AB INVALDOS NEKILNOJAMOJO TURTO FONDAS

ANNUAL REPORT, COMPANY'S
FINANCIAL STATEMENTS FOR THE YEAR 2014 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Independent Auditor's Report

To the shareholder of Invaldos nekilnojamojo turto fondas UAB

Report on the financial statements

We have audited the accompanying financial statements of Invaldos nekilnojamojo turto fondas UAB ("the Company") set out on pages 5 to 45, which comprise the statement of financial position as of 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the annual report for the year ended 31 December 2014 set out on pages 46 to 47 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2014.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
29 April 2015

GENERAL INFORMATION

Board of Directors

Mr. Vytautas Plunksnis
Mr. Darius Šulnis (until 23 December 2014)
Mr. Andrius Daukšas (from 23 December 2014)

Management

Mr. Gediminas Bronislovas Rimkevičius

Principal place of business and company code

A. Juozapavičiaus g. 6,
Vilnius,
Lithuania

Company code 152105644

Banks

AB Šiaulių Bankas
AB SEB Bankas
Nordea Bank AB Lithuania Branch

Auditor

UAB PricewaterhouseCoopers
J. Jasinskio g. 16B,
Vilnius, Lithuania

These financial statements were authorised for issue and signed by the Management and the Board of Directors on 28 April 2015.

Mr. Gediminas Bronislovas Rimkevičius Director	Mr. Raimondas Rajeckas Authorised person according to the agreement to conduct accounting

Company's statements of comprehensive income

	Note	2014	2013
Revenue	7	**18,478**	**17,678**
Interest income		251	227
Other income		15	1
Net gains (losses) from fair value adjustment of investment property	11	310	(1,713)
Premises rent costs	7	(6,033)	(5,424)
Utilities		(3,511)	(3,856)
Repair and maintenance of premises		(2,713)	(3,043)
Property management and brokerage costs		(1,000)	(1,142)
Taxes on property		(836)	(671)
Impairment of assets	9	(272)	(60)
Employee benefit expenses		(30)	(17)
Depreciation and amortisation	12	(37)	(34)
Other operating expenses		(650)	(322)
Operating profit		**3,972**	**1,624**
Finance costs	8	(1,912)	(1,775)
Profit (loss) before income tax		**2,060**	**(151)**
Income tax expense	10	(334)	(5)
PROFIT (LOSS) FOR THE YEAR		**1,726**	**(156)**
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,726**	**(156)**

Company's statements of financial position

	Note	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
ASSETS				
Non-current assets				
Property, plant and equipment	12	44	41	66
Investment property	11	115,070	114,750	115,740
Intangible assets	12	552	808	-
Investments in subsidiaries	6	5	-	-
Prepayments under operating lease contracts	7	2,848	2,848	2,848
Total non-current assets		**118,519**	**118,447**	**118,654**
Current assets				
Trade and other receivables	15	1,001	902	967
Loans granted	14	4,584	5,058	8,782
Prepayments and deferred charges		14	76	59
Restricted cash		-	1,353	1,353
Cash and cash equivalents	3.1	1,074	239	339
Total current assets		**6,673**	**7,628**	**11,500**
Total assets		**125,192**	**126,075**	**130,154**
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent				
Share capital	16	33,265	33,265	33,265
Share premium	16	-	-	-
Reserves	16	830	830	797
Retained earnings	16	4,431	2,705	2,894
Total equity		**38,526**	**36,800**	**36,956**
Liabilities				
Non-current liabilities				
Non-current borrowings	17	67,094	69,821	73,192
Provisions	7	629	947	1,542
Deferred income tax liability	10	12,315	11,604	11,593
Other non-current liabilities	7	1,418	1,525	1,549
Total non-current liabilities		**81,456**	**83,897**	**87,876**
Current liabilities				
Current portion of non-current borrowings	17	1,652	4,146	4,146
Current borrowings	17	2,037	-	-
Trade payables		229	299	277
Provisions	7	632	452	610
Advance amounts received		153	157	103
Other current liabilities		507	324	185
Total current liabilities		**5,210**	**5,378**	**5,321**
Total liabilities		**86,666**	**89,275**	**93,197**
Total equity and liabilities		**125,192**	**126,075**	**130,153**

Company's statement of changes in equity

				Reserves			
	Note	Share capital	Share premium	Legal reserve	Reserve for purchase of own shares	Retained earnings	Total
Balance at 31 December 2012		**33,265**	**-**	**797**	**-**	**13,177**	**47,239**
Correction of error	4	-	-	-	-	(10,283)	(10,283)
Adjusted balance at 31 December 2012		**33,265**	**-**	**797**	**-**	**2,894**	**36,956**
Change in reserves		-	-	33	-	(33)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**33**	**-**	**(33)**	**-**
Loss for 2013		-	-	-	-	(156)	(156)
Total comprehensive income for 2013		-	-	-	-	(156)	(156)
Balance at 31 December 2013		**33,265**	**-**	**830**	**-**	**2,705**	**36,800**
Profit for 2014		-	-	-	-	1,726	1,726
Total comprehensive income for 2014		**-**	**-**	**-**	**-**	**1,726**	**1,726**
Balance at 31 December 2014		**33,265**	**-**	**830**	**-**	**4,431**	**38,526**

Company's statements of cash flows

	Note	2014	2013
Cash flows from operating activities			
Profit (loss) for the reporting period		1,726	(156)
Adjustments for non-cash items and non-operating activities:			
Net gains (losses) from revaluation of investment property	11	(310)	1,713
Depreciation and amortization	12	37	34
Interest income		(251)	(227)
Interest expenses		1,912	1,775
Deferred taxes	10	334	5
Current income tax expenses	10	-	-
Provisions		(174)	(815)
Impairment of assets (reversal of impairment)		272	60
Changes in working capital:			
Decrease (increase) in trade and other receivables		272	71
Decrease (increase) in other current assets		62	(17)
(Decrease) increase in trade payables		230	22
(Decrease) increase in other liabilities		72	166
Reclassification from restricted cash		1,353	-
Cash flows from operations		**5,535**	**2,631**
Income tax paid		-	-
Net cash generated from operating activities		**5,535**	**2,631**
Cash flows from investing activities			
Acquisition of non-current assets (except investment property)	12	(40)	(817)
Acquisition of investment property	11	(10)	(723)
Loans granted		(8)	(21)
Repayment of loans granted		658	3,576
Interest received		54	336
Net cash generated from investing activities		**654**	**2,351**
Cash flows from financing activities			
Cash flows related to the Company's shareholders		-	-
Cash flows related to other sources of financing			
Proceeds from borrowings		55,555	-
Repayment of borrowings		(59,967)	(4,143)
Interest paid		(942)	(939)
		(5,354)	(5,082)
Net cash used in financing activities		**(5,354)**	**(5,082)**
Net increase (decrease) in cash and cash equivalents		**835**	**(100)**
Cash and cash equivalents at the beginning of the period		**239**	**339**
Cash and cash equivalents at the end of the period		**1,074**	**239**

Notes to the financial statements

1 General information

AB Invaldos Nekilnojamojo Turto Fondas ('the Company') is a public limited liability company registered in the Republic of Lithuania. It was established on 28 January 1997.

