INVL BALTIC REAL ESTATE

Special Closed-Ended Type Real Estate Investment Company‘s

„INVL Baltic Real Estate“ Consolidated and Company’s Interim Condensed Not-audited Financial Statements for the twelve months ended 31 December 2018

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

GENERAL INFORMATION

Management

Management Company

UAB INVL Asset Management

Investment Committee

Mr. Vytautas Bakšinskas
Mr. Andrius Daukšas

Address and company code

Gynėjų Str. 14,
Vilnius,
Lithuania

Company code 152105644

Banks

AB Šiaulių Bankas
AB SEB Bankas
ABLV Bank, AS
AS "SEB banka"

The financial statements were authorised for issue by the Management Company on 28 February 2019.

Mr. Vytautas Bakšinskas Real estate fund manager at UAB INVL Asset Management	Justina Konteniene Chief financier at UAB INVL Asset Management

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of comprehensive income

		Group		Company	
	Notes	12 months 2018	12 months 2017	12 months 2018	12 months 2017
Revenue	4, 5	**5,822**	**6,203**	**4,307**	**5,720**
Interest income		-	-	-	-
Other income		4	25	4	25
Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss	3	-	-	662	592
Net profit from fair value adjustments on investment property		1,473	2,326	1,379	2,267
Premises rent costs	4, 5	(309)	(1,146)	(309)	(1,147)
Utilities	4	(822)	(883)	(41)	(875)
Repair and maintenance cost of premises	4	(1,265)	(935)	(795)	(930)
Management and Performance Fee	5, 16	(391)	(645)	(391)	(645)
Property management and brokerage costs	4	(42)	(302)	(389)	(299)
Taxes on property	4	(322)	(331)	(303)	(310)
Employee benefits expenses		(93)	(33)	-	-
Impairment of financial assets (reversal of impairment)	9	(38)	(2)	(23)	(2)
Depreciation and amortisation		(30)	(14)	(28)	(13)
Other expenses		(350)	(213)	(286)	(185)
Operating profit		**3,637**	**4,050**	**3,787**	**4,198**
Finance costs	6	(463)	(473)	(415)	(419)
Profit before income tax		**(3,174)**	**3,577**	**3,372**	**3,779**
Income tax credit (expenses)	7	(5)	-	-	1
NET PROFIT FOR THE PERIOD		**(3,169)**	**3,577**	**3,372**	**3,780**
Other comprehensive income for the period, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,169**	**3,577**	**3,372**	**3,780**
Attributable to:					
Equity holders of the parent		3,169	3,577	3,372	3,780
Basic and diluted earnings per share (in EUR)	13	0,24	0,27		

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of comprehensive income

		Group		Company	
	Notes	**IV quarter 2018**	**IV quarter 2017**	**IV quarter 2018**	**IV quarter 2017**
Revenue		**1,489**	**1,404**	**1,079**	**1,279**
Interest income		-	-	-	-
Other income		-	4	-	4
Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss		-	-	213	135
Net profit from fair value adjustments on investment property		624	1,225	618	1,220
Premises rent costs		(79)	(59)	(78)	(59)
Utilities		(229)	(217)	(10)	(215)
Repair and maintenance cost of premises		(334)	(204)	(216)	(203)
Management and Performance Fee		(147)	(327)	(147)	(327)
Property management and brokerage costs		(8)	(46)	(188)	(43)
Taxes on property		(78)	(81)	(73)	(76)
Employee benefits expenses		(35)	(9)	-	-
Impairment of financial assets (reversal of impairment)		(4)	-	(3)	-
Depreciation and amortisation		(10)	(4)	(9)	(4)
Other expenses		(122)	(79)	(96)	(68)
Operating profit		**1,067**	**1,607**	**1,090**	**1,643**
Finance costs		(116)	(121)	(102)	(106)
Profit before income tax		**951**	**1,486**	**988**	**1,537**
Income tax credit (expenses)		(14)	-	-	-
NET PROFIT FOR THE PERIOD		**937**	**1,486**	**988**	**1,537**
Other comprehensive income for the period, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**937**	**1,486**	**988**	**1,537**
Attributable to:					
Equity holders of the parent		937	1,486	988	1,537
Basic and diluted earnings per share (in EUR)		0.07	0.11		

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of financial position

		Group		Company	
	Notes	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
ASSETS					
Non-current assets					
Property, plant and equipment		160	111	156	107
Investment properties	8	58,295	56,341	49,693	47,833
Intangible assets		40	40	40	40
Investments into subsidiaries measured at fair value through profit or loss	3	-	-	6,553	5,881
Operating lease pre-payments	5	100	100	100	100
Deposits	12	150	-	-	-
Total non-current assets		**58,745**	**56,592**	**56,542**	**53,961**
Current assets					
Inventories, prepayments and deferred charges		63	239	55	234
Trade and other receivables	9	354	597	277	589
Deposits	12	-	150	-	-
Cash and cash equivalents		734	411	454	223
Total current assets		**1,151**	**1,397**	**786**	**1,046**
TOTAL ASSETS		**59,896**	**57,989**	**57,328**	**55,007**

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(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of financial position (cont'd)

		Group		Company	
	Notes	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	10	19,068	19,068	19,068	19,068
Share premium	10	2,478	2,478	2,478	2,478
Reserves	10	3,443	3,254	3,683	3,494
Retained earnings	10	10,331	9,061	9,787	8,314
Total equity		**35,320**	**33,861**	**35,016**	**33,354**
Liabilities					
Non-current liabilities					
Non-current borrowings	12	21,762	20,162	19,877	17,937
Provisions	5	949	949	979	949
Deferred tax liability		4	-	-	-
Advances received		388	258	388	258
Total non-current liabilities		**23,133**	**21,369**	**21,244**	**19,144**
Current liabilities					
Current portion of non-current borrowings	12	863	718	634	482
Current borrowings	12	-	801	-	801
Trade payables		206	361	95	360
Income tax payable		-	4	-	4
Provisions	5	14	9	14	9
Advances received		85	3	85	3
Other current liabilities	15	275	863	240	850
Total current liabilities		**1,443**	**2,759**	**1,068**	**2,509**
Total liabilities		**24,576**	**24,128**	**22,312**	**21,653**
TOTAL EQUITY AND LIABILITIES		**59,896**	**57,989**	**57,328**	**55,007**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of changes in equity

				Reserves			
Group	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2017		**19,068**	**2,478**	**426**	**2,828**	**9,061**	**33,861**
Net profit for the twelve months ended 31 December 2018		-	-	-	-	3,169	3,169
Total comprehensive income for the twelve months ended 31 December 2018		**-**	**-**	**-**	**-**	**3,169**	**3,169**
Dividends approved	11	-	-	-	-	(1,710)	(1,710)
Transfer to reserves	10	-	-	189	-	(189)	-
Total transactions with owners of the Company, recognised directly in equity		-	-	189	-	(1,899)	(1,710)
Balance as at 31 December 2018		**19,068**	**2,478**	**615**	**2,828**	**10,331**	**35,320**

