

Invalda Privatus Kapitalas AB
Annual report and financial statements
for the year ended 31 December 2014,
presented together with independent auditor's report

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Independent auditor's report

To the Shareholders of Invalda Privatus Kapitalas AB

Report on the Financial Statements

We have audited the accompanying financial statements of Invalda Privatus Kapitalas AB (hereinafter "the Company"), which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other 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, as set out on pages 6–34.

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 the 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 these 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 judgement, including the assessment of the risks of material misstatement of these 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 these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Invalda Privatus Kapitalas AB as at 31 December 2014 and of 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.


Other matter

The financial statements of Invalda Privatus Kapitalas AB for the year ended 31 December 2013 were audited by another auditor who expressed an unqualified opinion on those financial statements on 18 April 2014.


Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report of Invalda Privatus Kapitalas AB for the year ended 31 December 2014, set out on pages 35-36 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of Invalda Privatus Kapitalas AB for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB



Domantas Dabulis
Partner pp
Certified Auditor



Toma Marčiinauskytė
Certified Auditor

Vilnius, the Republic of Lithuania
20 April 2015

Key company details

Board

Mr Vytautas Bučas (Chairman)
Ms Indrė Mišeikytė
Mr Dalius Kaziūnas

Management

Mr Dalius Kaziūnas (Director)
Mr Vaidas Savukynas (Chief Financier)

Company code and register

Company code 303075527
Company's register data are kept with a state-owned enterprise Centre of Registers

Registered office address

Šeimyniškių St. 3,
09312 Vilnius
Lithuania

Website address

www.invaldapk.lt

Banks

DNB Bankas AB
SEB Bankas AB
Šiaulių Bankas AB

Auditor

KPMG Baltics, UAB
Upės St. 21
08128 Vilnius
Lithuania

These financial statements were signed and approved for issue by the Company's management and Board on 20 April 2015.

Management:



Mr Dalius Kaziūnas
Director



Mr Vaidas Savukynas
Chief Financier

Statement of financial position

	Note	At 31 December 2014	At 31 December 2013
ASSETS			
Non-current assets			
Intangible assets		2	14
Property, plant and equipment		42	114
Financial assets at fair value through profit or loss	6	228,838	123,563
Long-term loans granted	7	53,237	84,745
Deferred income tax assets	8	3,134	7,568
Total non-current assets		285,253	216,004
Current assets			
Short-term loans granted	7	6,205	8,861
Other amounts receivable and prepayments		295	311
Financial assets at fair value through profit or loss	6	2,725	2,602
Cash and cash equivalents	9	2,152	12,892
Total current assets		11,377	24,666
TOTAL ASSETS		296,630	240,670
EQUITY AND LIABILITIES			
Equity			
Share capital		20,689	20,689
Share premium		27,608	27,608
Legal reserve		2,616	2,616
Reserve for acquisition of own shares		77,100	77,100
Retained earnings		156,465	103,703
Total equity	10	284,478	231,716
Amounts payable and liabilities			
Amounts payable after one year and liabilities			
Non-current borrowings	11	8,799	4,215
Total amounts payable after one year and liabilities		8,799	4,215
Amounts payable within one year and liabilities			
Current borrowings	11	3,073	4,378
Other current amounts payable		280	361
Total amounts payable within one year and liabilities		3,353	4,739
Total liabilities		12,152	8,954
TOTAL EQUITY AND LIABILITIES		296,630	240,670

Notes set out on pages 10 to 34 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

	Note	2014	2013*
Income			
Interest income		2,477	3,322
Dividend income		15,904	14,218
Net change in fair value of financial assets	6	42,046	10,690
Other income		31	2
Total net income		60,458	28,232
Expenses			
Wages and salaries and social security contributions		(2,095)	(1,220)
Office and car lease and maintenance		(552)	(241)
Depreciation		(28)	(28)
Professional services		(65)	(45)
Taxes other than income tax		(126)	(72)
Other operating expenses		(47)	(87)
Total operating expenses		(2,913)	(1,693)
Operating profit		57,545	26,539
Finance costs			
Interest expenses		(349)	(244)
Total finance costs		(349)	(244)
Profit for the period before tax		57,196	26,295
Income tax	8	(4,434)	(172)
Net profit for the period		52,762	26,123
Other comprehensive income			-
Total profit or loss and other comprehensive income for the period		52,762	26,123

*The year 2013 includes the period from 31 May until 31 December 2013

Notes set out on pages 10 to 34 form an integral part of these financial statements.