The address of the Company's registered office is as follows:

A. Juozapavičiaus g. 6,
Vilnius,
Lithuania.

The Company's core line of business is real estate investments. The Company has invested in office, warehousing and industrial properties. All the properties generate rental income and have prospects of further development. The Company's assets are managed by UAB Inreal Valdymas, which acts as a legal representative of the Company.

As at 31 December 2014 and 31 December 2013, the Company's authorised share capital amounted to LTL 33,265 thousand and was divided into 33,265,440 ordinary registered shares with the nominal value of LTL 1 (one) each. The authorised share capital remained unchanged during 2014 and 2013.

As at 31 December 2014 and 2013, the Company had no own shares acquired. The Company's shares are not publicly traded.

As at 31 December 2013, the sole shareholder of AB Invaldos Nekilnojamojo Turto Fondas was AB Invalda LT. Following the split-off of AB Invalda LT on 29 April 2014, AB INVL Baltic Real Estate (company code 303299735) became the Company's sole shareholder.

As at 31 December 2014, the Company had 1 (31 December 2013: 2) employee.

The Company has two subsidiaries (refer to Note 6 for further information). However, according to paragraph 4(a) of IFRS 10 *Consolidated financial statements* it does not prepare consolidated financial statements as the Company itself is a wholly-owned subsidiary.

The Company has no publicly traded debt financial instruments or shares and it does not intend to present the financial statements to the Securities Commission or other regulatory authority with a purpose of issuing publicly traded financial instruments. In addition, the parent company AB INVL Baltic Real Estate prepares the consolidated financial statements according to IFRS which are available to the general public. The group's consolidated financial statements of AB INVL Baltic Real Estate are available at the website www.invlbalticrealestate.com.

As required by the Lithuanian Law on Companies the management prepared annual financial statements which should be approved at the General Shareholders' Meeting. The shareholders of the Company have a statutory right not to approve the annual financial statements and to require preparation of a new set of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in preparing the Company's financial statements for the year ended 31 December 2014 are as follows:

2.1. Basis of preparation

Statement of compliance

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

These financial statements have been prepared on a historical cost basis, except for investment property and investments in subsidiaries that have been measured at fair value. The financial statements are presented in LTL thousands and all values are rounded to the nearest thousand except when otherwise indicated.

Adoption of new and/or amended IFRS and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The Company adopted the following new and amended IFRS and IFRIC interpretations during the current financial year (with effect from 1 January 2014):

– IFRS 12 *Disclosure of interests in other entities* (effective from 1 January 2014);
– IAS 27 *Separate financial statements* (effective from 1 January 2014);
– Transition guidance amendments to IFRS 12 (effective from 1 January 2014).

The main impact of these amendments is as follows:

IFRS 12 *Disclosure of interests in other entities*

The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, 'Consolidated financial statements', and IFRS 11, 'Joint arrangements'. It replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires entities to disclose information that would help financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Company has no unconsolidated structured entities. As at 31 December 2014, the Company had no subsidiaries with non-controlling interests and did not prepare consolidated financial statements.

IAS 27 *Separate financial statements*

This standard was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, 'Consolidated financial statements'. This amendment had no effect on the Company's financial statements for the year 2014.

2 Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

Transition guidance amendments to IFRS 10, IFRS 11 and IFRS 12

The amendments clarify the transition guidance in IFRS 10, 'Consolidated financial statements'. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2013 for a calendar year-end entity that adopts IFRS 10 in 2014) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, 'Joint arrangements', and IFRS 12, 'Disclosure of interests in other entities', by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. This amendment had no effect on the Company's financial statements for the year 2014.

<u>The following new and/or amended IFRS and IFRIC interpretations are not relevant to the Company:</u>

– IFRS 10 *Consolidated financial statements* (effective from 1 January 2014);
– IFRS 11 *Joint arrangements* (effective from 1 January 2014);
– IAS 28 *Investments in associates and joint ventures* (effective from 1 January 2014);
– Amendments to IAS 32 – *Financial instruments: Presentation – Offsetting financial assets and financial liabilities* (effective from1 January 2014);
– Transition guidance amendments to IFRS 10, IFRS 11 (effective from 1 January 2014);
– Amendments to IAS 39 – *Novation of derivatives and continuation of hedge accounting* (effective from 1 January 2014);
– Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment entities* (effective from 1 January 2014);

<u>Standards adopted by the EU, but not yet effective and have not been early adopted</u>

IFRIC 21 Levies (effective for financial years beginning on or after 17 June 2014).

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. Currently, no significant tax has been charged to the Company, therefore the interpretation will have no material impact on the Company.

The following amendments to existing standards have been adopted by the EU, but not yet effective and have not been early adopted and will not have a significant impact on the Company:
- *Annual improvements to 2012 IFRSs (effective for financial years beginning on or after 1 February 2015);*
- *Annual improvements to 2013 IFRSs (effective for financial years beginning on or after 1 January 2015);*
- *Amendments to IAS 19, 'Defined benefit plans: Employee contributions' (effective for financial years beginning on or after 1 February 2015).*

2.2. Functional and presentation currency

The financial statements are prepared in litas (LTL), which was the local currency of the Republic of Lithuania till the 31st of December 2014, and presented in LTL thousands. The litas was the Company's functional and presentation currency. From 2 February 2002 until 31 December 2014 the Lithuanian litas was pegged to the euro at the exchange rate of LTL 3.4528 to EUR 1. The exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

As these financial statements are presented in LTL thousands, individual amounts were rounded. Due to the rounding, totals in the tables may not add up.

2 Summary of significant accounting policies (continued)

2.3. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. Depreciation is calculated using the straight-line method over the estimated useful lives of 4 to 6 years.

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

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

2.4. Investment property

Property that is held for long-term rental yields and for capital appreciation is classified as investment property.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. Land is not presented separately from the buildings as these assets cannot be acquired or sold separately.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income within 'Net gains (losses) from fair value adjustment of investment property' in the year of retirement or disposal.

2.5. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised using the straight-line method over their expected useful lives.

Intangible assets not yet available for use, such as technical development projects where the related property is not yet built, are tested annually for impairment and whenever there is an indication that the intangible asset may be impaired. Borrowing costs are capitalised on project if the use of it is dependent on construction of a related asset, during the construction phase of the asset, and up to the time that related property is available for use or sale. Intangible assets not yet available for use are classified within intangible assets in the statement of financial position.

2 Summary of significant accounting policies (continued)

2.6. Investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are recognised at acquisition cost less impairment. At the reporting date the Company reviews investments in subsidiaries to assess whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the investments' recoverable amount. The impairment test is performed in the manner described in Note 2.7. by additionally reducing the recoverable amount by the market value of loans.

2.7. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or from cash flows generated by the groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value, less costs to sell, an appropriate valuation method is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation (if any), had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.8. 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, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition.

