Cash and cash equivalents

Cash and cash equivalents are valued at nominal value at the balance sheet. Cash and cash equivalents for the purpose of cash flow reporting include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.16. Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As at 31 December 2015, financial assets (derivative financial instruments) have been designated as at fair value through profit and loss (2014: fair value through profit and loss) – further comments are disclosed in note 12.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired.

As at 31 December 2015, the Group had no available-for-sale financial instruments (2014: Nil).

- **Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

4.17. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to oil market price development risk and foreign exchange rate risk, including various types of foreign exchange forward and swap contracts and commodity derivatives. Further details of derivative financial instruments are disclosed in note 12.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in profit or loss unless the derivative is designated and effective as hedging instrument. The Group decides not to apply hedge accounting for these derivatives although they are designed to cover business risks and presents the changes in the fair value of derivatives as a part of financial income and/or expense.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Gains and losses arising from fair value changes of "financial assets at fair value through profit or loss" are recognised in the profit for the period and are presented as financial expense/revenue.

4.18. Bank borrowings

Interest-bearing bank loans and overdrafts are recognised initially at fair value, net of transaction costs at initial recognition. Subsequent measurement is at amortised cost by applying the effective interest rate method.

The short-term portion of bank loans is classified as current liabilities.

4.19. Trade and other payables

As all trade payables are short term, they are stated at their nominal value, being an approximation of amortised cost.

4.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The provision for repairs/overhauls and maintenance is recognised to express the status of the Group's obligation to perform regular checks and overhauls (refer to note 21). The provision is valued at management's best estimation based on the historical experience.

Judgement is required in determining the amount of provision. All estimations are made based on planned extent of overhaul, expected prices and the historical experience.

In addition, the Group recognises provisions for following items:
- unused vacation
- provision for regular checks and overhauls

4.21. Related parties

Related parties as defined by IAS 24 are natural persons and entities that Travel Service, a.s. has the ability to control or on which it can exercise significant influence, or natural persons and entities that

have the ability to control or exercise significant influence on Travel Service, a.s. or that are influenced by another related party of Travel Service, a.s.

All transactions with unconsolidated subsidiaries, joint ventures, associates and other related parties are conducted on an arm's length basis.

4.22. Financial risk management

The group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and monitoring of the Group's risk management system and procedures. Risk management includes the review, assessment of new and existing risk on an ongoing basis.

- **Credit risk**

Credit risk relating to either single-seat tickets sales or group-seat tickets sales (e.g. sales to tour operators) is low as pre-payments or other kinds of security are required before flight is started.
For some payment relationships, depending upon the type and level of the particular payment, historical data or experience from the business relationship may be used to manage particular credit risk. Known risks are recognised through bad debt provisions.

Part of ticket sales is handled via agencies and the internet within the guidelines of IATA (International Air Transport Association). Claims and liabilities between the airlines mutually or between airlines and agencies are usualy settled on a bilateral basis or via a clearing house of the IATA on a monthly basis.

Cash in banks, as well as derivative financial instruments, are held only at (with) banks with the highest credit ratings.

- **Liquidity**

Appropriate department monitors the development of available and projected cash inflows and outflows to ensure sufficient resources to meet its liabilities when due. The Group implemented its treasury management tool and follows the situation on a daily basis. Financing alternatives are continuously reviewed in order to arrange adequate and sufficient financial resources in time.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

- **Market risk**

Market risk is the risk of changes in market prices. The most significant resources of market risk for the Group are:

- Foreign exchange rates
- Jet fuel (commodity) prices
- Interest rates

The Group uses derivatives to limit foreign exchange rate and jet fuel prices risks. A detailed description of the Group's exposure to above stated risk is presented in the note 13.

4.23. Overview of new IFRSs, their amendments and new IFRIC interpretations

The following standards and their amendments have become mandatory for financial year 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (effective for annual periods beginning on or after 1 July 2014, except as detailed below). The annual Improvements include amendments to a number of IFRSs, which are summarised below:
IFRS 2 Share - based Payment
IFRS 3 Business Conbination
IFRS 8 Operating Segments
IFRS 13 Fair Value Measurement
IAS 16 Property, Plant and Equipment
IAS 24 Related Party Diclosures
IAS 38 Intangible Assets
Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (effective for annual periods beginning on or after 1 July 2014). The annual Improvements include amendments to a number of IFRSs, which are summarised below:
IFRS 3 Business Conbination
IFRS 13 Fair Value Measurement
IAS 40 Investment Property

Application of the above mentioned amendments did not have a significant impact on the consolidated financial statements.

The Group intends to adopt amendments to IFRSs that are published but not effective as at 31 December 2015, in accordance with their effective dates. In 2015, the Group did not take the decision for early adoption on a voluntarily basis of amendments and interpretations to the standards.

Those new standards and amendments which may be relevant to the Group are set out below:

New standard and amendments to IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
The new Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories: held to maturity, available for sale and loans and receivables.
Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value.
The 2010 amendments to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement mainly in relation to liabilities designated as fair value through profit or loss in case of changes in fair value, attributable to changes in credit risk of that liability. The standard requires

changes in fair value to be presented directly in other comprehensive income. Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

New standard eliminates the requirement of separation the embedded derivatives from host contract. It requires the hybrid (combined) contract measured at amortised cost or fair value.
Additionally amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.

The Group does not expect the standard when initially applied to have an impact on measurement of financial instruments. Based on the standard, a classification of financial assets into respective categories will change.

New standard IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
In May 2014, the IASB published the new standard IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 will replace IAS 11, "Construction Contracts," IAS 18, "Revenue,"
IFRIC 13, "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue—Barter Transactions
Involving Advertising Services." The standard defines when revenues should be recognized and in what amount. According to IFRS 15, revenues should be recognized in the amount that reflects the consideration expected for the performance obligations being undertaken. The standard shall be
applied for fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

The Group is currently evaluating the impact on its consolidated financial statements.

Improvements to IFRS (2012 - 2014) (effective for annual periods beginning on or after 1 January 2016)
In the context of its Annual Improvements Process, the IASB revises existing standards. In September 2014, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 5, IFRS 7, IAS 19 and IAS 34.

The Group does not expect the improvements to have material impact on its future consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 — Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
In December 2014, the IASB published amendments to IFRS 10, IFRS 12 and IAS 28. The amendments are designed to clarify that entities that are both investment entities and parent entities are exempt from presenting consolidated financial statements even if they are themselves subsidiaries. They further clarify that subsidiaries providing investment-related services that are themselves investment entities shall be measured at fair value. For non-investment entities, they clarify that such entities should account for an investment entity using the equity method.

The Group expects that amendments to standards will not have an impact on future consolidated financial statements as they are not applicable to the Group.

Amendments to IAS 1, "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2016)
In December 2014, the IASB published amendments to IAS 1. They are primarily intended to clarify disclosures of material information, and of the aggregation and disaggregation of line items on the

balance sheet and in the statement of comprehensive income. The amendments further provide that an entity's share of the other comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income.

The Group does not expect the amendments to have material impact on its future consolidated financial statements.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)
In September 2014, the IASB published amendments to IFRS 10 and IAS 28. The amendments provide that unrealized gains from transactions between an investor and an associated company or a joint venture should be recognized in full by the investor if the transaction involves a business. In transactions where only assets are being sold, the recognition of gains shall be partial.

The Group does not expect the amendments to have material impact on its future consolidated financial statements.

Amendments to IFRS 11 — Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
In May 2014, the IASB published amendments to IFRS 11. The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. Accordingly, the relevant information specified in those standards is to be disclosed. These amendments necessitated consequential amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," to have the exemption extended to business combinations. Accordingly, it now also includes past acquisitions of

interests in joint operations in which the activity of the joint operation constitutes a business.

The Group does not expect the amendments to have material impact on its future consolidated financial statements.

Amendments to IAS 16 and IAS 38 — Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016)
In May 2014, the IASB published amendments to IAS 16 and IAS 38. The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment, and to amortize intangible assets. In particular, they clarify that the use of a revenue-based method arising from an activity that includes the use of an asset does not provide an appropriate representation of its consumption. Within the context of IAS 38, however, this presumption can be rebutted in certain limited circumstances.

The Group does not expect the amendments to have material impact on its future consolidated financial statements of the Group.

Amendments to IAS 27 - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
In August 2014, the IASB published amendments to IAS 27, "Separate Financial Statements." The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments shall be applied retrospectively in accordance with IAS 8.

The Group expects that amendments to standards will not have an impact on future consolidated financial statements as they are not applicable to the Group.