				Reserves			
Group	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**19,068**	**2,478**	**190**	**2,828**	**6,509**	**31,073**
Net profit for the twelve months ended 31 December 2017		-	-	-	-	3,577	3,577
Total comprehensive income for the twelve months ended 31 December		**-**	**-**	**-**	**-**	**3,577**	**3,577**
Dividends approved	11	-	-	-	-	(789)	(789)
Transfer to reserves		-	-	236	-	(236)	-
Total transactions with owners of the Company, recognised directly in equity		-	-	236	-	(1,025)	(789)
Balance as at 31 December 2017		**19,068**	**2,478**	**426**	**2,828**	**9,061**	**33,861**

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of changes in equity (cont'd)

				Reserves			
Company	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2017		**19,068**	**2,478**	**666**	**2,828**	**8,314**	**33,354**
Net profit for the twelve months ended 31 December 2018		-	-	-	-	3,372	3,372
Total comprehensive income for the twelve months ended 31 December		**-**	**-**	**-**	**-**	**3,372**	**3,372**
Dividends approved	11	-	-	-	-	(1,710)	(1,710)
Transfer to reserves	10	-	-	189	-	(189)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**189**	**-**	**(1,899)**	**(1,710)**
Balance as at 31 December 2018		**19,068**	**2,478**	**855**	**2,828**	**9,787**	**35,016**

				Reserves			
Company	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**19,068**	**2,478**	**430**	**2,828**	**5,559**	**30,363**
Net profit for the twelve months ended 31 December 2017		-	-	-	-	3,780	3,780
Total comprehensive income for the twelve months ended 31 December		**-**	**-**	**-**	**-**	**3,780**	**3,780**
Dividends approved	11	-	-	-	-	(789)	(789)
Transfer to reserves		-	-	236	-	(236)	-
Total transactions with owners of the Company, recognised directly in equity		-	-	236	-	(1,025)	(789)
Balance as at 31 December 2017		**19,068**	**2,478**	**666**	**2,828**	**8,314**	**33,354**

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of cash flows

	Notes	Group 12 months 2018	Group 12 months 2017	Company 12 months 2018	Company 12 months 2017
Cash flows from (to) operating activities					
Net profit for the period		3,169	3,577	3,372	3,780
Adjustments for non-cash items and non-operating activities:					
Net gains from fair value adjustments on investment property		(1,473)	(2,326)	(1,379)	(2,267)
Depreciation and amortization		30	14	28	13
Net loss from sale of non-current assets		-	1	-	1
Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss	3	-	-	(662)	(592)
Finance costs	6	463	473	415	419
Deferred taxes	7	4	1	-	-
Current income tax expenses	7	1	(1)	-	(1)
Provisions	5	34	(129)	34	(129)
Impairment of financial assets (reversal of impairment)	9	38	2	23	2
Changes in working capital:					
Decrease (increase) in inventories		-	6	-	6
Decrease (increase) in trade and other receivables		201	(135)	285	(139)
Decrease (increase) in other current assets		176	616	179	618
(Decrease) increase in trade payables		68	10	(42)	7
(Decrease) increase in other current liabilities		(286)	80	(308)	81
Cash flows from(to) operating activities		**2,425**	**2,189**	**1,945**	**1,799**
Income tax paid		(1)	(12)	-	(12)
Net cash flows from (to) operating activities		**2,424**	**2,177**	**1,945**	**1,787**

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(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of cash flows (cont'd)

		Group		Company	
	Notes	**12 months 2018**	**12 months 2017**	**12 months 2018**	**12 months 2017**
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(79)	(153)	(77)	(152)
Acquisition of investment properties	8	(829)	(2,193)	(829)	(2,190)
Proceeds from sale of non-current assets (except for investment properties)		-	1,000	-	1,000
Proceeds from sale of investment properties		-	-	-	-
Loans granted		-	-	(10)	-
Repayment of loans granted		-	-	-	-
Interest received		-	-	-	-
Transfer from (to) deposits		-	-	-	-
Net cash flows from (to) investing activities		**(908)**	**(1,346)**	**(916)**	**(1,342)**
Cash flows from (to) financing activities					
Cash flows related to Group owners:					
Issue of new shares		-	-	-	-
Dividends paid to equity holders of the parents		(1,675)	(773)	(1,675)	(773)
		(1,675)	(773)	(1,675)	(773)
Cash flows related to other sources of financing					
Proceeds from loans	12	2,668	800	2,668	800
Repayment of loans	12	(1,722)	(726)	(1,375)	(497)
Interest paid	12	(464)	(472)	(416)	(418)
		482	(398)	877	(115)
Net cash flows from (to) financing activities		**(1,193)**	**(1,171)**	**(798)**	**(888)**
Net increase (decrease) in cash and cash equivalents		**323**	**(340)**	**231**	**(443)**
Cash and cash equivalents at the beginning of the period		**411**	**751**	**223**	**666**
Cash and cash equivalents at the end of the period		**734**	**411**	**454**	**223**

(the end)

Notes to the interim condensed financial statements

1 General information

Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate (hereinafter 'the Company', previous name AB Invaldos Nekilnojamojo Turto Fondas, code 152105644) is a joint stock company registered in the Republic of Lithuania. It was established on 28 January 1997.

On 22 December 2016 the Company was issued a closed-end investment company (UTIB) licence by the Bank of Lithuania. Under the Company's Articles of Association, the Company will operate until 22 December 2046, with an extension possibility for additional term of twenty years.

As the Company obtained the status of a closed-end investment company, its management was thereafter undertaken by UAB INVL Asset Management ('the Management Company'), which is entitled to the Management and Performance Fee. Rights and duties of the Board and the head of the Company was also transferred to the Management Company.

Based on the Articles of Association, for the sake of efficiency of the Company's activities and control over its investments, an Investment Committee shall be formed by a decision of the Board of the Management Company. The Investment Committee shall consist of 3 (three) members, to the positions of which the representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company) shall be appointed. Members of the Investment Committee shall be appointed and removed from office by the Board of the Management Company. An approval of the Investment Committee must be obtained for all investments of the Company and for their sale. At the moment of the release of the financial statements two 2 (members) of the Investment Committee was operating, the third member is not nominated.

The Company also signed an agreement on depository services with AB SEB Bankas, which acts as a depository of the Company's assets.

The Group consists of the Company and its directly and indirectly owned subsidiaries (hereinafter 'the Group', Note 5 of annual financial statements for year ended 31 December 2018).

The address of the office is Gynėjų str. 14, Vilnius, Lithuania.

The Group was established on 29 April 2014 by spinning-off from AB Invalda INVL (code 121304349) the investments into entities, which business is investment into investment properties held for future development, into commercial real estate and renting thereof. On 17 August 2015 the parent entity AB INVL Baltic Real Estate (hereinafter 'the Former Parent Company', code 30329973) was merged to the Company, which continues its operations under the name INVL Baltic Real Estate and became the parent of the Group.

The Group has invested in commercial real estate: business centres and manufacturing and warehouse properties in Lithuania and Latvia. All the properties generate leasing income and most of them offer prospects for further development.