Statement of changes in equity

	Share capital	Share premium	Legal reserve	For acquisition of own shares	Retained earnings	Total
The Company's share capital formed as at 31 May 2013 under spinoff conditions (Note 10)	20,689	27,608	2,616	77,100	77,580	205,593
The Company's total shareholder contributions and distributions	20,689	27,608	2,616	77,100	77,580	205,593
Net profit for the short financial year until 31 December 2013	-	-	-	-	26,123	26,123
Total profit or loss and other comprehensive income	-	-	-	-	26,123	26,123
Balance at 31 December 2013	20,689	27,608	2,616	77,100	103,703	231,716
Net profit for the financial year until 31 December 2014	-	-	-	-	52,762	52,762
Total profit or loss and other comprehensive income	-	-	-	-	52,762	52,762
Balance at 31 December 2014	20,689	27,608	2,616	77,100	156,465	284,478

Notes set out on pages 10 to 34 form an integral part of these financial statements.

Statement of cash flows

	Note	2014	2013*
Cash flows from operating activities			
Purchase of financial assets		(48,677)	(19,447)
Proceeds from sale of financial assets		5,826	6,921
Loans granted		(22,209)	(40,568)
Loan repayments received		31,046	38,094
Interest received		744	649
Dividends received		22,302	14,218
Acquisition of non-current assets (excluding financial assets)		(13)	(52)
Other operating expenses		(2,719)	(1,530)
Net cash outflow from operating activities		(13,700)	(1,715)
Cash flows from financing activities			
Cash received on spinoff		-	13,200
Proceeds from borrowings		19,795	18,838
Repayments of borrowings		(16,425)	(17,372)
Interest paid		(410)	(31)
Net cash inflow from financing activities		2,960	14,635
Net increase in cash and cash equivalents		(10,740)	12,920
Foreign exchange effect on cash and cash equivalents		-	(28)
Cash and cash equivalents at 1 January		12,892	-
Cash and cash equivalents at 31 December	9	2,152	12,892

*The year 2013 includes the period from 31 May until 31 December 2013

Notes set out on pages 10 to 34 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Invalda Privatus Kapitalas AB (hereinafter “the Company”) is a public limited liability company registered in the Republic of Lithuania. It was established on 31 May 2013, following the spinoff of 45.45% assets, equity and liabilities from Invalda AB (company code 121304349) (hereinafter “the spinoff”). More details about the spinoff are disclosed in Note 10.

These financial statements cover the first full financial year of the Company coinciding with the calendar year 2014 and the financial year 2013 starting from the Company’s establishment date on 31 May 2013 and ending on 31 December 2013, thus, the data of the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year 2014 cannot be compared with the data provided in the financial statements for the previous financial year.

The Company’s share capital is divided into 20,689,038 ordinary registered shares with the nominal value of LTL 1 each. All the shares issued by the Company give equal rights to their holders. As at 31 December 2014 and 2013, the Company’s shareholder structure was as follows:

	Number of shares and votes held	%
Mr Vytautas Bučas	8,198,367	39.6%
Mr Algirdas Bučas	4,234,709	20.5%
Mrs Irena Ona Mišeikienė	6,217,077	30.1%
Other shareholders	2,038,885	9.9%
Total:	20,689,038	100.0%

In 2014, the Company neither acquired nor disposed of its own shares.

The Company is one of the largest private equity companies in Lithuania. Its objective is to add value through mergers, development and sale of businesses. The Company’s core line of business is to invest funds in Lithuanian companies operating in furniture manufacturing, real estate, agricultural and other industry sectors, solely for capital appreciation or investment income (in the form of dividends and interest). The Company sets operation objectives individually for each subsidiary, contributes to the development of strategy and monitors its implementation. The Company is actively involved in relevant decision-making processes that have impact on the value of subsidiaries. A detailed list of subsidiaries is provided in Note 6.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Company’s financial statements are set out below.

2.1. Basis of presentation

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

All amounts in these financial statements have been presented in LTL thousands, with the sums rounded to the nearest thousand unless otherwise stated.

The Company has been deemed to meet the definition of an investment entity as per IFRS 10. The Company does not consolidate its subsidiaries, nor prepares the consolidated financial statements.

The financial statements have been prepared under the historical cost convention as modified by fair value measurement of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are

disclosed in Note 4. Although these estimates are based on management's best knowledge of current circumstances, events or actions, actual results may ultimately differ from these estimates.