All regular purchases and sales of financial assets are recognised on the settlement date. All regular way purchases and sales represent purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Amortised 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 recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through amortisation process. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2 Summary of significant accounting policies (continued)

2.9. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10. Impairment of financial assets

<u>Assets carried at amortised cost</u>

The Company assesses at each reporting date whether is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company assesses whether objective evidence of impairment exists individually for financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When financial asset is assessed as uncollectible the impaired asset is derecognised.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised 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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised 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 recognised, the previously recognised impairment loss is reversed. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate, any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.11. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

2 Summary of significant accounting policies (continued)

2.12. Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of borrowings, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.13. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. A provision for onerous lease contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

2 Summary of significant accounting policies (continued)

2.14. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

2.15. Leases

Company is the lessor in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company are classified as operating leases. Payments, including prepayments, received under operating leases (net of any incentives granted to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the lease term.

Property leased out under operating leases is included in investment property in the Company's statement of financial position (Note 11). See Note 2.16 for the recognition of revenue.

Company is the lessee in an operating lease

Leases where the lessor retains all the risk and rewards of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2 Summary of significant accounting policies (continued)

2.16. Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Income from utility and other services

Income from utility and other services is recognised in the reporting period in which the services have been rendered.

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.17. Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 Summary of significant accounting policies (continued)

2.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate in Lithuania was 15 % in 2014. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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

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

Following the provisions of the Law on Corporate Income Tax the sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person shall not be taxed where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or is expected to be met by the management of the Company, no deferred tax liabilities or assets are recognised in respect of temporary differences associated with carrying amounts of these investments.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 1 January 2014 current year taxable profit could be decreased by previous year tax losses only up to 70%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (continued)

2.19. Employee benefits

Social security contributions

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

Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.21. Events after the reporting period

Events after the reporting period that provide additional information about the Company's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.22. Comparative figures

The Company has changed the presentation of expenses in the statement of comprehensive income in order to analyse them by the type rather than the function as this is more consistent with the specific character of the Company's business activities.

In addition, figures in the statement of comprehensive income and income of financial position were adjusted due to the error related to the recognition of provisions for the onerous agreement.

2.23. Critical accounting estimates

The preparation of the financial statements requires the Company's management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

2 Summary of significant accounting policies (continued)

2.26 Critical accounting estimates (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The significant areas of estimation used in the preparation of these financial statements are discussed below.

Fair value of investment property in the financial statements

Fair value of investment property was based on the income approach by reference to rentals obtained from the subject property or similar properties. Discounted cash flow projections in the income approach are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the similar location and similar condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date.

The fair value of investment property as at 31 December 2014 was LTL 115,070 thousand (31 December 2013: LTL 114,750 thousand) (described in more detail in Note 11).

Impairment of investments in subsidiaries

At each reporting date the Company reviews investments in subsidiaries to assess whether there is an indication that an asset may be impaired. Each investment is assessed separately. If such indication exists, the Company estimates the recoverable amount of the investment. The recoverable amount of the investment is determined based on the value-in-use calculations. The value in use is established based on the entity's estimated future net cash flows that are attributed to the Company's part. A more detailed disclosure of the recognition of impairment for the Company's investments in subsidiaries is given in Note 6.

Impairment losses on loans granted

Impairment losses on loans granted are determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of loans granted. This determination requires significant judgement. Judgement is exercised based on the value of net assets of subsidiaries, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. If there is objective evidence that an impairment loss on loans granted 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. Future cash flows exclude future credit losses that have not been incurred and are discounted at the financial asset's original effective interest rate (i.e. the effective interest rate estimated at initial recognition). The carrying amounts of loans granted are disclosed in Note 14.

3 Financial risk management

3.1. Financial risk factors

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade and other receivables, loans granted and cash which arise directly from its operations. The Company has not used any derivative instruments so far, as management considered that there is no necessity for them.

The main risks arising from the financial instruments are market risk (including currency risk, cash flow and fair value interest rate risk and price risk), liquidity risk and credit risk. The risks are identified and disclosed below.

Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to outstanding trade receivables and loans granted. The Company seeks to ensure that rental contracts are entered into only with lessees with an appropriate credit history, from some of lessees advance lease payments are required.

At the date of the financial statements there were no indications of worsening credit quality of trade and other receivables and loans granted, which are neither past due, nor impaired, due to constant control by the Company of loans and receivable balances. The maximum exposure to credit risk is disclosed in Notes 14 and 15. There are no transactions of the Company that occur outside Lithuania.

The Company has an agreement with external entity, which provides property management services to the Company. The rental income and related revenues from the Company's owned properties are collected through this entity, which issues invoices for rent and related services to tenants at the end of each month. Therefore, the Company has a significant concentration of credit risk with respect to this entity. This third party accounts for approximately 82% of the total Company's trade and other receivables as at 31 December 2014.

With respect to credit risk arising from cash and cash equivalents the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For banks and financial institutions, only independently rated parties are accepted.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the banks:

	2014	2013
Moody's ratings		
Prime-1	322	239
Prime-2	-	-
Not Prime	752	-
	1,074	239

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Market risk

Cash flow and fair value interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the non-current debt obligations with variable interest rates. Current environment is not attractive to seek for fixed interest rates from financial institutions (a fixed interest rate is significantly higher than a variable interest rate, and due to the volatility in the market fixed interest rates are offered for a short period of time only).

The following table demonstrates the sensitivity to a reasonably possible change in variable interest rates (EURIBOR), with all other variables held constant, of the Company's profit before tax (through the impact on variable rate borrowings). There is no impact on the Company's equity other than current year profit impact.

	Increase/decrease in basic points	Company
2014		
EUR	50	(264)
EUR	(10)	53
2013		
EUR	50	(296)
EUR	(10)	59

Loans granted with fixed interest rates expose the Company to fair value interest rate risk. Loans granted are denominated in the euro. The fixed interest rates are reviewed each year to conform to the market interest rates. The Company is not using any financial instruments to hedge against this risk.

Foreign exchange risk

The Company holds assets and liabilities denominated only in the litas and the euro. In Lithuania the euro was pegged to the litas, therefore, there were no fluctuations between these currencies. With effect from 1 January 2015, the euro became the national currency of Lithuania.

Price risk

The Company has no significant exposure to price risk as it does not hold any equity securities or commodities. The Company is exposed to price risk other than in respect of financial instruments, such as investment properties price risk including its rentals risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with strategic plans. The liquidity risk of the Company is controlled. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Short-term liquidity of the Company is controlled through monthly monitoring of the liquidity status and needs of funds.

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Company evaluates the possibilities to attract needed funds.

The Company has not faced any liquidity issues so far.

The Company's liquidity ratio (total current assets / total current liabilities) as at 31 December 2014 was approximately 1.28 (31 December 2013: approximately 1.42).

The contractual maturity of borrowings of the Company from controlled subsidiary is 31 December 2015 (carrying value LTL 4,584 thousand as at 31 December 2014). But if funds generated during year are not sufficient to settle this liability, at each year end the maturity of the loan will be prolonged for one extra year and new market interest rate is determined.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2014 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	-	634	4,296	74,531	-	79,461
Trade and other payables	-	229	-	-	-	229
Provisions for onerous contracts	-	164	474	647	-	1,285
Other liabilities	-	231	-	-	-	231
Balance at 31 December 2014	**-**	**1,258**	**4,770**	**75,178**	**-**	**81,206**
Interest bearing borrowings	-	1,270	3,798	60,344	-	65,412
Trade and other payables	-	217	-	-	-	217
Provisions for onerous contracts	-	115	345	1,018	-	1,478
Other liabilities	-	7	8	-	-	15
Balance at 31 December 2013	**-**	**1,609**	**4,151**	**61,362**	**-**	**67,122**

3 Financial risk management (continued)

3.2. Capital management

The primary objective of the capital management is to ensure that the Company maintains a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Company's management supervises the investments so that they are in compliance with requirements applied to the capital, specified in the appropriate legal acts.
The Company's capital comprises share capital, share premium, reserves and retained earnings.
The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2014.