IFRS 16 Leases – (effective for annual periods beginning on or after 1 January 2019)
In January 2016, the IASB issued IFRS 16 being effective for annual periods beginning on or after 1 January 2019. IFRS 16 specifies the depiction of lease arrangements in the financial statements. Compared to the previous standard IAS 17, there is a fundamental alteration in respect of the recognition of operating leasing arrangements for the lessee. As defined in IFRS 16, the standard requires the lessee to recognize a right of use asset on the debit side on the balance sheet as well as a corresponding lease liability on the credit side of the balance sheet expet for immateriality in cases of short term leasing arrangements and small ticket leasing arrangements for low-value assets. By contrast, accounting changes for the lessor are only minor compared to IAS 17. Compared to IAS 17 the notes will be much more comprehensive under IFRS 16.

The Group is currently evaluating the impact on its consolidated financial statements.

IFRIC Interpretation 21 Levies
The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability to pay a levy imposed by government and to the timing of recognizing such liability. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs. The

liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognized when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

The Group does not expect the amendment to have an impact on its future consolidated financial statements.

4.24. Significant changes in accounting policies compared to prior period

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

5 REVENUES – SALES FOR TRANSPORTATION SERVICES

An analysis of the group's revenue is as follows:

	2015	2014
Sales for charter services and related income	10 646 088 321	10 929 229 040
Sales for scheduled flights and related income	4 247 377 182	3 536 331 003
ACMI and other leases	1 509 063 591	1 670 733 207
Total Sales for transportation services	**16 402 529 094**	**16 136 293 249**

** Sales for charter services also include sales from Business Jet flights (Business Jets Aero cabs, i. e. Aerotaxi)*

** Sales for scheduled flights also include revenue from the sale of air tickets for code-share flights*

The Group has a dominant position on the market of charter transportation of passengers in Central Europe. In the history of the Group so far, its share in the market has basically continued to grow. Its clients include multinational travel agencies, the most important travel agencies in the Czech Republic, Hungary, Poland and Slovakia etc. Charter flights generate a substantial portion of the Group's revenues.

The Group generates sales from regular passenger transportation, which it carries out under the Smart Wings trademark. Regular flights are organized particularly between Prague and Western European capital cities. Other flights are organized for individual tourism to destinations in the Mediterranean.

The Group also generates a substantial portion of income from aircraft lease. The lease arrangements are provided as a comprehensive package of services, which includes aircraft, flight crews, i.e. pilots and flight attendants, as well as aircraft maintenance and insurance. These services represent ACMI lease – wet lease. Lease arrangements are short-term or mid-term. The Group has participated in lease arrangements on most of continents.

The Group conducted dry lease arrangements too, which means lease of aircraft without their crews.

The Group's income originates also from operation of air taxis (Cessna model 680 Citation Sovereign jets).

6 OTHER OPERATING REVENUE

	2015	2014
Other operating revenue	355 551 349	425 508 486

The other operating revenue particularly comprise insurance indemnity, free of charge allocated emission allowances and revenue from the sale of emission allowances, revenue from contractual penalties and late-payment interest, inventory differences and various income from other activities, such as commission, advertising, maintenance of aircraft for third parties, sales of goods etc.

7 OTHER OPERATING EXPENSES

	2015	2014
Catering	264 451 904	326 262 808
Crew lease	40 817 044	17 954 063
Employee cost	55 166 184	75 177 087
Building and interior expenses	26 883 060	34 307 002
Communication expenses	142 187 773	120 823 205
Advertising cost	58 255 542	61 530 998
Office supplies	14 878 094	13 754 964
Consultancy expenses	144 153 744	147 651 153
Bad debt reserve / cost	31 056 491	1 789 868
Insurance and claims cost	108 673 795	56 532 965
Sundry expenses	188 413 919	177 293 310
Total Other operating expenses	**1 074 937 550**	**1 033 077 424**

8 PERSONNEL EXPENSES AND STAFF NUMBERS

	2015	2014
Salaries	870 225 926	809 875 527
Remunerations of statutory bodies	72 000	72 000
Statutory health insurance and social contributions	253 812 563	241 480 456
Change in provision for personnel expenses	-339 147	-4 516 112
Salary related expenses (incl. "per diem", training etc.)	312 575 781	245 335 880
Total Personnel expenses	**1 436 347 122**	**1 292 247 752**
Average number of employees	**1 369**	**1 216**
Average personnel expenses per employee	**1 049 542**	**1 062 763**

The average number of employees during the year can be summarized as follows:

	Average 2015	Average 2014
Flight and cabin crew	957	840
Maintenance department	160	144
Sales, operation and administration	251	231
Total average number of employees	**1 369**	**1 216**

Remuneration of directors and other members of fey management personnel during the year was as follows:

	2015 TCZK	2014 TCZK
Basic remuneration	25 122	25 574
Total remuneration of directors and key management	**25 122**	**25 574**

Remuneration of directors and other members of key management personnel include the remuneration for the management (Director General, Assistant Director, Executive Director, Operations Director, HR Manager, spokesperson, Compliance Monitoring Manager, Financial Manager, Smartwings (scheduled flight) Manager, IT Manager, managers in charge of subsidiaries).

9 NET INTEREST EXPENSE

	2015	2014
Interests paid	29 606 722	24 867 256
Interests capitalised	-1 893 888	-1 636 926
Interest expense - charge for discount (net of reversal of discount from previous years)	16 693 293	19 160 712
Interests received	-1 544 276	-564 285
Total Net Interest expense	**42 861 851**	**41 826 757**

10 NET OTHER FINANCIAL EXPENSE

	2015	2014
Currency fluctuation, net (+loss, -gain)	-15 486 271	-30 049 347
Gain/loss from derivatives, net (+loss, -gain)	236 258 874	253 821 070
Total Other financial expense	**220 772 603**	**223 771 723**

Further detail on the Group's gains/losses from derivatives is disclosed in note 12.

11 INCOME TAX EXPENSES AND DEFERRED INCOME TAXES

Income tax expenses and deferred taxes	2015	2014
Current income tax expense	65 850 462	13 870 087
Deferred income tax	-37 350 898	-21 650 675
Total Income tax expense	**28 499 564**	**-7 780 588**

The income tax expense includes taxes from Group's operations in the Czech Republic, Slovak Republic, Poland and Hungary.

Statutory income tax rate in the Czech Republic for the 2015 period was 19% (2014: 19%).

As at 31 December 2015, deferred income taxes attributable to the Czech tax jurisdiction were measured at a tax rate of 19% (2014: 19 %), that corresponds with the statutory tax rates enacted for the future periods when realisation of deferred tax assets and liabilities is expected. All subsidiaries of the Group apply the same tax rate = 19% on their tax base.

Reconciliation of expected to effective income tax expense is as follows:

Reconciliation of expected to effective income tax expenses	**2015**	**2014**
Result before income taxes	352 942 707	-77 472 579
Expected income tax expense	**67 059 114**	**-14 719 790**
Effect of different tax rate outside the Czech Republic	0	0
Permanent differences	-38 559 550	6 939 202
Effect of tax rate changes	0	0
Prior-period current tax expense	1 020 000	-3 933 000
Other	0	322 000
Effective income tax expense	**28 499 564**	**-7 780 588**
Effective income tax rate	**8%**	**10%**

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

The deferred tax asset and liabilities are attributable to the following assets and liabilities:

Deferred tax assets and liabilities	**2015**	**2014**
Deferred tax liabilities:		
Difference between tax base and carrying amount of non-current assets	-19 628 599	-20 913 694
Assets under finance lease	0	-124 796 624
Other	-2 791 235	-1 445 737
Total	**-22 419 835**	**-147 156 054**
Offsetting	0	124 796 624
Deferred tax liabilities, net	**-22 419 835**	**-22 359 430**
Deferred tax assets:		
Finance lease liabilities	0	114 470 115
Discounted Deposits	20 445 162	15 888 722
Provisions	81 170 937	65 212 361
Depreciation of reclassified spare parts to fixed assets	8 349 400	6 332 364
Other	10 848 127	6 578 727
Total	**120 813 626**	**208 482 289**
Offsetting	0	-124 796 624
Deferred tax assets, net	**120 813 626**	**83 685 665**
Deferred tax assets, net at end of period	98 393 791	61 326 235
Deferred tax assets, net at beginning of period	61 326 235	39 791 104
Change in deferred tax position	**37 067 557**	**21 535 131**
Effect of exchange rate fluctuations on taxes	-283 342	-115 544
Deferred income tax expense (benefit)	**37 350 898**	**21 650 675**

12 DERIVATIVES

Fair values of derivatives at year-end are as follows:

	CZK thousand 2015	CZK thousand 2014
Currency risk:		
Currency Forwards and Options	12 195	-15
Commodity risk:		
Commodity Swaps and Options	-35 678	-238 701
Total Derivatives – Year-end Fair Values	**-23 483**	**-238 716**

All derivatives recognised in the Group's financial statements are current and classified as held for trading.