The Group seeks to earn profit from investments in commercial real estate by ensuring the growth of leasing income. When it makes business sense, the Company also considers investments in the reorganisation of its existing portfolio of properties, taking advantage of their good location.

The Management Company shall manage the Company's portfolio of investment instruments following the principles of diversification (the conformity of the Company's portfolio of investment instruments to the diversification principles shall be achieved within four years after the Bank of Lithuania has issued a permission to certify the Company's incorporation documents and to choose the Depository) as set forth in the Articles of Association. The Company cannot invest directly or indirectly more than 30% of its net asset value into a single real estate object. The total amount of investments into real estate objects under construction cannot exceed 20% of net asset value of the Company. The total amount of investments into a real estate object and movable property and/or equipment necessary for its use cannot exceed 40% of net asset value of the Company. The Company cannot invest more than 30% of its net asset value into any single issuer of the instruments. More detailed requirements are set out in the Articles of Association of the Company.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

As at 31 December 2018 the Company's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each (as at 31 December 2017: 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each). All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 31 december 2018 and 31 December 2017 the shareholders of the Company were (by votes):

	As at 31 December 2018		As at 31 December 2017	
	Number of votes held	Percentage	Number of votes held	Percentage
AB Invalda INVL	4,246,233	32.29	21,127,994	32.13
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	2,631,695	20.01	13,158,474	20.01
Mrs. Irena Ona Mišeikienė	2,498,596	19.00	12,492,979	19.00
Mr. Alvydas Banys	663,640	5.05	3,318,198	5.05
Other minor shareholders	3,109.836	23.65	15,652,355	23.81
Total	13,150,000	100.00	65,750,000	100.00

The Company's shares are traded on the Baltic Secondary List of Nasdaq Vilnius from 16 September 2015. Before the merger the shares of the Former Parent Company were traded on the Baltic Secondary List of Nasdaq Vilnius from 4 September 2014 until 17 August 2015.

2 Accounting policies

Basis of preparation

The interim condensed financial statements for the 12 months ended 31 December 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2017.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except adoption of new Standards and Interpretations as of 1 January 2018, noted below.

A number of new or amended standards became applicable for the current reporting period:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 *Share-based Payments* (effective for annual periods beginning on or after 1 January 2018);
- *Annual Improvements* to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (changes to IFRS 1 and IAS 28);
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply overlay approach).

2 Accounting policies (cont'd)

IFRS 9 *Financial Instruments*

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The business model of the Company is to manage investment into subsidiaries together with loans granted to subsidiaries as one portfolio and evaluate their performance on a combined fair value basis. On this basis information on portfolio is provided to the Management Company and the Investment Committee. Therefore, the portfolio is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Consequently, such portfolio of financial assets must be measured at fair value through profit or loss. Before adopting of IFRS 9 the Company has attributed investment into subsidiaries together with loans granted to subsidiaries to 'Assets at fair value through profit or loss' and measured them also at fair value through profit or loss. The Group and the Company have other financial assets attributed to the categories of financial assets 'Loans and receivables', which according to new standard would be measured at amortised cost as before as the business model for these assets is held to collect contractual cash flows and they are SPPI. The Group and the Company have only financial liabilities attributed to the category 'Other financial liabilities'. Therefore, there is not impact on the Group's and the Company's accounting for financial liabilities. The changes in hedge accounting has not impact on the Group's and the Company's financial statements as the Group and the Company have no hedge accounting. The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables. Based on the assessments undertaken to date, it may result in an earlier recognition of credit losses in future, but at the date of initial application and for the Group's and the Company's financial statements for the twelve months ended 30 September 2018 the Group/Company assessed that there is not significant impact on allowance of trade receivables, cash and cash equivalents and deposits. Therefore, there is not material impact on the Group's/Company's financial position or performance due to application of IFRS 9 until issue of these financial statements. The new standard also introduces expanded disclosure requirements and changes in presentation, but they do not have impacted the Group's and the Company's financial statements for the twelve months ended 30 December 2018. The Group/the Company has applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 is not restated.

(all amounts are in EUR thousand unless otherwise stated)

2 Accounting policies (cont'd)

IFRS 15 *Revenue from Contracts with Customers*
Amendments to IFRS 15 *Revenue from Contracts with Customers*

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The impact of the standard on the Group's and the Company's financial statements for twelve months ended 31 December 2018 is non-material, because the main revenue of the Group is rental income. All revenue is recognised at a point in time. The Group has added additional disclosure to segment information (Note 4) to disaggregated segments revenue into rent income and other revenue.

Amendments to IAS 40 *Transfers of Investment Property*

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. The amendment had no impact on the Group's and the Company's financial statements for twelve months ended 31 December 2018.

The other amendments to existing standards and interpretation had are not relevant to the Group and the Company.

3 Investments into subsidiaries

Fair value of investments in subsidiaries

Investments into subsidiaries together with loans granted to subsidiaries are measured at fair value through profit or loss in the Company's stand-alone financial statements for twelve months ended 31 December 2018 and for the year ended 31 December 2017. It is Level 3 fair value measurement. The fair value of investments is measured at the fair value of their net assets including loans granted by the Company. The main assets of dormant entities are cash. The main assets of active subsidiaries are investment properties, which are measured at fair value using the income approach. The main liabilities of subsidiaries are borrowings from external financial institutions, which are measured using an income approach, such as a present value technique.

The breakdown of the carrying amounts of investments in subsidiaries by legal form is presented below:

	As at 31 December 2018	As at 31 December 2017
Shares	99	112
Loans granted	6,454	5,769
	6,553	**5,881**

(all amounts are in EUR thousand unless otherwise stated)

3 Investments into subsidiaries (cont'd)

Key inputs to valuation on subsidiaries as at 31 December 2018:

Significant unobservable inputs	**Value of input or range**
Sales price EUR per sq. m. (with VAT)	1,810
Cost to completion EUR per sq. m (without VAT)	887
Profit on cost ratio of the entire project (%)	30
Discount rate (%)	11
Capitalisation rate for terminal value (%)	9
Vacancy rate (%)	3 - 5 (15 in second year and 10 in third year)
Increase of rents per year (%)	1.5
Inflation (%)	1.4 – 1.6

Fair value of investments into subsidiaries (cont'd)

Key inputs to valuation on subsidiaries as at 31 December 2017:

Significant unobservable inputs	**Value of input or range**
Sales price EUR per sq. m. (with VAT)	1,810
Cost to completion EUR per sq. m (without VAT)	887
Profit on cost ratio of the entire project (%)	30
Discount rate (%)	11
Capitalisation rate for terminal value (%)	9
Vacancy rate (%)	5 - 15
Increase of rents per year (%)	1.4 – 1.6
Inflation (%)	1.4 – 1.6

The sensitivity analysis of fair value of subsidiaries as at 31 december 2018 is as follows:

Reasonable possible shift +/- (%)	**Increase of estimates**	**Decrease of estimates**
Change in future sale prices of developed properties by 10%	160	(170)
Change in construction costs by 10%	(130)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	20
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	134	(190)
Change in expected vacancy rates by 20%	(35)	84
Change in discount and capitalization rate by 50 bps	(296)	267