Impact of new standards, amendments and interpretations on the financial statements of the Company

Except for the changes below, the Company has consistently applied the accounting policies set out in the explanatory notes to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

(i) IFRS 10: Consolidated Financial Statements

IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. This standard had no impact on the financial statements since the Company meets the definition of an investment entity and it does not prepare consolidated financial statements. Investments in subsidiaries are carried at fair value through profit or loss.

(ii) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities 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'.

IFRS 11 'Joint Arrangements' also became first applicable in 2014; however, it is not applicable to the Company as the Company does not participate in joint arrangements.

(iii) IAS 27: Separate financial statements

The 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'. The guidelines of this amendment were adopted in the preparation of the financial statements.

(iv) Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities

The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. This amendment had no significant impact on the financial statements since the Company meets the definition of an investment entity and does not prepare the consolidated financial statements.

(v) Other amendments to standards

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these financial statements:

- IAS 28 (2011) Investments in Associates and Joint Ventures;
- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company, as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Company does not plan to adopt these amendments, standards and interpretations early.

(i) *Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)*

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(ii) *IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)*

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Company's accounting policy regarding levies imposed by governments.

(iii) *Annual Improvements to IFRSs*

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company's financial statements in future.

2.2. Investment entity and consolidated financial statements

Investment entity

The Company has multiple unrelated investors and holds multiple investments. Ownership interests in the Company are in the form of equity securities issued by the Company - ordinary registered shares. In the management's opinion, the Company meets the definition of an investment entity as the following conditions exist:

- (i) The Company obtains funds from investors for the purpose of providing them with investment management services.
- (ii) The Company commits to investors that its business purpose is to invest funds solely for capital appreciation, investment income, or both. And
- (iii) The management measures and evaluates its investments and makes investment decisions on a fair value as a key criterion.

Subsidiaries

The Company has no subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the Fair Value estimation notes below.

Controlled subsidiary investments include the special purpose entities (SPEs) that are incorporated for the purpose of holding underlying investments (“the portfolio companies”) on behalf of the Company. As new SPEs are incorporated for each investment, there are no business combinations. The SPEs have no operations other than their respective investment in portfolio companies and providing a vehicle for the onward sale of a portfolio investment. The SPEs are also reflected at fair value, with the key fair value driver being the investment in the underlying portfolio company investments that the SPEs hold on behalf of the Company. None of the SPEs required consolidation as the SPEs are not deemed to be providing investment-related services, as defined by IFRS 10.

Where the Company is deemed to control an underlying portfolio company, whereby the control is exercised via voting rights or indirectly through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the underlying portfolio company and its results are also not consolidated and are instead reflected at fair value through profit or loss (through the reflection of the value of the respective SPE that holds the underlying portfolio company in the Company’s financial statements).

Associates

An associate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments that are held as part of the Company’s investment portfolio are carried at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 ‘Investment in associates’, which allows investments that are held by investment entities to be recognised and measured at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognised through profit or loss in the period of the change.

More details about the investments in subsidiaries and associates, as well as loans granted to them, are provided in Notes 6 and 7.

2.3. Presentation currency

All amounts in these financial statements are presented in a local currency - the Lithuanian litas (LTL), which is the Company’s functional and presentation currency. As from 2 February 2002, the litas has been pegged to the euro at exchange rate of LTL 3.4528 to EUR 1.

2.4. Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Company classifies assets to categories when assets are acquired.

Financial assets (other than financial assets or financial liabilities at fair value through profit or loss) are initially stated at fair value plus transaction costs. The Company determines whether a contract contains an embedded derivative when it becomes a party thereto for the first time. Embedded derivatives are separated from the host contract, which is not designated at fair value through profit or loss, when the analysis shows that the economic characteristics and risks are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on the settlement date. All regular way purchases and sales of financial assets include those that require the delivery of assets over the term generally established in the provisions or agreed by market arrangements.