The net gains and losses on derivatives during the period are as follows:

	CZK thousand 2015	CZK thousand 2014
Currency Forwards and Options	12 252	-7 442
Commodity Swaps and Options	-248 511	-246 379
Total Gains(+)/Losses(-) on derivatives net	**-236 259**	**-253 821**

13 FINANCIAL RISK MANAGEMENT

- **Credit risk**

The Group is facing risks relating to a potential insolvency of Group's customers. These risks are secured by acquiring advance payments or deposits prior to the provision of transport service or by receipt of bank guarantees.

The Group is also facing risks relating to a potential insolvency of Group's supplyers. The Group is forced to pay advance payments linked with fuel, operating leases, wet leases, etc. These risks are reduced by issuing of bank guarantees, stand by letter of credit issued by Group's banks.

The carrying amount of financial assets represents the maximum credit risk exposure:

	Carrying amounts 2015	Carrying amounts 2014
Loans and receivables – Trade and other	1 448 642 983	1 269 159 206
Loans and receivables – Security deposits	622 103 180	558 782 020
Cash and cash equivalents	266 657 269	231 457 984
Total financial assets	**2 337 403 432**	**2 059 399 210**

The Group recognised impairment losses only on financial assets included in category of loans and receivables. The impairment losses recognised can be summarised as follows:

	2015	2014
Loans and receivables - carrying amount	1 509 851 502	1 375 902 655
Loans and receivables - impairment	-61 208 519	-106 743 449
Loans and receivables, net	**1 448 642 983**	**1 269 159 206**

The impairment is recognized predominantly for trade receivables.

- **Currency risk**

The Group has significant transactions in USD as well as smaller exposure in EUR. Risk relating to other currencies is assessed as insignificant. The Group enters into USD currency forwards and options in order to manage foreign currency risk that arises on operating transactions denominated in USD. The Groups minimizes the currency risks by natural hedging, too, i. e. a big portion of contracts is concluded in USD currency as the Group cooperates with clients seated in North America, Israel, and Poland.

The operating revenue of the parent company in US$ was US$ 224,259,146 and operating expenses in US$ was US$ 297,627,941 in 2015. The revenue in EUR was € 135,612,462 and the cost in EUR was € 120,154,435 in 2015.

The acquisition of new market in the Slovak Republic in 2010 minimized the risks linked winth EUR.

If the average exchange rate CZK/USD had increased by about 5% CZK/USD in 2015 the negative impact linked with operating profit of this one would have been 78,872,162 CZK. If the average exchange rate CZK/USD and CZK/EUR had increased by about 5% the negative impact linked with operating profit of this one would have been 54,899,150 CZK. These numbers confirm that operating revenue in USD is lower than operating expenses in USD and that operating revenue in EUR is higher than operating expenses in EUR, but difference between operating revenue and operating expenditure is not significant in comparison with US$.

The following significant exchange rates were applied during the year:

Applied exchange rates	Average 2015	Year-end 2015
USD	24,600	24,824
EUR	27,283	27,025
PLN	6,525	6,340
HUF	0,0881	0,0856
	Average 2014	**Year-end 2014**
USD	20,746	22,834
EUR	27,533	27,725
PLN	6,582	6,492
HUF	0,0892	0,0879

- **Interest rate risk**

The interests linked with bank loans are on the floating base of PRIBOR respectively 3 LIBOR. Some of the lease payments are linked with LIBOR, but majority of the lease payments are agreed on the base of fixed interest rates.

The interest rate risk exposure can be analysed via carrying amounts of interest-bearing instruments,
The Group's obligation to make regular lease payments, which are generally in USD and linked to variable interest rates, expose the Group to variability in interest payments as well as to foreign currency risk. The Group did not enter into any financial instruments that would hedge this interest rate and foreign currency risk in the periods 2015 and 2014.

Fuel price risk

For the sake of unforeseeable increase of fuel price the Group agrees on fuel surcharges with its business partners to mitigate the risk. By the end of 2015 the Group have concluded commodity SWAPs to secure the fuel price in the volume of a bottom half of ten thousands tons of fuel.

Fuel price risk is linked with charter flights, scheduled fligths and Business Jets Aero Cabs flights. The construction of the fuel prices is linked with development of the market prises, i.e. FOB Rotterdam High or CIF NEW High or FOB MED Italy High on the monthly bases. The other part of the price is fixed surcharges called differrential. This part is result of the tendrs and negotitation with the suppliers.

2015		Platts used as Price Basis for Month:											
		2015											
Platts	**Units**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
FOB Rotterdam High	USC/USG	192.65	158.40	179.83	170.89	175.72	186.89	182.90	161.98	142.97	145.75	141.80	134.90
	USD/MT	637.65	524.29	595.23	565.63	581.63	618.62	605.39	536.14	473.24	482.43	469.35	446.52
CIF NWE High	USC/USG	193.98	159.41	181.66	171.51	176.44	187.11	183.14	163.09	144.22	147.70	143.63	137.66
	USD/MT	642.08	527.64	601.30	567.69	584.00	619.32	606.18	539.83	477.38	488.89	475.40	455.65
FOB MED Italy High	USC/USG	183.77	149.59	173.97	163.15	167.18	180.27	174.35	153.80	138.22	141.13	137.50	131.61
	USD/MT	608.28	495.16	575.85	540.03	553.35	596.71	577.10	509.07	457.51	467.15	455.13	435.62

In 2015 total consumption of the fuel was 267,568 tons. In the end of 2014 it was expected that the price of jet fuel will be in high level. That is why on 29th December 2014 the commodity swaps in total volume 100,000 tons were concluded. But these expectations were not fulfilled.

14 INTANGIBLE ASSETS

	Software	Other intangible assets	Intangible assets in progress	Total
	CZK	CZK	CZK	CZK
Cost or valuation				
Balance at 1 January 2014	**36 619 229**	**5 579 871**	**3 256 548**	**45 455 648**
Additions	1 021 456	195 418	12 372 629	13 589 503
Disposals or classified as held for sale	0	-2 738 923	0	-2 738 923
Transfer	2 747 547	0	-2 747 547	0
Balance at 31 December 2014	**40 388 232**	**3 036 365**	**12 881 631**	**56 306 228**
Additions	10 557 981	5 177 361	2 732 944	18 468 286
Disposals or classified as held for sale	-110 110	0	-2 341 934	-2 452 044
Transfer	1 327 305	0	-2 372 539	-1 045 234
Balance at 31 December 2015	**52 163 408**	**8 213 726**	**10 900 101**	**71 277 236**

Accumulated depreciation and impairment	CZK	CZK	CZK	CZK
Balance at 1 January 2014	**27 155 345**	**2 765 006**	**0**	**29 920 351**
Eliminated on disposals of assets	0	-94 042	0	-94 042
Amortisation expense	5 102 327	202 966	0	5 305 293
Balance at 31 December 2014	**32 257 672**	**2 873 929**	**0**	**35 131 601**
Eliminated on disposals of assets	-110 110	0	0	-110 110
Amortisation expense	6 017 755	136 803	0	6 154 558
Balance at 31 December 2015	**38 165 317**	**3 010 732**	**0**	**41 176 049**
Net book value at 31 December 2014	**8 130 560**	**162 436**	**12 881 631**	**21 174 627**
Net book value at 31 December 2015	**13 998 092**	**5 202 994**	**10 900 101**	**30 101 187**

Software includes the licences to Navision system, AIMS planning system, SQL Server, SW for 500 (Honneywell), Salsys store system, etc.

Intangible assets in progress comprise, in particular, the ongoing modernization and installation of the so-called Datalink for the aircraft Boeing 737 (to enhance the air traffic safety). In addition, intangible assets in progress include software equipment supporting communication via tablets continuously furnished in all aircrafts or aircraft crews, further development of the EFA software offering sales and operational functions and of the financial software Microsoft NAV 2013. It also includes the development of the software mentioned above in order to provide support for the development and implementation of maintenance system OASES etc..