(all amounts are in EUR thousand unless otherwise stated)

3 Investments into subsidiaries (cont'd)

The sensitivity analysis of fair value of subsidiaries as at 31 December 2017 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in future sale prices of developed properties by 10%	160	(170)
Change in construction costs by 10%	(130)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	20
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(73)	72
Change in discount and capitalization rate by 50 bps	(272)	303

The table below shows changes in financial instruments in Level 3 during the 12 months of 2018:

Fair value as at 31 December 2017	**5,881**
Gains and losses recognized in profit or loss (within 'Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss')	662
Loan granted	10
Fair value as at 31 December 2018	**6,553**

The table below shows changes in financial instruments in Level 3 during the 12 months of 2017:

Fair value as at 31 December 2016	**5,289**
Gains and losses recognized in profit or loss (line 'Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss')	592
Fair value as at 31 December 2017	**5,881**

The main part of investments into subsidiaries together with loans granted are loans granted to Latvian entities. In 2015 50% of these loans were acquired by the Former Parent Company at a price below their estimated fair value, which was measured as 50% of fair value of net assets of subsidiaries, over which control was obtained by the Former Parent Company. On the acquisition day, the difference amounted to EUR 1,014 thousand. As the fair value was not determined based on observable inputs, this '1 day profit' was not recognised immediately but is deferred and is recognised during the estimated maturity of the loans. During the 12 months of 2018 and 2017 the Company has recognised EUR 203 thousand and EUR 203 thousand of this '1 day profit' within 'Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss' in the statement of comprehensive income, respectively. As at 31 December 2018 and as at 31 December 2017 unrecognised part of '1 day profit' was EUR 304 thousand and EUR 507 thousand, respectively. Therefore, the total fair value of loans granted by the Company was EUR 6,758 thousand and EUR 6,454 thousand as at 31 December 2018 and as at 31 December 2017, respectively (their carrying amount – EUR 6,304 thousand and EUR 5,769 thousand, respectively). It is Level 3 measurement.

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information

Management of the Company has determined the operating segments based on the reports reviewed by the Investment Committee that are used to make strategic decisions. The Investment Committee analyses performance of the Group on property-by-property basis of owned premises, while leased premises are reported on a combined basis. Performance is evaluated based on net operating income. Net operating income is calculated by deducting from revenue premises rent costs (excluding provision for onerous contract), utilities expenses, repair and maintenance expenses, property management and brokerage costs, taxes on property and insurance costs. Segment assets and liabilities are not reported to the Investment Committee. Management of the Company has determined following reportable segments:

- Owned property in Lithuania. The reportable segment comprises four (until September 2017 – five) on a property-by-property basis, which are aggregated. The operating segments have similar economic characteristics, because all owned premises are located in Vilnius, Lithuania. These are office buildings with some warehouse premises. Most of them have further development opportunities. All properties are multi-tenant. Corporate tenants dominate, but some premises are also leased to governmental and retail tenants.
- Leasehold property. They are located in Vilnius and Kaunas, Lithuania. These are office buildings and warehouses. From 1 September 2017 the segment comprises of one investment property (office building) in Vilnius.
- Owned property in Latvia. Revenue is earned from warehouse located in Riga, Latvia.

The following table presents performance of reportable segments of the Group for the twelve months ended 31 December 2018:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Twelve months ended 31 December 2018				
Rent income	3,984	202	530	4,716
Other revenue (utilities and other service)	1,103	-	-	1,103
Revenue	**5,087**	**202**	**530**	**5,819**
Expenses				
Premises rent costs	(94)	(211)	(4)	(309)
Utilities	(819)	-	(3)	(822)
Repair and maintenance of premises	(1,266)	-	(26)	(1,292)
Property management and brokerage costs	(16)	-	(26)	(42)
Taxes on property	(307)	-	(15)	(322)
Insurance costs	(11)	-	(3)	(14)
Net operating income for the period	**2,574**	**(9)**	**453**	**3,018**

From 1 January 2018 property management services is provided by subsidiary UAB Proprietas to the Company. The previous agreement for property management services with external entity ended on 31 December 2017. Therefore, from 1 January 2018 on the Group level property management costs are not incurred, but the Group has incurred additional employee benefits expenses which is not included into reportable segment expenses.

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

The following table presents performance of reportable segments of the Group for the twelve months ended 31 December 2017:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Twelve months ended 31 December 2017				
Rent income	3,501	1,170	477	5,148
Other revenue (utilities and other service)	943	111	-	1,054
Revenue	**4,444**	**1,281**	**477**	**6,202**
Expenses				
Premises rent costs	(32)	(1,202)	(4)	(1,238)
Utilities	(779)	(97)	(7)	(883)
Repair and maintenance of premises	(852)	(59)	(24)	(935)
Property management and brokerage costs	(200)	(79)	(3)	(282)
Taxes on property	(314)	-	(17)	(331)
Insurance costs	(8)	-	(3)	(11)
Net operating income for the period	**2,259**	**(156)**	**419**	**2,522**

The following table presents reconciliation of the Group's operating profits from net operating income, rent costs and revenue.

	01.01.2018 – 31.12.2018				01.01.2017 – 31.12.2017			
	Net operating income to operating profit	Premises rent costs	Repair and maintenance of premises	Revenue	Net operating income to operating profit	Premises rent costs	Property management and brokerage costs	Revenue
From reportable segment	**3,018**	**(309)**	**(1,307)**	**5,819**	**2,522**	**(1,238)**	**(282)**	**6,202**
Provision for onerous contracts	-	-	-	-	92	92	-	-
Other revenue not included in reportable segments	3	-	-	3	1	-	-	1
Add back insurance costs and other expenses (included within 'other expenses')	41	-	(27)	-	11	-	-	-
Brokerage cost on sale of investment property	-	-	-	-	(20)	-	(20)	-
Management and Performance Fee	(391)	-	-	-	(645)	-	-	-
Impairment of financial assets (reversal of impairment)	(38)	-	-	-	(2)	-	-	-
Employee benefits expenses	(93)	-	-	-	(33)	-	-	-
Depreciation and amortisation	(30)	-	-	-	(14)	-	-	-
Other expenses	(350)	-	-	-	(213)	-	-	-
Other income	4	-	-	-	25	-	-	-
Net gains from fair value adjustments on investment property	1,473	-	-	-	2,326	-	-	-
Total	**3,637**	**(309)**	**(1,265)**	**5,822**	**4,050**	**1,146**	**(302)**	**6,203**

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2018 and 31 December 2017:

	Lithuania	Latvia	Total
As at 31 December 2018	50,412	8,183	58,595
As at 31 December 2017	48,488	8,104	56,592

5 Revenue, lease expenses and provisions

Revenue

The Group, as a lessor, leases the Group's investment property in accordance with the lease agreements for commercial property. Most of the contracts have a maturity from 1 to 6 years.