Financial assets at fair value through profit or loss

The Company classifies its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets and financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

- (i) A financial asset or financial liability is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives, including the separated embedded derivatives, are also categorised as held for trading, unless they are designated as hedges or financial guarantee contracts.
- (ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed; their performance is evaluated on a fair value basis in accordance with the Company's investment strategy. The Company's management evaluates the information about these financial assets and liabilities on a fair value basis together with other related financial information (Notes 3 and 6). This sub-category includes subsidiaries and associates that are part of the Company's investment portfolio.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented within 'Net change in fair value of financial assets'. Interest on debt securities at fair value through profit or loss is presented within 'Interest income' using the effective interest rate. Dividend income from investments is recognised in profit or loss as part of 'Dividend income' when the right to receive payments is established. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. When loans and receivables are written off, impaired or amortised, gain or loss is recognised in profit or loss. Loans granted by the Company to entities controlled by the Company are classified as long-term or short-term based on the assessed factual ability of loan receivers to repay the loan rather than on the maturity indicated in loan agreements. Other loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, in which case they are classified as non-current assets. Loans and receivables are presented in the Company's statement of financial position within 'Loans granted' and 'Other amounts receivable and prepayments'.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

2.5. Fair value estimation

The fair value of investments traded in active markets is based on the last 6-months' weighted average price (in 2013: quoted market prices at the close of trading, which is the date closest to the reporting date). In 2014, the Company's management decided to change the fair value estimation method for investments traded in active markets, since, in the management's opinion, the use of 6-months' weighted average price eliminates possible random price variations. The fair value of investments that are not traded in active markets is determined by using valuation techniques. Such valuation techniques may include the most recent transactions in the market, the market price for similar transactions, discounted cash flow analysis or any other valuation models.

2.6. 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.

2.7. Impairment of financial assets

Assets carried at amortised cost

The Company assesses at each date of statement of financial position whether there is 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 criteria the Company uses to determine that there is objective evidence that an impairment loss has occurred are as follows:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers in the group; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

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 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 or held-to-maturity investment 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 within 'Impairment of loans and receivables (reversal)'.

The Company first assesses whether objective evidence of impairment exist. If the Company determines that financial assets will not be recovered, and all the collaterals have been realised or transferred to the Company, such assets are written off. The objective evidence includes initiation of insolvency proceedings against the debtor, insufficient amount of assets available to the debtor to settle debts to creditors or when it is impossible to identify the location of the debtor.

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 reversal of the previously recognised impairment loss is recognised. Any future reversals of impairment loss is recognised in profit or loss within 'Impairment of loans and receivables (reversal)' to the extent the carrying amount of the assets does not exceed the amortised cost at the date of reversal.

2.8. Financial liabilities

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 the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are shown 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.

2.9. Derecognition of financial assets and liabilities

Financial assets

Financial assets (or, where applicable, a part of financial assets or a part of group of similar financial assets) are derecognised when:

- the contractual rights to receive cash flows from the financial assets have expired;
- the Company has retained the contractual rights to receive the cash flows from the financial asset, but has assumed a contractual obligation to pay the cash flows in full to a third party under the transfer contract over a short-term period; or
- the Company has transferred the contractual rights to receive cash flows from the financial assets or (a) has transferred substantially all the risks and rewards of ownership of the financial assets, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets, but has not retained control over these assets.

Financial liabilities

The Company derecognises a financial liability only when the obligation is discharged or cancelled, or expires.

An exchange between the Company and the same lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with the difference between their respective carrying amounts recognised in profit or loss.

2.10. Share capital

The holders of ordinary shares are entitled to one vote per share in the General Shareholders' Meeting and receive dividends, when declared, and are entitled to capital repayment in case of reduction of the capital and other rights granted by the law.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. When the Company acquires its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

The account for the authorised capital includes nominal value only. If the emission price of shares exceeds their nominal value, the excessive amount is recorded in the share premium account.

A legal reserve is formed from distributable profit. This reserve is formed and used in the manner established by laws. Annual allocation to the legal reserve should amount to at least 5% of retained earnings until the reserve makes up 10% of the share capital.

The reserve for acquiring own shares cannot be distributed as long as a company holds its own shares. After annulment or disposal of own shares, the reserve for acquiring own shares is reduced in the manner established by laws. When the decision is taken to cancel the reserve, the reduction of the reserve for acquiring own shares and the increase of retained earnings are recorded in accounting.

Other reserves are formed, increased and reduced in the manner established by laws. Once the owners pass a decision to form or cancel reserves, an increase (reduction) of reserves is recorded in accounting, simultaneously reducing (increasing) retained earnings by the same amount.

2.11. Income recognition

The following criteria are applied for income recognition:

Income from sale of investments

Gain (loss) on sale of investments is recognised when significant risks and rewards of ownership of the investments is transferred to the buyer. Gain (loss) on sale of investments is shown together with the change in the fair value of investments.