The Company is obliged to keep its equity ratio at not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company complied with this requirement both as at 31 December 2014 and 31 December 2013.

4 Correction of error

The Company leases premises from a third party under the lease contract concluded on 10 August 2007. Under the latter contract, the lease term expires in August 2017. As this contract is onerous, a provision of LTL 2,152 thousand designated to cover expected losses relating to the onerous contract had to be recognised as at 31 December 2012. Following the recognition of the latter provision, deferred income tax liability was reduced by LTL 323 thousand as at 31 December 2012. Accordingly, a provision of LTL 1,400 thousand was recognised and deferred income tax liability was reduced by LTL 210 thousand as at 31 December 2013.

The table below presents changes in the Company's statement of financial position as at 31 December 2013 resulting from the correction of the error.

	At 31 December 2013	Correction of error At 31 December 2013	At 31 December 2013 after adjustment
Assets	126,075	-	126,075
Equity	37,990	(1,190)	36,800
Liabilities	88,085	1,190	89,275

In the statement of comprehensive income for 2013 expenses were adjusted as follows: expenses for the lease of premises were reduced by LTL 815 thousand, interest expenses were increased by LTL 62 thousand and income tax expenses were increased by LTL 113 thousand.

In addition, the Company moved the recognition of the impairment for investments in subsidiaries (LTL 4,462 thousand) from the statement of financial position of 2013 to that of 31 December 2012 as the equities of these companies were negative already as at 31 December 2012. Consequently, the LTL 3,992 thousand impairment for loans granted was transferred from the statement of financial position of 2013 to that of 31 December 2012. In 2013, interest income recognised on impaired loans was reduced by LTL 116 thousand and impairment expenses were reduced by the same amount. As a result, impairment of assets was reduced by LTL 8,570 thousand in 2013.

The table below presents changes in the Company's statement of comprehensive income as at 31 December 2013 resulting from the correction of the error.

	At 31 December 2013	Correction of error At 31 December 2013	At 31 December 2013 after adjustment
Revenue	17,678	-	17,678
Operating profit	(7,645)	9,269	1,624
Loss before income tax	(9,358)	9,207	(151)
Loss for the reporting period	(9,250)	9,094	(156)

5 Fair value estimation

Assets carried at fair value

The fair value hierarchy has the following levels:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value in the statements of financial position:

	Level 1	Level 2	Level 3	Total
At 31 December 2014				
Investment property (Note 11)	-	-	115,070	115,070
At 31 December 2013				
Investment property (Note 11)	-	-	114,750	114,750

There were no transfers of assets between the levels of the fair value hierarchy during 2014 and 2013.

There were no liabilities measured at fair value in the Company's statements of financial position.

Financial instruments that are not carried at fair value

The Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, trade and other receivables, loans granted, trade and other payables, non-current and current borrowings, provisions for onerous contracts.

The carrying amount of the cash and cash equivalents, trade and other receivables, trade and other payables of the Company as at 31 December 2014 and 2013 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The carrying amount of loans granted by the Company as at 31 December 2014 and 2013 approximated their fair value because interest rates are repriced when market interest rates change. Their fair value was calculated by discounting cash flows as at 31 December 2014 and 2013 using interest rates of 4.5% and 5.5%, respectively. It is Level 3 fair value measurement.

The carrying amount of borrowings of the Company and provisions for onerous contracts as at 31 December 2014 and 2013 approximated their fair value.

6 Subsidiaries

Subsidiaries controlled by the Company are as follows:

		At 31 December 2014		At 31 December 2013		
Name	**Country of incorporation and place of business**	**Proportion of shares (voting rights) directly held by the Company (%)**	**Amount (acquisition cost) of investment**	**Proportion of shares (voting rights) directly held by the Company (%)**	**Amount (acquisition cost) of investment**	**Profile of activities**
UAB Perspektyvi Veikla	Lithuania	100.00	405	100.00	180	Dormant
UAB INTF Investicija	Lithuania	100.00	4,282	100.00	4,282	Real estate owner and lessor
			4,687		4,462	
Less: impairment			(4,682)		(4,462)	
Investments in subsidiaries (the Company)			5		0	

The equities of the subsidiaries controlled by the Company were negative as at 31 December 2013. Besides, positive changes were not expected to occur in future, therefore, the shares were impaired to nil.

In May 2014, the bankruptcy proceedings was instituted against UAB INTF Investicija and it ceased to be a subsidiary as a result of loss of control. Through the appointment of the bankruptcy administrator changes to decision-making rights occurred and it means that the relevant activities are no longer directed through voting rights the Company has, but instead give the bankruptcy administrator the current ability to direct the relevant activities.

In October 2014, the share capital of UAB Perspektyvi Veikla was increased by offsetting loans granted to the company. Following the increase in equity of UAB Perspektyvi Veikla, the investment in this company was estimated to be equal to LTL 5 thousand, which is equal to the fair value of the company's net assets.

7 Revenue, lease expenses, lease commitments, provision for onerous lease contract

Revenue

The Company being the lessor has entered into commercial property leases of the Company's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 5 years.

Analysis of revenue by category:

	2014	2013
Rental income	14,601	13,486
Revenue from utility services	3,787	4,072
Revenue from other services	90	120
Total revenue	**18,478**	**17,678**

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

	2014	2013
Rental income from owned premises	8,875	7,947
Other revenue from owned premises	3,144	3,427
Total revenue from owned premises	*12,019*	*11,374*
Rental income from subleased premises	5,726	5,539
Other revenue from subleased premises	733	765
Total revenue from subleased premises	*6,459*	*6,304*
Total revenue	**18,478**	**17,678**

Future rental income under non-cancellable and cancellable operating lease contracts as at 31 December are as follows:

		2014	2013
Within one year			
	- non-cancellable	4,954	5,501
	- cancellable	3,663	1,718
		8,617	7,219
From one to five years			
	- non-cancellable	7,585	9,080
	- cancellable	7,269	939
		14,854	10,019
After five years			
	- non-cancellable	516	697
	- cancellable	1,765	8
		2,281	705
		25,752	**17,943**

7 Revenue, lease expenses, lease commitments, provision for onerous lease contract (continued)

Revenue (continued)

Future rental income under non-cancellable and cancellable operating sublease contracts as at 31 December are as follows:

		2014	2013
Within one year			
	- non-cancellable	949	691
	- cancellable	4,036	4,682
		4,985	5,373
From one to five years			
	- non-cancellable	571	606
	- cancellable	4,642	7,259
		5,213	7,864
After five years			
	- non-cancellable	-	-
	- cancellable	-	-
		-	-
		10,198	**13,237**

For the cancellable lease and sublease agreements, tenants must notify the administrator 3–6 months in advance if they wish to cancel the rent agreement and have to pay 3–12 months' rent fee penalty for the cancellation. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

Part of leases and subleases includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Expenses and provisions

The Company leases premises from an external party under the lease contract concluded on 10 August 2007. Under the latter contract, the lease term expires in August 2017. The Company has paid a one-off deposit in the amount of LTL 2,848 thousand corresponding to a 6-month lease payment which will be set off against the last part of lease payment at the end of the lease term. The lease 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%. During the reporting period the Company incurred LTL 5,958 thousand (2013: LTL 5,330 thousand) lease expenses under this contract. In 2014, contingent rental obligations amounted to LTL 924 thousand (2013: LTL 846 thousand) within this amount. In 2014, lease expenses of the Company under other agreements amounted to LTL 75 thousand (2013: LTL 94 thousand).