Analysis of revenue by category:

	Group		Company	
	12 months 2018	12 months 2017	12 months 2018	12 months 2017
Rent income	4,716	5,148	4,183	4,668
Utilities revenue	812	874	20	872
Other services revenue	294	181	104	180
Total revenue	**5,822**	**6,203**	**4,307**	**5,720**

From 1 January 2018 subsidiary UAB Proprietas provide property management services for the Company and utilities and other services to the tenants of the Company. Therefore, from 1 January 2018 most of utilities and other services revenue is earned by the subsidiary, not by the Company.

The Group has earned rent income from both owned and subleased premises. Breakdown of revenue by ownership of premises is presented below:

	Group		Company	
	12 months 2018	12 months 2017	12 months 2018	12 months 2017
Rent income from owned premises	4,514	3,978	3,981	3,498
Other revenue from owned premises	1,106	944	124	941
Total revenue from owned premises	*5,620*	*4,922*	*4,105*	*4,439*
Rent income from subleased premises	202	1,170	202	1,170
Other revenue from subleased premises	-	111	-	111
Total revenue from subleased premises	*202*	*1,281*	*202*	*1,281*
Total revenue	**5,822**	**6,203**	**4,307**	**5,720**

Analysis of revenue of the Group by geographical areas:

	Group	
	12 months 2018	12 months 2017
Lithuania	5,289	5,725
Latvia	533	478
Total	**5,822**	**6,203**

(all amounts are in EUR thousand unless otherwise stated)

5 Revenue, lease expenses and provisions (cont'd)

Expenses and provisions

The Company was leasing premises from an external party until August 2017 under the lease agreement of 10 August 2007, except for one property, which is leased until the expiry of the current sublease agreement (31 December 2025). The Company had paid a one off deposit in the amount of EUR 825 thousand corresponding to the 6 months rental fee amount which will be set-off against the last part of lease payment at the termination of the lease. The rent payments are subject to an indexation at the end of August each year on the basis of harmonised consumer price index, if the latter is more than 1%, but there is a cap for annual indexation of 3.8%. In November of 2016 the amendment to the lease agreement was signed. According to the amendment, EUR 275 thousand of prepayments was set off against lease payables in 2016, EUR 450 thousand of prepayments was set off in 2017, and EUR 100 thousand of prepayments has to be set off in 2025.

During the 12 months of 2018 and the 12 months of 2017 the Group has incurred EUR 211 thousand and EUR 1,111 thousand lease expenses under this agreement, respectively. Contingent rent constitutes EUR 36 thousand and EUR 190 thousand within this amount for during the 12 months of 2018 and the 12 months of 2017, respectively in the Group/the Company.

The lease agreement of 10 August 2007 is an onerous contract, therefore, there is a provision of EUR 182 thousand and EUR 181 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 31 December 2018 and 31 December 2017, respectively.

The changes in the provision for onerous contract during the 12 months of 2018 and 2017 are presented below:

	12 months 2018	12 months 2017
As at 1 January	**181**	**272**
Re-estimation of provision at the end of the reporting period	9	1
Amount used (recognised as a reduction of 'Premises rent costs')	(9)	(105)
The reversal of the discount effect and changes in the discount rate	1	13
As at 31 December	**182**	**181**
	As at 31 December 2018	**As at 31 December 2017**
Non-current	168	172
Current	14	9
Total	**182**	**181**

As at 31 December 2018 the Company recognised non-current provision for the Performance Fee of EUR 811 thousand (as at 31 December 2017 - EUR 777 thousand)

The changes in the provision for the Performance Fee is presented below:

	12 months 2018	12 months 2017
As at 1 January	**777**	**814**
Re-estimation of provision at the end of the reporting period	84	349
Reclassification of payable part to 'other current liabilities'	(50)	(386)
As at 31 December	**811**	**777**

(all amounts are in EUR thousand unless otherwise stated)

6 Finance costs

	Group		Company	
	12 months 2018	12 months 2017	12 months 2018	12 months 2017
Interest expenses of bank borrowings	(454)	(471)	(407)	(417)
Interest expenses of borrowings from related parties	(7)	(1)	(7)	(1)
Unwinding of the discount effect of provision for onerous contract	(1)	(1)	(1)	(1)
	(463)	(473)	(415)	(419)

7 Income tax

	Group		Company	
	12 months 2018	12 months 2017	12 months 2018	12 months 2017
Components of the income tax expenses				
Current income tax expense	-	-	-	-
Prior year current income tax correction	1	1	-	1
Deferred income tax expense	4	(1)	-	-
Income tax expense charged to profit or loss – total	5	-	-	1

8 Investment properties

The movements of investment properties of the Group were:

	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	**Level 2**	**Level 3**	**Level 3**	
Balance as at 31 December 2016	**4,017**	**48,043**	**350**	**52,410**
Subsequent expenditure	-	2,545	-	2,545
Transfer from intangible assets	-	60	-	60
Sales	-	(1,000)	-	(1,000)
Gain from fair value adjustment	136	2,347	-	2,483
Loss from fair value adjustment	(80)	(77)	-	(157)
Balance as at 31 December 2017	**4,073**	**51,918**	**350**	**56,341**
Balance as at 31 December 2017	**4,073**	**51,918**	**350**	**56,341**
Subsequent expenditure	-	481	-	481
Gain from fair value adjustment	417	1,127	-	1,544
Loss from fair value adjustment	-	(71)	-	(71)
Balance as at 31 December 2018	**4,490**	**53,455**	**350**	**58,295**
Unrealized gains or losses for the period, included within 'Net gain (losses) on fair value adjustments of investment property' in profit or loss	**417**	**1,056**	**-**	**1,473**

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

The movements of investment properties of the Company were:

	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	Level 2	Level 3	Level 3	
Balance as at 31 December 2016	**862**	**43,102**	**-**	**43,964**
Subsequent expenditure	-	2,542	-	2,542
Transfer from intangible assets	-	60	-	60
Sales	-	(1,000)	-	(1,000)
Gain from fair value adjustment	6	2,347	-	2,353
Loss from fair value adjustment	(80)	(6)	-	(86)
Balance as at 31 December 2017	**788**	**47,045**	**-**	**47,833**
Balance as at 31 December 2017	**788**	**47,045**	**-**	**47,833**
Subsequent expenditure	-	481	-	481
Gain from fair value adjustment	252	1,127	-	1,379
Loss from fair value adjustment	-	-	-	-
Balance as at 31 December 2018	**1,040**	**48,653**	**-**	**49,693**
Unrealized gains or losses for the period, included within 'Net gain (losses) on fair value adjustments of investment property' in profit or loss	**252**	**1,127**	**-**	**1,379**

During the 12 months of 2018 and the 12 months of 2017 the reconstruction expenses of EUR 59 thousand and EUR 2,339 thousand have incurred, respectively, and were capitalised and added to the acquisition cost of investment property, located at Gynėjų 14, Vilnius. During the 12 months of 2018 the reconstruction expenses of EUR 272 thousand have incurred additionally for the investment properties, located at Palangos 4, Vilnius and 150 thousand have incurred additionally for the investment properties, located Žygio g. 97, Vilnius. During the 12 months of 2017 the reconstruction expenses of EUR 3 thousand have incurred for the investment properties in Latvia and of EUR 203 thousand have incurred additionally for the investment properties in Latvia and in Vilnius, located at Palangos 4. During the 12 months of 2018 the Group/the Company has paid outstanding payables from 2017 for subsequent expenditure for investment properties of EUR 348 thousand and has paid EUR 481 thousand for subsequent expenditures during 2018. As at 31 december 2018 outstanding payables for subsequent expenditure for investment properties amounted to EUR 4 thousand (EUR 4 thousand for subsequent expenditure during 2017).