Other intangible assets represent the acquisition cost of trade mark SMART WINGS and the relevant domain and the O2 emission allowances EUA and EUAA. Any changes of the emission allowances are given by the purchase of emission allowances, by free allocation of emission allowances and their disposal. Further comments to O2 emissions allowances are disclosed in note 4.8.

15 PROPERTY PLANT AND EQUIPMENT

	Buildings at cost	Aircrafts and aircraft related and other equipment	Tangible assets in progres	Prepayments on F/A acquisitions	Total
	CZK	CZK	CZK	CZK	CZK
Cost or valuation					
Balance at 1 January 2014	**231 408 237**	**1 038 433 951**	**28 000**	**93 259 742**	**1 363 129 931**
Additions	0	51 659 382	16 227 660	13 049 938	80 936 980
Disposals	0	-4 716 497	0	0	-4 716 497
Effect of foreign currency exchange differences	0	0	0	-17 713 500	-17 713 500
Transfer	0	28 000	-28 000	0	0
Balance at 31 December 2014	**231 408 237**	**1 085 404 837**	**16 227 660**	**88 596 180**	**1 421 636 914**
Additions	0	661 168 464	270 522	132 915 101	794 354 088
Disposals	0	-1 428 372 486	0	0	-1 428 372 486
Effect of foreign currency exchange differences	0	0	0	0	0
Transfer	0	2 186 507	-1 141 273	0	1 045 234
Balance at 31 December 2015	**231 408 237**	**320 387 322**	**15 356 910**	**221 511 281**	**788 663 750**

	Buildings at cost	Aircrafts and aircraft related and other equipment	Tangible assets in progress	Prepayments on F/A acquisitions	Total
Accumulated depreciation and	CZK	CZK	CZK	CZK	CZK
Balance at 1 January 2014	**49 391 319**	**237 792 024**	**0**	**0**	**287 183 343**
Eliminated on disposals of assets	0	-3 873 271	0	0	-3 873 271
Depreciation expense	9 854 177	54 190 315	0	0	64 044 492
Effect of foreign currency exchange differences	0	0	0	0	0
Balance at 31 December 2014	**59 245 496**	**288 109 068**	**0**	**0**	**347 354 564**
Eliminated on disposals of assets	0	-224 932 491	0	0	-224 932 491
Depreciation expense	9 854 216	48 812 695	0	0	58 666 912
Effect of foreign currency exchange differences	0	0	0	0	0
Balance at 31 December 2015	**69 099 712**	**111 989 272**	**0**	**0**	**181 088 984**
Net book value at 31 December 2014	**172 162 741**	**797 295 769**	**16 227 660**	**88 596 180**	**1 074 282 350**
Net book value at 31 December 2015	**162 308 525**	**208 398 050**	**15 356 910**	**221 511 281**	**607 574 766**

Aircraft and aircraft related and other equipment consist particularly of equipment of aircrafts, rotable parts, computer equipment, handling equipment, vehicles, etc.

Borrowing costs capitalised in 2015 and 2014 were CZK 1,894 thousand and CZK 1 637 thousand.

Buildings include administrative building of the Group where Travel Service, a.s. has its registered seat and construction works which have been made in the hangars leased from the Letiště Praha, a.s. (Prague airport).

In line with the Group's strategy to, inter alia, modernize its fleet of aircraft that aims mainly at purchases and operating lease of aircraft Boeing 737 – MAX, the Group concluded purchase agreement (dated 29.7.2013) with Boeing Company for delivery of 3 aircrafts type Boeing 737 MAX. Based on the contract, the Group pays advances for the delivery, which are included in Prepayments on F/A acquisitions.

The eligible interest of the Group is to maintain the fleet of aircraft in the best working condition possible and to minimize any delays due to lack of rotable (in the financial statements classified as aircraft related equipment, i.e. an item under property plant and equipment) or spare parts (classified as inventory). When any defect is discovered on an aircraft operated under the operating lease contracts and if it is vital to replace any rotable part, spare part or component, it happened in 2015 and to a certain extent even in previous years that the replaced spare or rotable part that was supplied for the aircraft was classified as a spare or rotable part in the Group's assets. Since there was no relevant document available, the removed spare part could not be capitalized in the Group's assets. When the operating lease was terminated and the aircraft returned to the lessor, the Group ceased to be the owner of the spare or rotable part affixed to the aircraft, however was not entitled to issue any invoice to the lessor for the installation of the spare or rotable part. On the other hand, by replacing the part in question, the Group became the owner of the spare or rotable part. These parts were divided into two groups – before repair and repaired. These spare or rotable parts were valued at their replacement costs. The spare or rotable parts that were not repaired as at the balance sheet date were than impaired. The impairment recognised reflects the amount of anticipated costs that are to be expended in order to reinstate the parts to the original condition. The above resulted in surpluses discovered at the physical count of inventory and property, plant and equipment and in corrections that were to be made to consumed spare and disposed rotable parts in 2016.

Most lease contracts the Group entered into have been classified as operating lease and, as a consequence, have not been capitalized (further comment to leases are disclosed in note 23). In the year 2010, the Group finished process of acquisition of Boeing 737-800 aircraft. Aircraft was leased from special purpose entity established for the purpose of the acquisition. Based on the package of contracts signed between the Group and other involved parties (financing consortium of banks, special purpose entities and Export Import Bank of the United States), lease relationship was classified as finance lease in terms of IAS 17. As a consequence, the aircraft was recognised as a part of property, plant and equipment item in the Group's balance sheet.

On 1 October 2015, a Termination and Release Agreement was concluded between the Company as a sub-lessee and all other involved parties, on the basis of which finance lease relationship and classification was terminated and derecognised, i.e. the aircraft was disposed from property, plant and equipment item in the Group's balance sheet.

Subsequently, on 9 October 2015, the company MALACHITE AIRCRAFT LEASING LIMITED, as Buyer, concluded an AIRCRAFT PURCHASE AGREEMENT with the Company as a seller, on the basis of which the company MALACHITE AIRCRAFT LEASING LIMITED became an aircraft owner.

On 9 October 2015, there was an AIRCRAFT LEASE AGREEMENT concluded between the company MALACHITE AIRCRAFT LEASING LIMITED, as a lessor, and the Company, as a lessee, on operating lease of the respective aircraft. These transactions were assessed as sale and lease back transaction that resulted in an operating lease.

16 CAPITAL COMMITMENTS

One of the pillars of Travel Service strategy is to renew its fleet consist on B 737 NG by new model B 737 MAX. Travel Service concluded with Boeing Company two purchase agreements linked with delivery of eight aircraft in total. These aircraft will be a part of Travel Service assets. Part of the concluded purchase contracts is a confidentiality agreement, and therefore, the very indicative figures are given below.The financing of these ones could be split to the three steps – financing of the pre-delivery payments and financing of the first three aircraft and financing of the second five aircraft.

Delivery Schedule of the aircraft:

a) 2018 – 5 aircraft (January 18 – 1 (Operational Lease, hereinafter OL), March 18 – 1 (OL), April 18 -1 (OL), May 18 – 1 (OL), September 18 -1 (Purchase));
b) 2019 – 11 aircraft (January 19 – 1 (OL), February 19 – 2(OL), March 19 – 3 (OL – two aircraft, Purchase – 1 Aircraft), April 19 -1 (OL), May 19 – 2(OL), June 19 – 1 (Purchase), December 19 – 1(OL));
c) 2020 – 6 Aircraft (January 20 – 1 (OL), February 20 – 1(OL), March 20 – (OL), May 2020 – 1 (OL));
d) 2021 - 3 Aircraft (January 21- 1 (OL), February- 1 (OL), March 21 – 2 (OL), May 21 – 2(OL));
e) 2022 – 3 Aircraft (February 21 -1 (Purchase), March 21 – 1 (Purchase), May 21 – 1 (Purchase));
f) 2023 – 2 Aircraft (February 23 – 1 (Purchase), March 23 -1 (Purchase)).

Due to Purchase Agreements Travel Service has to remit significantly more than 10 % of Airframe Price, Features, etc. Total amount of pre-delivery payment is significantly more than US$ 100,000 thousand from July 2013 till March 2022. Travel Service has paid signifacantly more than US$ 30.000 thousand.Remaining amount will have been to paid by 1st March 2022.

From Travel Service position new aircraft could be sufficient and good security for the creditors.