7 Revenue, lease expenses, lease commitments, provision for onerous lease contract (continued)

Expenses and provisions (continued)

Future minimum lease payments according to the signed operating lease contracts are as follows:

		2014	2013
Within one year			
	- lease of premises under agreement of 10 August 2007	6,284	5,464
	- other lease	71	45
		6,355	5,509
From one to five years			
	- lease of premises under agreement of 10 August 2007	10,780	12,672
	- other lease	-	-
		10,780	12,672
After five years			
	- lease of premises under agreement of 10 August 2007	-	-
	- other lease	-	-
		-	-
		17,135	**18,181**

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of LTL 1,261 thousand to cover the loss expected in connection with this contract recognised in the statement of financial position as at 31 December 2014 (31 December 2013: LTL 1,399 thousand). This amount represents the present value of future cash flows related to the lease contract. Future cash flows projections are based on the estimates of future lease income from subleased premises, contractual lease payments and estimates of maintenance and management expenses of leased premises.

The movement in the provision for the onerous contract is presented below:

	2014	2013
Balance at 1 January	1,399	2,153
Re-estimation of provision at the end of the year	265	(201)
Amount used (recognised as a reduction of the line item 'Premises rent costs')	(459)	(622)
Reversal of the discount effect and changes in the discount rate	56	69
Balance at 31 December	**1,261**	**1,399**
Non-current portion	629	947
Current portion	632	452

In addition, a deferred liability of LTL 1,418 thousand arising from lease expense recognition on a straight-line basis was recognised in the statement of financial position within 'Other non-current liabilities' as at 31 December 2014 (31 December 2013: LTL 1,525 thousand).

8 Finance costs

	2014	2013
Interest expenses of bank borrowings	(1,019)	(940)
Interest expenses of borrowings from related parties	(857)	(773)
Reversal of the discount effect of provision for onerous contract	(36)	(62)
	(1,912)	(1,775)

9 Impairment of assets

	2014	2013
The movement in impairment of loans granted	-	(60)
Total impairment of financial assets	*-*	*(60)*
Impairment of investments in subsidiaries	(16)	-
Impairment of intangible assets	(256)	-
Total impairment of non-financial assets	*(272)*	*-*
	(272)	(60)

10 Income tax

	2014	2013
Income tax expense components:		
Current year income tax	-	-
Price discount of tax losses disposed	(6)	-
Deferred income tax expenses	(328)	(5)
Income tax expenses charged to profit or loss – total	(334)	(5)

There is no income tax expense (credit) recognised in other comprehensive income or directly in equity.

10 Income tax (continued)

As at 31 December 2014, deferred income tax assets and liabilities were calculated using a tax rate of 15%. The movement in deferred income tax assets and liabilities of the Company during 2014 is as follows:

	Balance at 31 December 2013	Recognised in profit or loss during the year	Carry-forward of tax losses	Balance at 31 December 2014
Deferred income tax assets				
Tax losses carry forward for indefinite period of time	461	267	(383)	345
Intangible assets	-	39	-	39
Accruals and provisions	461	(37)	-	424
Deferred income tax assets available for recognition	922	269	(383)	808
Less: unrecognised deferred income tax assets on tax losses carried forward for indefinite period of time	-	-	-	-
Recognised deferred income tax assets	922	269	(383)	808
Assets netted against liability of the same legal entities	(922)	(269)	383	(808)
Deferred income tax assets, net	**-**	**-**	**-**	**-**
Deferred income tax liability				
Investment property	(12,526)	(597)	-	(13,123)
Deferred income tax liability	(12,526)	(597)	-	(13,123)
Liability netted against assets of the same legal entities	922	269	-	808
Deferred income tax liability, net	**(11,604)**	**(328)**	**-**	**(12,315)**
Deferred income tax, net	**11,604**	**328**	**-**	**12,315**

10 Income tax (continued)

As at 31 December 2013, deferred income tax assets and liabilities were calculated using a tax rate of 15%. The movement in deferred income tax assets and liabilities of the Company during 2013 is as follows:

	Balance at 31 December 2012	Recognised in profit or loss during the year	Carry-forward of tax losses	Balance at 31 December 2013
Deferred income tax assets				
Tax losses carry forward for indefinite period of time	74	393	(6)	461
Intangible assets	-	-	-	-
Accruals and provisions	555	(94)	-	461
Deferred income tax assets available for recognition	629	299	(6)	922
Less: unrecognised deferred income tax assets on tax losses carried forward for indefinite period of time	-	-	-	-
Recognised deferred income tax assets	629	299	(6)	922
Assets netted against liability of the same legal entities	(629)	(299)	6	(922)
Deferred income tax assets, net	**-**	**-**	**-**	**-**
Deferred income tax liability				
Investment property	(12,222)	(304)	-	(12,526)
Deferred income tax liability	(12,222)	(304)	-	(12,526)
Liability netted against assets of the same legal entities	629	299	(6)	922
Deferred income tax liability, net	**(11,593)**	**(5)**	**(6)**	**(11,604)**
Deferred income tax, net	**11,593**	**5**	**6**	**11,604**

10 Income tax (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014	2013
Deferred income tax assets		
Deferred tax assets to be recovered after more than 12 months	-	-
Deferred tax assets to be recovered within 12 months	-	-
	-	-
Deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	12,315	11,604
Deferred tax liability to be recovered within 12 months	-	-
	12,315	11,604

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of the Company is as follows:

	2014	2013
Profit before income tax	**2,060**	**(151)**
Tax calculated at a tax rate of 15 %	(309)	23
Tax effect of non-deductible expenses and income not subject to tax	(19)	(28)
Income tax expenses recognised in the statement of comprehensive income	(328)	(5)

11 Investment property

	Leased investment property	Investment property held for future redevelopment	Total
Fair value hierarchy	**Level 3**	**Level 3**	
Balance at 31 December 2012	**108,940**	**6,800**	**115,740**
Additions	-	-	-
Subsequent expenditure	-	723	723
Gain from fair value adjustments	1,230	-	1,230
(Loss) from fair value adjustments	(2,000)	(943)	(2,943)
Balance at 31 December 2013	**108,170**	**6,580**	**114,750**
Additions	-	-	-
Subsequent expenditure	10	-	10
Gain from fair value adjustments	150	160	310
Balance at 31 December 2014	**108,330**	**6,740**	**115,070**
Unrealised gains and losses for the reporting period included within 'Net gain (loss) from fair value adjustment of investment property' in the statement of comprehensive income for 2013	**(770)**	**(943)**	**(1,713)**
Unrealised gains and losses for the reporting period included within 'Net gain (loss) from fair value adjustment of investment property' in the statement of comprehensive income for 2014	**150**	**160**	**310**

Investment property of the Company comprises office buildings, warehouses and old apartments. The majority of buildings and warehouses is leased out under the operating lease contracts and generates rental income. Direct operating expenses arising from investment property that generates rental income amounted to LTL 2,708 thousand in 2014 (2013: LTL 2,621 thousand).