Investment properties are measured at fair value. During the 12 months of 2018 and in 2017, properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued as at 31 October 2018 and 31 October 2017, respectively, by an accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas (hereinafter together with SIA OBER-HAUS Vertešanas Serviss referred to as 'Oberhaus') using the income approach and by an accredited valuer UAB Newsec Valuations (hereinafter 'Newsec') using the income approach and market approach. During the 12 months of 2018 and in 2017 investment properties located in Latvia were valued as at 31 October 2018 and 31 October 2017, respectively, by an accredited valuer SIA OBER-HAUS Vertešanas Serviss using a market approach for land and using an income approach for warehouse. There were no significant changes in the market during period from valuation date till end of reporting periods that could have an effect on the value of investment properties, therefore the updated valuation was not performed as at 31 December 2018 and as at 31 December 2017.

The split of carrying amounts of the properties leased out by the entity by type:

	Group		Company	
	As at 31 December	As at 31 December 2017	As at 3 December	As at 31 December 2017
Offices premises in city centre – Lithuania	48,653	47,045	48,653	47,045
Warehouse – Latvia	4,802	4,873	-	-
	53,455	**51,918**	**48,653**	**47,045**

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2018:

	Valuation technique	Significant unobservable inputs	Range (weighted average) Oberhaus	Newsec
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8,5 – 9 (8,85)	9,00 – 9,8 (9,20)
		Capitalisation rate for terminal value (%)	7,0 – 8,0 (7,41)	7,5 – 8,5 (7,65)
		Vacancy rate (%)	3-25	5-10, in first year 5-50
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7,2 – 20 (10,70)	5,79 – 19,70 (11,0)
		Warehouse premises - Rent price EUR per sq. m. (without VAT)	4,5-6,5 (4,68)	3,77-6,12 (5,01)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

Inputs for investment properties held for future developments are not relevant to the Company. All other inputs in the Company are the same as in the Group.

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 31 December 2017:

	Valuation technique	Significant unobservable inputs	Range (weighted average) Oberhaus	Newsec
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 9.0 (9.24)	9.0 – 9.8 (9.18)
		Capitalisation rate for terminal value (%)	7.0 – 8.5 (7.74)	7.5 – 8.5 (7.64)
		Vacancy rate (%)	3 – 15	5 (5 – 50 in first year)
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.50 – 19.60 (10.32)	4.93 - 19.5 (10.77)
		Warehouse and office premises in industrial area - Rent price EUR per sq. m. (without VAT)	4.50 – 6.00 (4.64)	3.73 – 5.83 (4.45)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

Inputs for investment properties held for future developments are not relevant to the Company. All other inputs in the Company are the same as in the Group.

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 31 December 2018:

	Valuation technique	Significant unobservable inputs	Value of input or range Oberhaus
Properties leased out by the entity	Discounted cash flows (five years estimated)	Discount rate (%)	11
		Capitalisation rate for terminal value (%)	9
		Vacancy rate (%)	3 - 5 (15 in second year and 10 in third year)
		Increase of rents per year (%)	1.5
		Inflation (%)	1.4-1.6

*Oberhaus is used for valuation of current contractual rent prices and has indexed these prices by input of increase of rents per year.

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 31 December 2017:

	Valuation technique	Significant unobservable inputs	Value of input or range Oberhaus
Properties leased out by the entity	Discounted cash flows (five years estimated)	Discount rate (%)	11
		Capitalisation rate for terminal value (%)	9
		Vacancy rate (%)	5 (15 in first year and 10 in third year)
		Increase of rents per year (%)	1.4-1.6
		Inflation (%)	1.4-1.6

*Oberhaus is used for valuation of current contractual rent prices and has indexed these prices by input of increase of rents per year.

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2018 is as follows:

Group Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4,939	-	(4,940)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(810)	-	805	-
Change in discount and capitalization rate by 50 bps	(3,538)	-	3,135	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

Company Reasonable possible shift +/- (%)	Increase of estimates Properties leased out by the entity	Decrease of estimates Properties leased out by the entity
Change in future rental rates by 10 %	4,939	(4,940)
Change in expected vacancy rates by 20%	(810)	805
Change in discount and capitalization rate by 50 bps	(3,538)	3,135

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2018 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	134	(190)
Change in expected vacancy rates by 20%	(35)	84
Change in discount and capitalization rate by 50 bps	(296)	267

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 31 December 2017 is as follows:

Group Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4,917	-	(4,913)	-
Change in future sale prices of developed properties by 10%	-	160	-	(170)
Change in construction costs by 10%	-	(130)	-	130
Change in expected vacancy rates by 20%	(610)	-	713	-
Change in discount and capitalization rate by 50 bps	(2,955)	-	3,474	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	20

Company Reasonable possible shift +/- (%)	Increase of estimates Properties leased out by the entity	Decrease of estimates Properties leased out by the entity
Change in future rental rates by 10 %	4,917	(4,913)
Change in expected vacancy rates by 20%	(610)	713
Change in discount and capitalization rate by 50 bps	(2,955)	3,474

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 31 December 2017 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(73)	72
Change in discount and capitalization rate by 50 bps	(272)	303

As at 31 December 2018 the Group's investment properties with carrying amount of EUR 57,784 thousand (EUR 55,853 thousand as at 31 December 2017) were pledged to the banks as collateral for the loans.

As at 31 December 2018 the Company's investment properties with carrying amount of EUR 49,602 thousand (EUR 47,752 thousand as at 31 December 2017) were pledged to the banks as collateral for the loans.

As at 31 December 2016 a written consent was required for sale of investment property from AB SEB bankas as a depository service provider. According to the Lithuanian Law on Collective Investment Undertakings, the sale price of investment properties may not be lower by more than 15% of the value determined by the independent qualified valuer. Having concluded a contract on sale of investment properties, when the above-described condition is not satisfied, the Management Company must, in exceptional cases and provided that interests of participants of the Company are not harmed, notify the supervisory authority thereof immediately. The 5 parking spaces acquired by the Company with the carrying amount of EUR 58 thousand (as at 31 December 2017: EUR 48 thousand) are subject to interim measures not to sell them to third parties if the legal dispute is in process. The legal dispute between the seller of the parking spaces and third entity is regarding the right to land and legitimacy of construction of parking spaces. At the end of the period, there were no significant contractual obligations to purchase, construct, repair or expand the investment property.