Travel Service looks for the optimal solution and sources for the financing of the aircraft acquisition – purchase price. Travel Service expected:

a) Term of the loans – 10 years;
b) Security – purchased aircraft;
Usual and competitive interest;

17 INVESTMENTS IN ASSOCIATES

Investments in associates represent the Group's interest in an associate České aerolinie a.s. (34% share) – supplementary information is disclosed in note 3.2.

Korean Air Lines Co., Ltd., as the seller and Travel Service, a.s. as the purchaser concluded the Agreement on the Sale and Purchase of Shares on 3rd April 2014.

Travel Service acquired on March 31st, 2015 the following shares in České aerolinie a.s ("the ČSA"):

356,015 common registered certificated shares with a nominal value of CZK 5,000 each, Nos. 000 001 – 356,015, issued by the ČSA, replaced by the global share certificate no. 1 with a total nominal value of CZK 1,780,075,000 issued by the ČSA and representing 34% of the registered capital of the ČSA and 34% on voting rights on the General Meeting of the ČSA.

The registered capital of České aerolinie a. s. amounts to CZK 5,235,510,000 and is divided into 1,047,102 shares. The list of the shareholders is following:

1. Travel Service, a. s., corporate ID No. 25663135, stake 34 %;
2. Korean Air Lines, Co. Ltd, corporate ID No. 110111-0108484, stake 44%;
3. PRISKO a. s., corporate ID No. 46355901, stake 19,74%;
4. Česká pojišťovna, a. s., corporate ID No. 45272956, stake 2,26%.

The ČSA is the Czech national carrier with its hub at Prague Airport and it is one of the oldest airlines in Europe (it has been operating since 1923). The core business of the company is air transport of passengers and cargo. The ČSA is member of the SkyTeam alliance. Over the last few years, the company has undergone a massive restructuring in the context of the Restructuring Plan approved by the Commission by means of its State aid decision No. SA.30908 (2011/C, ex N176/2010). At the beginning of its restructuring process, the ČSA's fleet included 44 aircraft operated on scheduled flights, with 5 additional aircraft assigned to charter service. During the restructuring, the ČSA's fleet has been down-sized to the current 18 aircraft and simplified to include only Airbus (1x Airbus A330-300, 9x Airbus A319-100) and ATR aircraft (5 x ATR72 and 3x ATR42). Moreover, the ČSA has reduced its charter business, and since 2013 the company primarily operates scheduled flights and charter flights on an ad hoc basis only. As a part of the restructuring, ČSA has also undergone major network adjustments consisting of the reduction of routes and frequencies with the strategy of connecting the growing markets of Russia/CIS to Western Europe.

Travel Service and the ČSA both operate in the markets for: (i) scheduled transport of passengers, (ii) charter air transport; and (iii) air transport of cargo. Activities of ČSA and

Travel Service horizontally overlap primarily in the segment of scheduled air transport of passengers.

Summarised financial information for the ČSA is set out below. The summarized financial information below represents amounts shown in the associate's fiancnial statements prepared in accordance with IFRSs.

ČSA	**2015**	**31.03.2015**
Current assets	1 480 824	1 413 304
Non-current assets	1 605 506	1 610 322
Assets held for sale	-	90 750
Current liabilities	-2 115 895	-526 566
Non-current liabilities	-392 226	-2 797 538

	04 - 12/2015	**01 - 03/2015**
Revenue	6 139 378	1 543 086
Profit or loss from continuing operations	693 883	-150 277
Post-tax profit (loss) from discontinued operations	0	0
Profit (loss) for the period	693 883	-150 277
Other comprehensive income for the period	94 053	23 367
Total comprehensive income for the period	**787 936**	**-126 910**
Dividends received from the associate during the period	0	0

	2015	**31.03.2015**
Net assets of ČSA	578 208	-209 728
Adjustments in respect with revaluation of net assets to fair value	-21 408	95 856
Change of net assets for the period / Net assets at the acquisiton date	766 528	-113 872
Proportion of the Group´s ownership interest in ČSA	34%	34%
Post acquisition share on profit and OCI of ČSA	260 619	-
Goodwill	54 966	54 966
Carrying amount of the Group´s interest in ČSA incl. goodwill at the end of the period	**315 585**	**54 966**

	31.03.2015
Purchase price incl. acquisition related costs	54 966
Net fair value of the identifiable assets and liabilities at the date of acquisition	-113 872
Goodwill IFRS as at 31/03/2015	**54 966**

18 INVENTORIES

Inventories consist mainly of spare parts and can be analysed as follows:

Inventories	**2015**	**2014**
Spare parts	116 627 712	106 408 774
Other material	151 545	141 566
Goods	90 061	114 191
Total Inventories	**116 869 318**	**106 664 531**

Inventories are measured at the lower of cost and net realisable value. In 2015 the impairment of
inventories was CZK 4,759,971 (2014: CZK 0). The management of the Group believes that inventory will be utilized for repairs and overhauls and that the value in use or net realisable value of inventories is not lower than their cost.

An increase of balance of spare parts for aircrafts reflects strategy of the Group to minimize any stand-by of aircrafts and delay of operating flights due to lack of spare parts.

Further, during the year, the Group determined surpluses of spare parts and consumption material, which relate particularly with the process of termination of operating lease of aircrafts – further comments are disclosed in note 15.

19 TRADE AND OTHER RECEIVABLES, CURRENT AND NON-CURRENT, PREPAID EXPENSES

Current trade and other receivables and prepaid expenses at year-end are as follows:

	2015	**2014**
Trade receivables	1 496 227 211	942 869 789
Other receivables	747 104 044	861 423 613
Offset*	-794 688 272	-535 134 195
Total Trade and Other Receivables	**1 448 642 983**	**1 269 159 206**

	2015	**2014**
Advanced payments and deposits	320 669 605	216 123 594
Receivables from employees	57 198 958	97 676 070
Prepaid leasing payments	94 179 398	98 792 185
Prepaid expenses other	246 722 691	290 277 714
VAT receivable	6 484 011	5 361 584
Other receivables	8 754 800	308 655
Total Other Receivables	**734 009 463**	**708 539 803**

* The Group classified transactions with its business partners under different asset and liability entries, such as advance payments, accounts receivable, accounts payable, deposits, estimates. It is customary in trade transactions to communicate with business partners and settle net balances of mutual open / outstanding entries, the estimated set-off is also disclosed in the annual financial statements.

Advanced payments and deposits consist primarily of amounts which are held until all obligations to suppliers are fulfilled and security deposits. The amounts are carried at amortised costs using the effective interest rate method.

Receivables from employees largely entail advance payments for travel expenses for which the employees failed to present statement of expenses by the balance-sheet date.

Prepaid leasing payments include the part of the lease as of 31 December 2015 (2014: 31 December 2014). It is determined from the invoices received and any payments made on the lease of aircraft that relate to the period up to 1 January 2016 (2014: 1 January 2015).

Prepaid other expenses consist primarily of preliminary invoiced expenses of unfinished overhauls and insurance and training costs. In 2015 the most significant incompleted repairs include repair costs of the engine CFM56-7B26, serial number 888932, aircraft OK-TVB or HA-LKG, the repair thereof is being made by the company Lufthansa Technik and which was not up to the decisive date released for the operation. In 2014 the most significant incompleted repair was the repair of the engine (serial number 891365) of aircraft OK - SWW.

The Group's assessment of credit risks and impairment losses related to trade receivables and other financial assets is disclosed in note 13.

The impairment losses recognised can be summarised as follows:

	2015	**2014**
Trade and other receivables - gross	2 304 539 774	1 911 036 851
Offset	-794 688 272	-535 134 195
Impairment (Provision for bad debts)	-61 208 519	-106 743 449
Total Net trade and other receivables	**1 448 642 983**	**1 269 159 206**

Non-current receivables at year-end are as follows:

Non-current Receivables	**2015**	**2014**
Nominal values of operating lease related deposits	729 709 296	642 406 875
Discount on operating lease related deposits	-107 606 116	-83 624 855
Total Non-current Receivables	**622 103 180**	**558 782 020**

The long term deposits paid represent mainly deposits relating to lease of aircrafts and their maturity derives from the date of termination of agreements and return of the leased aircrafts. The deposits with maturity within one year are reported as current maturities of long-term deposits.

The deposits include the capitalized interest which is calculated using interest rate of 2,5 %.

20 SHARE CAPITAL AND RESERVES

	2015	2014
Share capital	250 000 000	250 000 000
Share premium	10 148 658	10 148 658
Statutory reserve	42 089 846	34 089 846
Foreign currency translation reserve	-23 863 086	-25 334 432
Retained earnings	-157 987 159	-80 295 166
Result for the period	324 443 143	-69 691 990
Share on OCI at equity investments	31 978 001	0
Total Equity	**476 809 403**	**118 916 917**

The share capital amounts to CZK 250,000 thousand and consists of 2,500 shares.