11 Investment property (continued)

Investment property is measured at fair value. Leased investment properties and investment properties held for future development were valued using the income approach by accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas on 21 November, 8 December and 31 December 2014.
As at 31 December 2013, the fair value of the leased investment properties and investment properties held for future development was determined based on the valuations performed by the above-mentioned accredited valuer on 26-29 November 2013. There were no significant changes in the market at the end of 2013 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 31 December 2014.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The fair value represents the price that would be received selling an asset in an orderly transaction between market participants at the measurement date, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. An investment property's fair value was based either on the market approach by reference to sales in the market of comparable properties or the income approach by reference to rentals obtained from the subject property or similar properties. Market approach refers to the prices of the analogues transactions in the market. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre.

Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. For leased investment properties main inputs include:
- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Investment properties held for future development were estimated taking into account the following estimates (in addition to the inputs noted above):
- Costs to complete that are based on the valuers' experience and knowledge of market conditions and term sheets outlined in approved detailed plans. Costs to complete also include a reasonable profit margin;
- Completion dates, as properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Company.

There were no changes to the valuation techniques during the period.

11 Investment property (continued)

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2014:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Leased investment properties	Discounted cash flows	Discount rate (%)	9 – 11 (9.1)
		Capitalisation rate for terminal value (%)	7.0 – 10 (7.4)
		Vacancy rate (%)	5 – 15
		Rent price in LTL per sq. m. (excl. VAT)	6 – 40 (27.5)
Investment properties held for future development	Discounted cash flows with estimated costs to complete	Capitalisation rate for terminal value	15 – 18 (16.0)
		Cost to completion in LTL per sq. m (excl. VAT)	2,643 – 3,626 (3,253)
		Sales price in LTL per sq. m. (incl. VAT)	5,100 – 8,000 (5,479)

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2013:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Leased investment properties	Discounted cash flows	Discount rate (%)	8 – 11 (9)
		Capitalisation rate for terminal value (%)	7.5 – 10 (7.6)
		Vacancy rate (%)	5 – 10
		Rent price in LTL per sq. m. (excl. VAT)	6 – 42 (27.9)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Capitalisation rate for terminal value	15 – 17 (15.7)
		Cost to completion in LTL per sq. m (excl. VAT)	2,100 – 2,200 (2,157)
		Sales price in LTL per sq. m. (incl. VAT)	4,800 – 8,000 (6,633)

The sensitivity analysis of investment properties valued using the income approach as at 31 December 2014 is as follows:

Reasonable possible shift +/-	**Increase of estimates**		**Decrease of estimates**	
	Leased investment properties	**Investment properties held for future development**	**Leased investment properties**	**Investment properties held for future development**
Change in future rental rates by 10%	12,820	-	(11,820)	-
Change in future sale prices of developed properties by 10%	-	1,820	-	(1,810)
Change in construction costs by 10%	-	(1,610)	-	1,610
Change in expected vacancy rates by 20%	(1,140)	-	2,130	-
Change in discount and capitalisation rate by 0.5 bps	(6,530)	(40)	8,570	260

11 Investment property (continued)

The sensitivity analysis of investment properties valued using the income approach as at 31 December 2013 is as follows:

Reasonable possible shift (+/-)	**Increase of estimates**		**Decrease of estimates**	
	Leased investment property	**Investment property held for future redevelopment**	**Leased investment property**	**Investment property held for future redevelopment**
Change in future rental rates by 10%	10,390	-	(10,390)	-
Change in future sale prices of developed properties by 10%	-	1,750	-	(1,740)
Change in construction costs by 10%	-	(1,510)	-	1,520
Change in expected vacancy rates by 20%	(1,260)	-	1,160	-
Change in discount and capitalization rate by 0.5 bps	(6,870)	(80)	7,630	220

As at 31 December 2014, the Company's investment properties with the carrying amount of LTL 114,970 thousand (31 December 2013: LTL 114,750 thousand) were pledged to the banks as collateral for the loans.

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the year ended 31 December 2014. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

12 Property, plant and equipment and intangible assets

	Intangible assets	Property, plant and equipment	Total
Cost:			
Balance at 31 December 2012	-	98	98
Additions	808	9	817
Balance at 31 December 2013	808	107	915
Additions	-	40	40
Balance at 31 December 2014	808	147	955
Accumulated depreciation:			
Balance at 31 December 2012	-	32	32
Charge for the year	-	34	34
Balance at 31 December 2013	-	66	66
Charge for the year	-	37	37
Balance at 31 December 2014	-	103	103
Impairment:			
Balance at 31 December 2012	-	-	-
Charge for the year	-	-	-
Balance at 31 December 2013	-	-	-
Charge for the year	256	-	256
Balance at 31 December 2014	256	-	256
Net book value as at 31 December 2013	**808**	**41**	**849**
Net book value at 31 December 2014	**552**	**44**	**596**

There is a technical development project where the related property is not yet built included within intangible assets. As it is not yet available for use, no amortisation is recognised during 2013 and 2014.

The depreciation charge of the Company's property, plant and equipment for the year 2014 amounted to LTL 37 thousand (2013: LTL 34 thousand).

13 Financial instruments by category

	Loans and receivables	
	At 31 December 2014	**At 31 December 2013**
Assets as per statement of financial position		
Short-term loans granted	4,584	5,058
Trade and other receivables excluding tax prepayments	1,001	752
Restricted cash	-	1,353
Cash and cash equivalents	1,074	239
Total	**6,659**	**7,402**

	Financial liabilities at amortised cost	
	At 31 December 2014	**At 31 December 2013**
Liabilities as per statement of financial position		
Borrowings	70,783	73,967
Provisions	1,261	1,399
Trade payables	229	299
Other current liabilities excluding taxes and employee benefits	231	165
Total	**72,504**	**75,830**

14 Loans granted

The Company's loans granted are described below:

	2014	2013
Loans granted to subsidiaries	-	352
Loans granted to entity in bankruptcy	3,851	3,851
Loans granted to parent company	4,584	4,907
	8,435	9,110
Less: allowance for impairment of loans granted to entity in bankruptcy	(3,851)	(3,851)
Less allowance for impairment of loans granted to subsidiaries	-	(201)
Total allowance for impairment	*(3,851)*	(4,052)
Total loans granted	**4,584**	**5,058**

The Company has granted a loan to a former subsidiary of AB Invalda LT against which the bankruptcy proceedings were initiated in May 2014. The loan was impaired, therefore it was fully provided for by the Company back in 2012.

As at 31 December 2014 and 31 December 2013, the Company's loans granted with nominal values of LTL 3,851 thousand and LTL 4,203 thousand, respectively, were impaired. The net amounts of impaired loans of LTL 0 and LTL 151 thousand are recognised in the statements of financial position of the Company as at 31 December 2014 and 31 December 2013.