On 28 September 2018 the Group signed a preliminary agreement regarding the sale of 20.6 hectares of land plots in Latvia. In order for the transaction to be completed, the buyer of the land plots must by the end of 2018 sign a lease agreement for the properties planned to be built on the land plots, and also make an advance payment and perform other actions envisaged in the agreement. If the parties fulfil all the stipulated conditions, the transaction could be completed by 1 July 2019. Given that the preliminary agreement may cease to have effect due to circumstances beyond the control of Group, and that there are no guarantees that the transaction will be completed, its amount is not being disclosed. If the transaction was completed, it would have a positive impact on equity of Group (considering the carrying amount of assets).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the 12 months of 2018 and 2017.

9 Trade and other receivables

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Trade and other receivables, gross	406	622	317	620
Taxes receivable, gross	3	10	-	4
Less: allowance for doubtful trade and other receivables	(55)	(35)	(40)	(35)
	354	597	277	589

Trade and other receivables are non-interest bearing and are generally with a credit term of 30 days. As at 31 December 2018 and as at 31 December 2017 the Group's and Company's trade and other receivables with nominal value of EUR 62 thousand and of EUR 47 thousand, respectively, were past due and impaired (as at 31 December 2017: EUR 45 thousand). The net amount of EUR 7 thousand is presented in the statement of financial position of the Group/Company as at 31 December 2018 (as at 31 December 2017: EUR 10 thousand).

(all amounts are in EUR thousand unless otherwise stated)

9 Trade and other receivables (cont'd)

Movements in the allowance for accounts receivable of the Group and Company (assessed individually) were as follows:

	Group	Company
Balance as at 31 December 2017	**35**	**35**
Charge for the year	42	27
Write-offs charged against the allowance	(18)	(18)
Recoveries of amounts previously written-off	(4)	(4)
Balance as at 31 December 2018	**55**	**40**

	Group	Company
Balance as at 31 December 2016	**33**	**33**
Charge for the year	2	2
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	-	-
Balance as at 31 december 2017	**35**	**35**

The ageing analysis of trade and other receivables of the Group at 31 December 2018 and at 31 December 2017 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
As at 31 December 2018	268	60	13	3	-	344
As at 31 December 2017	364	141	27	15	30	577

The ageing analysis of trade and other receivables of the Company at 31 December 2018 and at 31 December 2017 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
As at 31 December 2018	142	52	74	2	-	270
As at 31 December 2017	363	140	27	15	30	575

10 Share capital and reserves

As at 31 December 2018 the Group's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each.

On 29 December 2017 the Extraordinary General Shareholders Meeting of the Company has to decide to change nominal value of shares from EUR 0.29 to EUR 1.45. Therefore, the number of ordinary registered shares was decreased by five times from 65,750,000 till 13,150,000. The changes were come into force on 15 January 2018 when the new Articles of Association were registered by the Register of Legal Entities. As of 15 January 2018 the Company's/Group's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each.

(all amounts are in EUR thousand unless otherwise stated)

10 Share capital and reserves (cont'd)

As at 31 December 2017 the Group's share capital was divided into 65,750,000 ordinary registered shares with the nominal value of EUR 0.29 each.

All the shares of the Company were fully paid.

On 26 March 2018 EUR the annual general meeting has decided to transfer from retained earnings EUR 189 thousand to the legal reserve.

11 Dividends

On 29 December 2017 the General Shareholder Meeting of the Company has approved the dividend policy which stipulates the payment each year of dividends per share with the nominal value of EUR 1.45 of no less than EUR 0.13, if the legal and contractual requirements did not restrict that.

A dividend in respect of the year ended 31 December 2016 of EUR 0.012 per share with the nominal value of EUR 0.29, amounting to a total dividend of EUR 789 thousand, was approved at the annual general meeting on 11 April 2017. The equivalent of dividends per share with the nominal value of EUR 1.45 is EUR 0.06.

A dividend in respect of the year ended 31 December 2017 of EUR 0.13 per share with the nominal value of EUR 1.45, amounting to a total dividend of EUR 1,710 thousand, was approved at the annual general meeting on 26 March 2018.

12 Borrowings

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
Non-current:				
Non-current bank borrowings	21,757	20,158	19,877	17,937
Non-current other borrowings	5	4	-	-
	21,762	20,162	19,877	17,937
Current:				
Current portion of non-current borrowings	863	718	634	482
Borrowings from related parties	-	801	-	801
	863	1,519	634	1,283
Total borrowings	**22,625**	**21,681**	**20,511**	**19,220**

All borrowings are expressed in EUR.

Borrowings with fixed or floating interest rate (with changes in 3 and 6 months period) were as follows:

Interest rate type:	Group		Company	
	As at 31 december 2018	**As at 31 December 2017**	**As at 31 december 2018**	**As at 31 December 2017**
Fixed	5	805	-	801
Floating	22,620	20,876	20,511	18,419
	22,625	21,681	20,511	19,220

As at 31 December 2018 and at 31 December 2017 all Group entities have complied with bank loan covenants.

12 Borrowings (cont'd)

On 23 February 2018 the Board of the Financial and Capital Market Commission in Latvia adopted a decision on the unavailability of deposits at ABLV Bank AS. On 12 September 2018 it was announced that the Financial and Capital Market Commission has approved ABLV Bank AS voluntary liquidation. The cash on the current account on ABLV Bank AS was used for repayment of borrowing from ABLV Bank AS. During the 12 months of 2018 EUR 45 thousand of deposit placed on the ABLV Bank AS was used for repayment of the borrowing. According to borrowing agreement in April 2018 the deposit was restored to EUR 150 thousand by transfer cash from other bank. Therefore, the Group can suffer up to EUR 150 thousand of loss in the worst case scenario.

On 10 April 2018 the Company has signed an amendment of to the borrowing agreement with AB Šiaulių bankas. According to the amendment the new credit limit of EUR 23,926 thousand is set. It consists of two parts. The first part amounts to EUR 22,926 thousand and could be disbursed until 31 May 2019. The second part is a credit line of EUR 1,000 thousand, which could be disbursed until 22 December 2022. Therefore, the Company could use additional liquidity source of up to EUR 5,690 thousand. Furthermore, the settlement schedule and interest rate were changed. In 2018 the Group will have to repay the amount of EUR 575 thousand instead of EUR 447 thousand. During 2nd Quarter of 2018 the Company has disbursed EUR 2,668 thousand of borrowing to settle liabilities. In the meantime, it was repaid EUR 800 thousand of borrowing to a subsidiary of AB Invalda INVL.

During the 12 months of 2018 the Group and the Company repaid respectively EUR 1,722 thousand and EUR 1,375 thousand of borrowings. During the 12 months of 2017 the Group and Company repaid respectively EUR 726 thousand and EUR 497 thousand of borrowings.

13 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for the twelve months ended 31 December 2018 was 13,150 thousand.

On 15 January 2018 occurred change of nominal value from EUR 0.29 to EUR 1.45 is considered as reverse share split. Therefore, the basic and diluted earnings per share has to be recalculated by using number of shares if the reverse share split would be occurred before the start of the comparative period of financial statements.