The shareholdings and voting rights of the shareholders as at 31 December 2015 and 2014 are as follows:

2015	**Share in %**	**TCZK**
	2015	**2015**
UNIMEX GROUP, a.s.	31,16%	77 900
Ing. Roman Vik	31,16%	77 900
CANARIA TRAVEL, spol. s r.o.	27,68%	69 200
China International Group Corporation Limited	10,00%	25 000
Total	**100,00%**	**250 000**

2014	**Share in %**	**TCZK**
	2014	**2014**
UNIMEX GROUP, a.s.	36,16%	90 400
Ing. Roman Vik	36,16%	90 400
CANARIA TRAVEL, spol. s r.o.	27,68%	69 200
Total	**100,00%**	**250 000**

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their currencies to the Group's functional/presentation currency (i.e. CZK) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

The shares are pledged in favour of Komerční banka and UniCredit Bank of the Czech Republic (further information is disclosed in note 22).

21 PROVISIONS

	2015	2014
Untaken vacation	34 989 387	35 328 534
Repair and maintenance	392 226 071	307 894 416
Other	385 546	424 771
Total Provisions	**427 601 004**	**343 647 721**

The provision for repairs/overhauls and maintenance is recognised to express the status of the Group's obligation to perform regular checks and overhauls.

The repair and maintanance provisions comprises costs expended to restore the airplane to a condition, in which the airplane may be returned to the lessor at the lease-end (so-called redelivery checks). The scope of the checks is defined in the approprirate lease contract. The provision is carried from the time of the delivery of the airplane by the lessor to the end of the term of lease. Since lease contract are made for a period of 9 years on averge, the provision is discounted accordingly. The discount rate is set at 2.5 %.

The repair and maintanance provision also comprises the costs of regular airplane maintenance as required by the manufacturer for each particular type of airplane. The provision is recognized with a view to the estimated costs of the checks required net of the estimated balance of the lessor's contribution from the maintenance annuity.

The provision is valued at management's best estimation based on the historical experience.

22 INTEREST-BEARING LIABILITIES

The Group has entered into following interest-bearing liabilities:

Long-term interest bearing liabilities	**2015**	**2014**
Loans	83 333 333	0
Finance lease liabilities	0	436 792 556
Total Long-term interest bearing loans	**83 333 333**	**436 792 556**

Short-term interest bearing liabilities	**2015**	**2014**
Bank overdrafts	476 491 452	505 965 666
Loans	620 381 728	370 000 000
Finance lease liabilities	0	71 450 382
Total Long-term interest bearing loans	**1 096 873 180**	**947 416 048**

Payments of the interest-bearing liabilities are due as follows:

Payments for interest-bearing liabilities	**2015**	**2014**
Less than one year	1 096 873 180	947 416 048
Between one and five years	83 333 333	436 792 556
Total bearing liabilities	**1 180 206 514**	**1 384 208 604**

Owerview of loans according to loan providers:

31 December 2015 **Loan provider**	**Total amount of loan /credit limit TCZK** **Unpaid part TCZK**	**of which due less than 1 year** **TCZK**	**of which due in 1 and more years** **TCZK**
Komerční banka, a.s.	80 000		
Overdraft	49 801	49 801	0
Komerční banka, a.s.	330 252[2]		
Revolving credit	328 655	328 655	0
Raiffeisenbank a.s.	200 000		
Short-term credit	200 000	200 000	0
UniCredit Bank Czech Republic and Slovakia, a.s.	500 000		
Overdraft	383 295	383 295	0
UniCredit Bank Czech Republic and Slovakia, a.s.	125 000		
Medium-term credit	125 000	41 667	83 333
Česká spořitelna, a. s.	100 000		
Overdraft	93 455	93 455	0
Credit Limit in total	**1 335 252**		
Unpaid part in total	**1 180 206**	**1 096 873**	**83 333**

31 December 2014 **Loan provider**	**Total amount of loan /credit limit TCZK** **Unpaid part TCZK**	**of which due less than 1 year** **TCZK**	**of which due in 1 and more years** **TCZK**
Komerční banka, a.s.	80 000		
Overdraft	73 661	73 661	0
Komerční banka, a.s.	360 000		
Revolving credit	170 000	170 000	0
Raiffeisenbank a.s.	200 000		
Short-term credit	200 000	200 000	0
UniCredit Bank Czech Republic and Slovakia, a.s.	500 000		
Overdraft	432 304	432 304	0
Credit Limit in total	**1 140 000**		
Unpaid part in total	**875 965**	**875 965**	**0**

[2] This amount is confirmed and calculated by Komerční banka, a. s. Reduction of the credit limit from 370 000 is an impact of the evaluation of derivatives (see chapter 12).

To finance its operation and investment needs, the Group uses the business loans provided by UniCredit Bank Czech Republic and Slovakia, a. s., Komerční banka, a. s., Raiffeisenbank a.s. and Česká spořitelna, a. s. The loans to finance the operations are repaid in summer season or partly drawn due to a surplus of funds in EUR and non-suitability of their conversion into CZK.

UniCredit Bank Czech Republic and Slovakia, a. s. and Travel Service, a.s. entered into a loan agreement on 29 September 2004, as amended. The Group may use a revolving multipurpose line in the maximum amount of CZK 550,000 thousand in the period from 1 November to 30 June or CZK 250,000 thousand in the period from 1 July to 31 October to finance its operations, to issue bank guarantees or documentary letters of credit or to pursue treasury transactions. Cash withdrawals are capped at CZK 500,000 thousand in the period from 1 November to 30 June or at CZK 200,000 thousand in the period from 1 July to 31 October. The loan is due on 31 December 2016.

Shares issued by Travel Service a.s., namely a total of 380 ordinary shares in the nominal value of CZK 38,000 thousand were put in pledge for the benefit of UniCredit Bank Czech Republic and Slovakia, a. s., by the following pledgers:

1. UNIMEX GROUP, a. s. - 44 ordinary shares in the nominal value CZK 4,400 thousand;
2. Ing. Roman Vik - 184 ordinary shares in the nominal value of CZK 18,400 thousand;
3. CANARIA TRAVEL, spol. s r. o. - 152 ordinary shares in the nominal value of CZK 15,200 thousand.

On 29 December 2015, Travel Service, a.s. entered into LOAN AGREEMENT reg. no. 1327/15-120 with UniCredit Bank Czech Republic and Slovakia, for a loan due by 31 December 2018, a. s. Under the agreement, the Group received a credit to finance advance payments to buy fixed tangible assets – the airplane Boeing 737 – MAX. The loan shall be repaid quarterly in regular installments starting from 31 March 2016.

On 18 December 2014, Travel Service, a.s. concluded with Komerční banka, a. s. a General Agreement for Provision of Financial Services (General Agreement), on the basis of which Komerční banka, a. s. provided the Company with a so called Global Credit Line. This line may be extended up to a total amount CZK 500,000 thousand and from 1 June 2015 up to a total amount CZK 370,000 thousand. The limit of credits amounted up to 31 December 2014 to a total amount CZK 440,000 thousand and it was effective till 31 May 2015. For the period from 1 June 2015, the credit limit amounts to CZK 270,000 thousand. Under the Agreement (i.e. CZK 500,000 thousand or CZK 370,000 thousand), the Group may use other products also so long as it does not exceed the sum of the foregoing limits. These include customs guarantees (CZK 50,000 thousand), guarantees of duly made contract up to TUSD150, payment guarantees (CZK 200,000 thousand), documentary letters of credit (CZK 200,000 thousand) and standby letters of credit (CZK 200,000 thousand).

The General Agreement and the products ensuing from it are secured by a pledged created for the benefit of Komerční banka, a. s. as follows:

1. A mortage over real property – an office buiding number 1068, Ruzyně, owned by the subsidiary T. S. Building, s. r. o., registered office Praha 1, Václavské nám. 53/815, Reg.No. 645 83 970;

2. Securities – 676 shares in the nominal value CZK 100,000 per each, issued by Travel Service, a. s. owned by UNIMEX GROUP, a.s.. The nominal value of secured shares is CZK 67,600 thousand;

3. Securities – 536 shares in the nominal value CZK 100,000 per each, issued by Travel Service, a. s. owned by Ing. Roman Vik. The nominal value of secured shares is CZK 53,600 thousand;

4. Securities – 38 shares in the nominal value CKZ 100,000 per each, issued by Travel Service, a. s. owned by CANARIA TRAVEL, spol. s r.o.. The nominal value of secured shares is CZK 3,800 thousand;

The nominal value of shares issued by Travel Service, a. s. and given in pledge to Komerční banky, a.s. Praha is CZK 125,000 thousand, i.e. 50% of the Company's registered capital.