The movement in the allowance for impairment of granted loans (assessed individually) were as follows:

	Individually assessed impairment	
	2014	**2013**
Balance at 1 January	(4,052)	(3,992)
Impairment charge for the year	-	(60)
Write-offs charged against the allowance	-	-
Loans converted into share capital of the subsidiary	201	-
Balance at 31 December	(3,851)	(4,052)

The ageing analysis of loans granted by the Company:

	Loans granted neither past due nor impaired	Loans granted past due but not impaired	Total
At 31 December 2014	4,584	-	4,584
At 31 December 2013	4,907	-	4,907

Under the agreements loans granted to the parent company mature on 31 December 2015. Loans are subject to effective interest rate of 4.5%.

15 Trade and other receivables

	2014	2013
Trade and other receivables, gross	1,001	752
Taxes receivable, gross	-	150
	1,001	902

Trade and other receivables are non-interest bearing and are generally with a credit term of 30 days.

The ageing analysis of trade and other receivables of the Company as at 31 December 2014 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired: Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
At 31 December 2014	839	162	-	-	-	1,001
At 31 December 2013	663	75	14	-	-	752

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2014 and 2013 have no history of counterparty defaults. With respect to trade and other receivables that are neither past due nor impaired, there are no indications as at the reporting date that the debtors will not meet their payment obligations. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral.

16 Share capital, acquisition of own shares and reserves

The Company's share capital is divided into 33,265,440 ordinary registered shares with the nominal value of LTL 1 each. All the shares issued by the Company are fully paid.

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses.

17 Borrowings

	2014	2013
Non-current:		
Non-current bank borrowings	51,136	54,991
Non-current borrowings from other related parties	15,958	14,830
	67,094	69,821
Current:		
Current portion of non-current borrowings	1,652	4,146
Borrowings from other related parties	2,037	-
	3,689	4,146
Total borrowings	70,783	73,967

Borrowings in the local and foreign currencies expressed in litas (LTL) are as follows:

Borrowings denominated in:	2014	2013
EUR	70,783	73,967

Borrowings with fixed and variable interest rate (variable interest rates were repriced every six months in 2014 and every three months in 2013) are as follows:

Interest rate	2014	2013
Fixed	17,995	14,830
Variable	52,788	59,137
	70,783	73,967

The carrying amounts of assets pledged to the banks to secure the repayment of borrowings are as follows:

	2014	2013
Investment property	114,970	114,750
Restricted cash	-	1,353
Cash	752	14

Weighted average effective interest rates of borrowings for the period:

	2014	2013
Borrowings	2.50%	2.27%

17 Borrowings (continued)

In 2014 and 2013, the Company complied with bank loan covenants.
As at 31 December 2013, the Company had a non-current borrowing from Nordea bank amounting to LTL 59,137 thousand, which was refinanced during the reporting period. On 26 September 2014, the Company signed the agreement with AB Šiaulių Bankas for the granting of the loan of EUR 15,350 thousand (LTL 53,000 thousand). The funds were disbursed on 29 September 2014. The maturity of the loan is five years. The loan is repaid by monthly instalments. In addition, in September 2014 AB Invalda LT granted the loan of EUR 740 thousand (LTL 2,555 thousand) to the Company. Both these loans were used for the repayment of the Nordea bank loan, which was repaid on 29 September 2014.

During 2014 and 2013, borrowings repaid by the Company totalled LTL 59,967 thousand and LTL 4,143 thousand, respectively.

18 Related-party transactions

The Company's related parties are the subsidiaries, the shareholder, key management personnel, companies under control or joint control of key management personnel and shareholders having a significant influence, and the entities of the group of AB Invalda LT and entities of other groups, which were split-off from AB Invalda LT.

Amounts receivable from related parties are presented on a gross basis (excluding impairment, including interest calculated under the agreement on the gross amount, which is not reduced by the amount of impairment).

The Company's transactions with related parties during 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

	Note	Sales to related parties	Purchases from related parties	Amounts payable to related parties	Amounts receivable from related parties
AB Invalda LT	a)	84	881	17,995	-
UAB Inservis	b)	-	1,349	117	-
UAB Perspektyvi Veikla	c)	8	-	-	-
AB INVL Baltic Real Estate	d)	162	-	-	4,584

a) Amounts payable to AB Invalda LT were as follows as at 31 December 2014:

- loans – LTL 17,995 thousand (interest rate – 4.5%). Interest expenses amounted to LTL 857 thousand in 2014. Loans received from AB Invalda LT in the amount of LTL 15,959 thousand are subordinated to the bank and can only be repaid after the maturity of bank borrowings, i.e. in 2019. The remaining loans have to be repaid by 31 December 2015.
- Amounts due for provided accounting services is nil (purchase expenses amounted to LTL 24 thousand in 2014).

The balance of amounts receivable from AB Invalda LT was equal to nil as at 31 December 2014. The loan granted to AB Invalda LT after its split-off on 29 April 2014 was transferred to AB INVL Baltic Real Estate. In 2014, interest income from the loan granted to AB Invalda LT amounted to LTL 84 thousand.

b) UAB Inservis provides to the Company property maintenance services under the service purchase and sale agreement. In 2014, services provided amounted to LTL 1,349 thousand. The outstanding balance for the services rendered was equal to LTL 117 thousand as at 31 December 2014.

c) the balance of loans granted to UAB Perspektyvi Veikla and interest accrued thereon amounted to LTL 352 thousand as at 31 December 2013. In 2014, additionally granted loans to the company amounted to LTL 8 thousand and interest charged amounted to LTL 8 thousand. Following the increase in the share capital of this company in October in 2014 by converting loans granted to it and as a result of the company repaying loans of LTL 142 thousand in cash, there were no amounts receivable from UAB Perspektyvi Veikla as at 31 December 2014.

d) Amounts receivable from AB INVL Baltic Real Estate comprise a loan of LTL 4,584 thousand as at 31 December 2014 (the loans has to be repaid by 31 December 2015, interest rate – 4.5%). Interest charged during 2014 amounted to LTL 162 thousand.

18 Related-party transactions (continued)

The Company's transactions with related parties during 2013 and the balances arising on these transactions as at 31 December 2013 are presented below:

	Note	Sales to related parties	Purchases from related parties	Amounts payable to related parties	Amounts receivable from related parties
AB Invalda LT AB	a)	208	785	14,840	4,907
UAB Inservis UAB	b)	-	802	73	-
UAB SAGO UAB	c)	116	-	-	3,967
UAB Perspektyvi Veikla	d)	9	-	-	352
UAB Kelio Ženklai		-	2	-	-
UAB Inreal Valdymas*		5,375	2,412	-	-
UAB Naujoji Švara*		-	6	-	-
UAB Inreal Geo*		-	1	-	-

*data is presented as at 31 May 2013 because the companies were treated as related only until that date.

a) Amounts payable to AB Invalda LT were as follows as at 31 December 2013:

- loan – LTL 14,830 thousand (repayment date – 31 December 2014, interest rate – 5.5%). Interest expenses amounted to LTL 773 thousand in 2013.
- Amounts due for provided accounting services totalled LTL 10 thousand (purchase expenses amounted to LTL 12 thousand in 2013).