Therefore, the weighted average number of shares for the twelve months ended 31 December 2017 was also 13,150 thousand.

The following table reflects the income and share data used in the basic earnings per share computations:

	Group	
	12 months 2018	**12 months 2017**
Net profit, attributable to the equity holders of the parent	3,169	3,577
Weighted average number of ordinary shares (thousand)	13,150	13,150
Basic earnings per share (EUR)	0,24	0.27

For the 12 months of 2018 and 2017 the Group diluted earnings per share are the same as basic earnings per share.

(all amounts are in EUR thousand unless otherwise stated)

14 Liquidity risk

The Group's liquidity ratio (total current assets including assets held for sale / total current liabilities) as at 31 December was approximately 0.80 (as at 31 December 2017 – 0.51). The Company liquidity ratio as at 31 December 2018 was approximately 0.74 (as at 31 December 2017 – 0,42).

As at 31 December 2018, current assets were lower than current liabilities of EUR 292 thousand in the Group and EUR 282 thousand in the Company. The Group would use additional liquidity source of up to EUR 3,022 thousand (Note 12) after signing of the amendment of bank borrowing agreement with AB Šiaulių bankas to meet its liabilities, which expire within twelve months after 31 December 2018.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2018 and at 31 December 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	317	948	22,924	-	24,189
Trade and other payables	-	206	-	-	-	206
Provision for onerous contract	-	3	11	99	71	184
Other liabilities	67	37	-	-	-	104
Balance as at 31 December 2018	**67**	**563**	**959**	**23,023**	**71**	**24,683**
Interest bearing borrowings	-	284	1,677	5,578	16,185	23,724
Trade and other payables	-	360	1	-	-	361
Provision for onerous contract	-	2	7	78	97	184
Other liabilities	32	704	-	-	-	736
Balance as at 31 December 2017	**32**	**1,350**	**1,685**	**5,656**	**16,282**	**25,005**

The table below summarises the maturity profile of the Company financial liabilities as at 31 december 2018 and at 31 December 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	249	746	21,021	-	22,016
Trade and other payables	-	95	-	-	-	95
Provision for onerous contract	-	3	11	99	71	184
Other liabilities	67	27	-	-	-	94
Balance as at 31 December 2018	**67**	**374**	**757**	**21,120**	**71**	**22,389**
Interest bearing borrowings	-	213	1,465	3,312	16,185	21,175
Trade and other payables	-	360	-	-	-	360
Provision for onerous contract	-	2	7	78	97	184
Other liabilities	32	700	-	-	-	732
Balance as at 31 December 2017	**32**	**1,275**	**1,472**	**3,390**	**16,282**	**22,451**

Provision for onerous contract is disclosed in the tables above, because it is a financial liability arising from the unavoidable cost of meeting the obligation of contract. The amounts disclosed are undiscounted future loss amounts used to calculate provision.

(all amounts are in EUR thousand unless otherwise stated)

15 Other current liabilities

Other current liabilities are presented in the table below:

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Financial liabilities				
Dividends payable	67	32	67	32
Performance Fee	-	386	-	386
Other amounts payable	37	318	27	314
	104	736	94	732
Non – financial liabilities				
Salaries and social security contributions payable	10	-	-	-
Tax payable	161	127	146	118
	171	127	146	118
Total other current liabilities	**275**	**863**	**240**	**850**

16 Related party transactions

The related parties of the Group were the shareholders of the Company, who have significance influence (note 1), key management personnel, including companies under control or joint control of key management and shareholders having significant influence. AB Invalda INVL and the entities controlled by AB Invalda INVL (hereinafter 'the Other related parties') are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group through shareholders' agreement,

The Group transactions with related parties during the twelve months ended 31 December 2018 and related balances as at 31 December 2018 were as follows:

12 months 2018 Group	Revenue and other income from related parties	Purchases (including provision) and interest from related parties	Receivables from related parties	Payables to related parties (excluding provision)
AB Invalda INVL (accounting services)	-	15	-	7
Other related parties (borrowings)	-	7	-	-
Other related parties (maintenance and repair services)	-	460	-	23
Other related parties (rent, utilities and other)	313	7	6	-
Other related parties (management services provided by the Management Company)	-	391	-	23
	313	880	6	53

(all amounts are in EUR thousand unless otherwise stated)

16 Related party transactions (cont'd)

The Group transactions with related parties during the twelve months ended 31 December 2017 and related balances as at 31 december 2017 were as follows:

12 months 2017 Group	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	12	-	-
Other related parties (loan received)	-	1	-	801
Other related parties (maintenance and repair services)	-	356	-	31
Other related parties (rent, utilities and other)	219	6	6	-
Other related parties (management services provided by the Management Company)	-	645	-	481
	219	1,020	6	1,313

The related parties of the Company are subsidiaries, shareholders who have significant influence (Note 1), key managers, key managers and shareholders with significant influence, controlled or jointly controlled entities. AB Invalda INVL and its controlled companies are also assigned to related parties, as the Company's shareholders having significant influence also jointly control the Invalda INVL group under the shareholder agreement.

The Company transactions with related parties during the twelve months ended 31 December 2018 and related balances as at 31 December 2018 were as follows:

12 months 2018 Company	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
Loans granted to subsidiaries	-	-	6,454	-
AB Invalda INVL (accounting services)	-	8	-	-
Other related parties (borrowings)	-	7	-	-
Other related parties (maintenance and repair services)	-	225	-	4
Other related parties (rent, utilities and other)	262	-	-	-
Other related parties (management services provided by the Management Company)	-	391	-	23
Property administration and other services from subsidiaries	-	395	61	42
	262	1,026	6,515	69

Loans granted to Latvian entities are subordinated to the bank borrowings and can be repaid only upon maturity of the bank borrowings in 2020. The repayment date of the loans granted to subsidiaries in Lithuania is 31 December 2019. The Company measured the loans granted to subsidiaries at fair value and did not recognise interest income separately.

(all amounts are in EUR thousand unless otherwise stated)

16 Related party transactions (cont'd)

The Company transactions with related parties during the twelve months ended 31 December 2017 and related balances as at 31 december 2017 were as follows:

12 months 2017 Company	Revenue and other income from related parties	Purchases (including provision) and interest from related parties	Receivables from related parties	Payables to related parties (excluding provision)
Loans granted to subsidiaries	-	-	5,769	-
AB Invalda INVL (accounting services)	-	10	-	-
Other related parties (received loan)	-	1	-	801
Other related parties (maintenance and repair services)	-	348	-	31
Other related parties (rent, utilities and other)	214	-	5	-
Other related parties (management services provided by the Management Company)	-	645	-	481
Property administration and other services from subsidiaries	-	25	-	2
	214	1,029	5,774	929

According to dividend distribution report, based on the shareholder list as at 10 April 2018 (the day of accounting of rights), the Company paid to AB Invalda INVL EUR 551 thousand of dividends, net of tax, and paid to other shareholders, who have significance influence, EUR 692 thousand of dividends, net of tax.

17 Events after reporting period

As of 31 December 2018, there have been no events that would have a significant effect on the reported values and the activities of the company.