The Group co-operates with Raiffeisenbank a. s., which has extended an overdraft credit amounting to a total CZK 200,000 thousand and with Česká spořitelna, a. s., which has extended an overdraft credit amounting to CZK 100,000 thousand to the Company. With the mentioned banks, the Group co-operates in ensuring the currency and commodity risks.

Interest rates charged on the credit are flexible; they are based on Pribor/Libor/EURIBOR rates, depending on the currency of the loan, and a fixed mark-up in the range from 1.0% p. a. to 2.5% p. a. (the exact figure is protected by trade secret).

The Group has current accounts in Komerční banka, a. s., in UniCredit Bank Czech Republic and Slovakia, a.s., in Raiffeisenbank a.s., in Citibank Europe plc, organizační složka and in Československá obchodní banka, a.s. For payment transactions in Slovakia, the Group also cooperates with Tatra Banka, a. s. and a foreign bank branch – Komerční banka Bratislava, in Poland with PEKAO Bank, in Istrael with Citi Bank and in Irelenad with Citi Bank.

23 LEASES

The Group leases number of aircraft under leasing agreements which qualify as operating lease agreements. The leases typically run for the period of 9 to 15 years and terminate automatically upon expiry of the lease term. Lease payments are denominated in USD and vary depending upon the change in market rate of interests.

Further comments to leases are disclosed in note 4.13.

Future minimum lease payments from operating lease agreements can be analysed as follows:

Future lease payments	**Amounts at CZK/USD year-end rate**
due in 2016	2 721 902
due in 2017	2 591 306
due in 2018	2 380 099
due in 2019	1 991 772
due in 2020	1 560 422
due in 2021 and later	2 382 349
Total Future minimum lease payments	**13 627 849**

Most of the aircraft used by the Group are Boeing, type B 737-800 with capacity of 189 passengers and 6 members of the crew. In addition, the Group operates two aircraft, Boeing with capacity of 148 passengers and one aircraft with capacity of 212 passengers. In 2015, the Group's fleet of aircraft also included two aircraft Airbus A320 with capacity of 180 passengers. For a long time, the Group also offers services of an aero taxi and, for these purposes, it uses Cessna Citation 680 with capacity of 9 passengers. These aircraft are used in accordance with the lease contracts that were made as follows:

These aircraft are used in accordance with the following lease contracts:

No.	Aircrafts leased in 2015	Mfg Year	Lease Period (in months)	Expire date	Lessor
1	BOEING 737-8CX, MSN 32362, HA LKG (OK TVB)	2002	206	31.3.2019	MASL IRELAND (13) LIMITED
2	BOEING 737-8FH, MSN 29669, OK TVF (C-GTVF)	2005	183	19.4.2020	ALC BLARNEY AIRCRAFT Limited
3	BOEING 737-8Q8, MSN 30719, OK TVG (C-GTVG)	2007	169	31.3.2021	Macquarie AirFinance Acquisitions (Ireland) Limited
4	BOEING 737-8Q8, MSN 35275, OK TVH (C-GVVH)	2008	170	11.5.2022	ILFC AIRCRAFT 73B-35275 LIMITED
5	BOEING 737-86Q, MSN 30294, OK TVE (C-GRKB)	2004	170	19.3.2018	Wells Fargo Bank Northwest, National Association
6	BOEING 737-8Q8, MSN 29351, OK TVJ (C-FTAH)	2004	128	17.5.2019	ILFC Ireland Limited
7	BOEING 737-86N, MSN 32740, OK TVK (C-FGVK)	2004	97	22.5.2017	Celestial Aviation Trading 17 Limited
8	BOEING 737-8FN, MSN 37076, OK TVL	2010	191	9.10.2025	MALACHITE AIRCRAFT LEASING LIMITED
9	BOEING 737-8FN, MSN 37077, OK TVM	2010	187	3.6.2025	Fly Aircraft Holding Twenty Limited
10	BOEING 737-8CX, MSN 32360, OK TVO	2002	119	31.3.2020	MASL IRELAND (13) Limited n
11	BOEING 737-8K5, MSN 32907, OK TVP (C-GKVP)	2002	139	31.10.2021	DCAL 5 LEASING LIMITED
12	BOEING 737-86N, MSN 38018, OK TVR	2011	122	27.4.2021	Celestial Aviation Trading 12 Limited
13	BOEING 737-86N, MSN 39404, OK TVS	2011	122	4.5.2021	Celestial Aviation Trading 12 Limited
14	BOEING 737-86N, MSN 39394, OK TVT	2012	122	30.1.2022	Celestial Aviation Trading 12 Limited
15	BOEING 737-86N, MSN 38025, OK TVU (C-GKVU)	2012	122	19.3.2022	Celestial Aviation Trading 17 Limited
16	BOEING 737-86N, MSN 38027, OK TVV (C-GKVV)	2012	122	8.5.2022	Celestial Aviation Trading 26 Limited
17	BOEING 737-86Q, MSN 30295, OK TVW	2004	97	28.6.2020	SASOF III (A20) AVIATION IRELAND DAC
18	BOEING 737-8Z9, MSN 33833, OK TVX	2005	73	28.4.2019	Macquarie Aviation Capital Finance Limited
19	BOEING 737-8Q8, MSN 30724, OK TVY (C-GTQY)	2007	73	21.5.2019	WILMINGTON TRUST SP SERVICES (DUBLIN) LIMITED
20	BOEING 737-8S3, MSN 29250, OK TSA	2001	61	3.4.2018	SASOF III (A10) AVIATION IRELAND DAC (3)
21	BOEING 737-8Q8, MSN 41795, OK TSD	2014	122	4.5.2024	ILFC Aircraft 73B-41795 Limited
22	BOEING 737-81D, MSN 39437, OK TSE	2014	97	2.2.2022	Macquarie Aerospace Finance 39437 Limited
23	BOEING 737-8GJ, MSN 37360, OK TSF	2009	97	23.3.2023	Halodell Limited
24	BOEING 737-804, MSN 28231, OK TSH	2000	59	5.2.2020	Constitution Aircraft Leasing (Ireland) 9 Limited
25	BOEING 737-8AS, MSN 29921, OK TSJ	1999	6	31.10.2015	I.M.P. GROUP LIMITED

No.	Aircrafts leased in 2015	Mfg Year	Lease Period (in months)	Expire date	Lessor
26	BOEING 737-8AS, MSN 29923, OK TSL	2000	6	31.10.2015	I.M.P. GROUP LIMITED
27	BOEING 737-9GJER, MSN 37363, OK TSI	2012	67	31.10.2020	CIT Aerospace International
28	BOEING 737-8FH, MSN 35093, OK TSC (C-GTQX)	2007	71	7.3.2019	CONSTITUTION AIRCRAFT LEASING (IRE) 9 LTD
29	BOEING 737-7Q8, MSN 29346, OK SWT	2003	61	21.6.2017	ILFC IRELAND LTD
30	BOEING 737-7Q8, MSN 28254, OK SWW	2003	61	31.5.2017	ILFC IRELAND LTD
31	A320-214, MSN 4699, OK HCA	2011	28	29.2.2016	Celestial Aviation Trading 69 Limited
32	A320-214, MSN 2180, OK HCB	2004	28	29.2.2016	Artemis Ireland Leasing Limited
33	Citation 680, MSN 680-0139, OK UNI	2007	122	25.6.2017	UG Jet s.r.o.
34	Citation 680, MSN 680-0279, OK EMA	2009	97	21.5.2017	UG Jet s.r.o.
35	Citation 680, MSN 680-0324, OK UGJ	2012	97	12.3.2020	UG Jet s.r.o.
36	BOEING 737-8BK, MSN 29643, SP TVZ	2007	110	14.2.2019	Wilmington Trust SP Services (Dublin) Limited
37	BOEING 737-82R, MSN 30666, OM TSG	2004	73	8.5.2020	ILFC Ireland Limited

Due to the insufficient number of operated aircraft, especially in summer, the Group enters into so-called A.C.M.I. contracts (Wet Leasing Agreement). Under these contracts, the Group leases aircraft with a crew and maintenance and insurance are included.