Amounts receivable from AB Invalda LT were as follows as at 31 December 2013:

- loan – LTL 4,907 thousand (repayment date – 31 December 2014, interest rate – 5.5%). Interest income amounted to LTL 208 thousand in 2013.

b) UAB Inservis provides to the Company property maintenance services under the service purchase and sale agreement. In 2013, services provided amounted to LTL 802 thousand. The outstanding balance for the services rendered was equal to LTL 73 thousand as at 31 December 2013.

c) Amounts receivable from UAB SAGO as at 31 December 2013 comprised loans of LTL 3,967 thousand (repayment date – 31 December 2014, interest rate – 3%). Interest charged during 2013 amounted to LTL 116 thousand. At the end of 2012, amounts receivable from UAB SAGO were impaired to nil by the Company.

d) Amounts receivable from UAB Perspektyvi Veikla as at 31 December 2013 comprised loans and accrued interest of LTL 352 thousand (repayment date – 31 December 2014, interest rate – 3%). Interest charged during 2013 amounted to LTL 9 thousand. At the end of 2013, amounts receivable from UAB Perspektyvi Veikla were impaired to LTL 151 thousand by the Company.

The management remuneration comprises short-term employee benefits. Key management personnel of the Company includes Board members, the Director of the Company.

	2014	2013
Wages, salaries and bonuses	23	13
Social security contributions	7	4
Total key management compensation	30	17

There were no loans granted to key management during the reporting period or outstanding at the end of the reporting period.

In 2014 and 2013, dividends were not paid.

19 Events after the reporting period

On 23 April 2015, the Company signed the agreement on the sale of 100% of shares of UAB INTF Investicija against which bankruptcy proceedings have been initiated. The sale of shares will be completed following the fulfilment of certain sale pre-conditions according to which the purchaser of shares has to agree with the creditors of the company and the bankruptcy procedure of UAB INTF Investicija has to be finalised by concluding the peace agreement by removing from the register the status of a bankrupt company. The minimum sale price upon the fulfilment of sale preconditions is equal to EUR 290 thousand (LTL 1,000 thousand).

ANNUAL REPORT

1. Objective overview of the Company's financial position, performance and development, description of its exposure to key risks and uncertainties; analysis of financial and non-financial performance, information on environmental and personnel-related issues; references to and explanations of data reported in the annual financial statements

Address of the registered office:	A. Juozapavičiaus g. 6, Vilnius
Code of the Register of Legal Entities:	152105644
Authorised share capital:	LTL 33,265,440
Number of shares:	33,265,440 ordinary registered shares
Reporting period:	1 January 2014 – 31 December 2014

The sole shareholder of AB Invaldos Nekilnojamojo Turto Fondas is AB INVL Baltic Real Estate (company code 303299735), which became the sole shareholder on 29 April 2014 following the split-off of AB Invalda LT. Until 29 April 2014, the sole shareholder of the Company was AB Invalda LT (company code 121304349).

The core line of business of the public limited liability company Invaldos Nekilnojamojo Turto Fondas (INTF) is investment in real estate held for lease. The investment strategy of INTF is based on the maximum return on investments in real estate in a long term. INTF invests in properties (buildings, premises and land plots) located in the major cities of Lithuania to ensure a higher liquidity of real estate. When making investments priority is given to large modern commercial real estate objects (business, trade and logistics centres) which generate long-term revenue from their lease. Currently, there is a strong demand for leased areas in modern office and logistics centres which is expected to prevail over the upcoming years. INTF also invests in real estate objects the development of which increases their value.

Aiming to reduce investment risk INTF does not invest in real estate objects for speculative purposes, i.e. properties in which investments are made are required to have development prospects and/or generate a cash flow from lease. The value of assets of INTF is increased by actively managing the properties and creating added value for them.

The Company's assets, including contracts, lease payments and regular communication with lessees are managed by UAB Inreal Valdymas on behalf of the Company under the assets management agreement.

AB Invaldos Nekilnojamojo Turto Fondas has two subsidiaries:

- UAB INTF Investicija (company code 300643227), share capital is equal to LTL 4,282,000 and it is divided into 4,282,000 ordinary registered shares with the nominal value of LTL 1 each, total value of shares – LTL 4,282,000 (31 December 2013: LTL 4,282,000). INTF is the sole shareholder of this company.
- UAB Perspektyvi Veikla (company code 302607087), share capital is equal to LTL 405,000 and it is divided into 405,000 ordinary registered shares with the nominal value of LTL 1 each, total value of shares – LTL 405,000 (31 December 2013: LTL 180,000). INTF is the sole shareholder of this company.

In May 2014, the bankruptcy proceeding were initiated against UAB INTF Investicija. It ceased to be treated as a subsidiary because the control over it was lost. Through the appointment of the bankruptcy administrator changes to decision-making rights occurred and it means that the relevant activities are no longer directed through voting rights the Company has, but instead give the bankruptcy administrator the current ability to direct the relevant activities.
In October 2014, the share capital of UAB Perspektyvi Veikla was increased by offsetting loans granted to the company. Following the increase in equity of UAB Perspektyvi Veikla, the investment in this company was estimated to be equal to LTL 5 thousand, which is equal to the fair value of the company's net assets.

As at 31 December 2014, the value of real estate held by INTF was LTL 115,070 thousand (31 December 2013: LTL 114,750 thousand).
In 2014, INTF's income from lease amounted to LTL 14,601 thousand (2013: LTL 13,486 thousand). During 2014, the value of investment property increased by LTL 310 thousand, whereas during 2013 the value of investment property decreased by LTL 1,713 thousand. The net result of operations of INTF for 2014 is a profit of LTL 1,726 thousand compared to a loss of LTL 156 thousand in the year 2013.

As at 31 December 2014, the Company had 1 (31 December 2013: 2) employee.

2. Number and nominal value of own shares acquired and held by the Company, and the percentage of authorised share capital they represent

The Company has not acquired own shares.

3. Number and nominal value of own shares acquired and disposed of over the reporting period, and the percentage of authorised share capital they represent; the reasons for acquisition of own shares; information on payment for own shares, provided these shares were acquired or disposed of in exchange for a certain consideration

During the reporting period the Company neither acquired nor disposed of its own shares.

4. Information about the Company's branches and representative offices

The Company has no branches and representative offices.

5. Significant events after the end of the reporting financial year

Information on significant events that occurred after the end of the financial year is disclosed in Note 19 to the Company's financial statements for 2014.

6. Company's operation plans and prospects

In 2015, the Company plans to continue real estate activities by seizing market opportunities. The variety of the supply of office premises, adapting to changing market conditions will ensure a stable cash flow from lease.

The Company will further focus on the development of existing objects by renewing, improving the condition of premises, reconstructing the buildings.
Under favourable market conditions the Company could also consider selling certain real estate objects.

7. Information about the Company's research and development activities

The Company is not engaged in this sort of activities.

8. Objectives of financial risk management, hedging instruments used in respect of its main categories of transactions qualifying for hedge accounting, and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk

Information on financial risk to which the Company is exposed and its management is disclosed in Note 3 to the Company's financial statements for 2014.

Director Gediminas Bronislovas Rimkevičius