In 2015, costs of lease of such aircraft amounted to CZK 799,040 thousand (2014: CZK 964,644 thousand). In 2015, the biggest lessors were České aerolinie (Czech Republic, Airbus A 320, A319), SUNWING AIRLINES INC. with its seat in Toronto (Canada, Boeing 737 800), SMARTLYNX AIRLINES (Latvia, Airbus A 320) and other (e.g. SpiceJet Limited, MIAT Mongolian Airlines. During the year, the aircraft were allocated to the Group on an individual basis, such as in Canada, India, Oman.

In addition the Group leases warehouses under operating lease.

24 CURRENT TRADE AND OTHER PAYABLES, DEFERRED INCOME

	2015	2014
Trade payables	1 078 021 667	1 069 404 279
Other payables	1 053 738 464	961 503 969
Offset*	-794 688 272	-535 134 195
Total Trade and Other Payables	**1 337 071 859**	**1 495 774 053**

	2015	2014
Payables to employees	61 265 831	58 159 471
Payables to institutions	35 829 446	34 931 627
Deposits received	413 147 013	247 794 615
Deferred income	49 961 340	20 772 595
Borrowings from related parties	0	0
Other payables	21 962 468	26 639 762
Total Other Payables	**582 166 098**	**388 298 071**

* The Group classified transactions with its business partners under different asset and liability entries, such as advance payments, accounts receivable, accounts payable, deposits, estimates. It is customary in trade transactions to communicate with business partners and settle net balances of mutual open / outstanding entries, the estimated set-off is also disclosed in the annual financial statements.

The carrying amount of trade and other payables approximates their fair value.

25 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its Directors and key management personnel as well as with its shareholders and all companies in which these entities or individuals hold direct or indirect control, including common control, joint control and significant influence.

During the years ending 31 December 2015 and 31 December 2014, the Group had relations with following related parties:

	Company	Address	Statutory body	Owners
1.	**CANARIA TRAVEL, spol. s r. o.**	Horňátecká 481/5, Kobylisy, Praha 8	Roman Vik Lenka Viková Ludvík Macháček	TO SERVIS spol. s r. o. (51,22%) EH Group s. r. o. (24,39%) Unimex Group, a. s. (24,39%)
2.	**TO - SERVIS spol. s r. o.**	Horňátecká 481/5, Kobylisy, Praha 8	Roman Vik	Roman Vik (100%)
3.	**EH Group s.r.o.**	Horňátecká 481/5, Kobylisy, Praha 8	Roman Vik	Roman Vik (100%)
4.	**EHQ Energy s.r.o.**	Horňátecká 481/5, Kobylisy, Praha 8	Veronika Viková Lenka Loštická	Roman Vik (50%) Marek Loštický (50%)
5.	**UG Jet, s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně	Unimex Group, a. s. (50%) EH Group s. r. o. (50%)
6.	**UNIMEX GROUP, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	Jiří Šimáně (30%) Jaromír Šmejkal (20%) NEVILLE Investments B. V. (30%) JADA Investments B.V. (20%)
7.	**UNIMEX GROUP, uzavřený investiční fond, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal Petr Pavlát	Jiří Šimáně (47.17%) Jaromír Šmejkal (31.34%) UNIMEX GROUP, a. s. (20.83%) Others (0.56%)
8.	**Fly Sport Investments s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně	Jiří Šimáně
9.	**UG SHOPS, s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, A. S. (100%)
10.	**UG-D,a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, uzavřený investiční fond, a.s. (100%)

	Company	Address	Statutory body	Owners
11.	**BT Golf, s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Vladimír Klepal	UNIMEX GROUP, A. S. (100%)
12.	**Global Wines & Spirits s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal Tomáš Otta	UNIMEX GROUP, A. S. (47.5%) Tomáš Otta (5%) Global Eastern Wine Holding GmbH (47,5%)
13.	**UNI HOBBY, a.s.**	Vinohradská 365/10, Praha 2 - Vinohrady	Jiří Šimáně Jaromír Šmejkal Petr Pavlát	Jiří Šimáně (51%) Jaromír Šmejkal (34%) Petr Pavlát (15%)
14.	**Václavské, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, A. S. (100%)
15.	**Janáčkovo, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, A. S. (100%)
16.	**Příkopy, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, A. S. (100%)
17.	**Global Stores, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, A. S. (100%)
18.	**TRAVEL FREE, s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal Pavel Monhart	UNIMEX GROUP, A. S. (50%) Gebr. Heinemann SE & Co. KG (50%)
19.	**Vinohradská BLDG, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal	UNIMEX GROUP, A. S. (100%)
20.	**UNISTAV International, a.s.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně Jaromír Šmejkal Petr Pavlát	UNIMEX GROUP, A. S. (100%)
21.	**Fly Investments s.r.o.**	Václavské nám. 815/53, Nové Město Praha 1	Jiří Šimáně	Jiří Šimáně (100%)
22.	**EHQ s.r.o.**	Horňátecká 481/5, Kobylisy, Praha 8	Roman Vik Jiří Berger Marek Loštický	EH GROUP s. r. o. (50%) Jiří Berger (25%) IMMORENT AND TRADE, a.s. (25%)

	Company	Address	Statutory body	Owners
23.	**China International Group Corporation Limited**	Room 2302-2304, 23/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong, People's Republic of China	Liefen Du Zhongqiu Liu	China United Association International Fudging Centre Ltd. (70 %) Zhong Ye Equity Investment Fund Ltd. (30 %)

Transactions with non-consolidated subsidiaries, joint ventures, associates and post-employment benefit plans are carried out on an arm's-length basis.

- **Balances transaction with related parties**

1. CANARIA TRAVEL, spol. s r. o.

	2015 TCZK	2014 TCZK
Revenue	**215.915**	**208.631**
Expenses	**2.938**	**2.954**
Receivable		
Trade receivables	5 944	12 523
Other receivables	7 000	0
Total receivables	12 944	12 523
Payables		
Trade payables	0	0
Loans received	0	0
Other liabilities	183	38
Total payables	183	38

2. UG Jet, s.r.o.

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**114 360**	**114 360**
Receivable		
Trade receivables	0	0
Other receivables	40 766	91 336
Total receivables	40 766	91 336
Payables		
Trade payables	5 970	28 590
Loans received	0	0
Other liabilities		0
Total payables	5 970	28 590

3. UNIMEX GROUP, a.s.

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**0**	**495**
Receivable		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables	0	0
Loans received	57 000	0
Other liabilities	13 741	13 741
Total payables	70 741	13 741

4. BT Golf, s. r. o.

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**4 315**	**3 025**
Receivable		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables	0	0
Loans received	0	
Other liabilities	0	0
Total payables		

5. Global Wines & Spirits s.r.o.

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**7**	**77**
Receivable		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables	2	0
Loans received	0	
Other liabilities	0	0
Total payables	2	0

6. Jiří Šimáně

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**0**	**0**
Receivable		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables		
Loans received	0	0
Other liabilities	0	0
Total payables	0	0

7. China International Group Corporation Limited

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**0**	**0**
Receivable		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables		
Loans received	0	0
Other liabilities	0	0
Total payables	0	0

8. Jiří Jurán

	2015 TCZK	2014 TCZK
Revenue	**0**	**0**
Expenses	**0**	**0**
Receivable		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables		
Loans received	496	0
Other liabilities	0	0
Total payables	0	0

26 AUDITOR'S FEE

	2015	2014
Audit of Annual accounts	1 438 971	1 455 099
Consultancy and Other services	1 400 000	0
Total Auditor's fee	**2 838 971**	**1 455 099**

27 SUBSEQUENT EVENTS

In accordance with the strategy of the Group that includes, inter alia, a modernization of fleet of aircrafts focused on procurement and operating lease of aircrafts of the type Boeing 737 -MAX and the concluded agreement on purchase of three aircrafts of the mentioned type, the second advance payment has been installed to the company Boeing in the amount exceeding CZK 100,000 thousand.

Due to concluded agreements on operating lease of the mentioned type B 737-MAX, the Group was allowed to terminate prematurely the operating lease of aircrafts Airbus A 320 without any sanction.
After the balance sheet date the Group started to realize the project of strengthening its position on the market in France and began to establish its base in Paris to include the lease of business space. The Group has concluded work agreements with several pilots and cabin crew members according to law of Republic of France with a view to the fact that these employees are citizens of France.

The shareholders of the Group undertook further steps to increase shareholders capital of the Group by the amount exceeding CZK 900,000 thousand.