Interest income

Interest income is recognised on accrual basis using the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

2.12. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of local tax laws, under which companies in Lithuania are subject to income tax rate of 15%, and tax losses can be carried forward for unlimited period at no consideration or at mutually agreed consideration between the entities within the same group, provided certain conditions are met.

Pursuant to the Lithuanian Law on Corporate Income Tax, income from transfer of shares is deemed to be non-taxable when the following conditions are met:

- the shares have been issued by 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,
- the shares have been transferred to another entity or a natural person;
- 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 the above-mentioned conditions have or will be met, based on the management's estimate, no deferred income tax asset or liability is recognised on temporary differences arising from these investments.

Based on valid legislation, 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 discontinues its activities due to which these losses were incurred except when the Company discontinued its activities for reasons that are beyond the Company's control. When calculating the income tax for 2014 and subsequent years, the amount of tax losses used cannot exceed 70% of taxable profit of the tax period. 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.

Deferred income tax is recognised using the liability method. Deferred income tax reflects net tax effects of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using the tax rates that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised in the statement of financial position to the extent that the Company's management expects to utilise such assets in the foreseeable future taking into consideration forecasts of taxable profit. When it is probable that a portion of deferred tax assets will not be utilised, this portion of deferred tax assets is not recognised in the financial statements.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that sufficient taxable profit is no longer probable against which the deferred income tax assets would be utilised in full or in part. The value of deferred income tax assets not recognised is reviewed at the end of each reporting period and deferred income tax assets are newly recognised to the extent that sufficient taxable profit becomes probable against which these assets would be utilised.

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.

2.13. 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. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses of employees.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to a termination without possibility of withdrawal.

Bonus plans

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

3. Financial risk management

3.1. Financial risk factors

The objective of the Company is to achieve medium to long-term capital growth through investing in a careful selection of listed and unlisted private companies operating in Lithuania.

The Company's investments are categorised by profile of activities and managed in a way to ensure that the main categories of investments will not be dependent upon each other. This is how the operational risk is diversified and proper conditions are formed for disposal of any investment without exposing the Company to risks. As a general rule, the Company does not issue any guarantees or sureties on behalf of subsidiaries to secure the fulfilment of their obligations.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company has not been using any derivative financial instruments for hedging, to moderate certain risk exposures.

3.1.1. Market risk

(a) Price risk

The Company's investments are susceptible to market price risk arising from uncertainties about future values of the instruments. To manage the market price risk, the Company's board together with the Company's management reviews the performance of the portfolio companies at least on a quarterly basis and is in regular contact with the management of the portfolio companies for business and operational matters.

The fair value of investments traded in active markets is based on the last 6-months' weighted average price (in 2013: quoted market prices at the close of trading, which is the date closest to the reporting date). In 2014, the Company's management decided to change the fair value estimation method for

investments traded in active markets, since, in the management's opinion, the use of 6-months' weighted average price eliminates possible random price variations.

The fair values of the Company's investments exposed to price risk were as follows:

	31 December 2014	31 December 2013
Financial assets at fair value through profit or loss exposed to general price risk:		
Securities traded in an active market	184,992	78,869
Securities not traded in active market designated at fair value through profit or loss	46,571	47,296
Total financial assets at fair value through profit or loss exposed to general price risk:	231,563	126,165

At 31 December 2014, should the calculated weighted average price of securities traded in an active market change by 1% with all other variables remaining constant, the change in the Company's net assets would amount to approximately LTL 1,850 thousand (2013: LTL 789 thousand).

(b) Foreign exchange risk

The Company holds assets denominated in currencies other than the functional currency (the litas). It is therefore exposed to currency risk, as it is probable that the value of these assets will fluctuate due to the changes in exchange rates.

The Company's management believes that its assets and liabilities are not exposed to significant foreign exchange risk, therefore, the Company does not disclose any additional details in relation thereto, nor uses it any hedging instruments to manage this risk.

(c) Interest rate risk

The Company may be exposed to cash flow and fair value interest rate risk due to long-term loans granted and non-current borrowings with variable interest rates.

The Company's all borrowings (see Note 11) and loans granted (see Note 7) bear fixed interest rates.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's interest-bearing assets and liabilities, categorised by the earlier of contractual re-pricing or maturity dates.

	Non- interest bearing	Within 12 months	After 12 months	Total
As at 31 December 2014				
Long-term loans granted	63	50,419	2,755	53,237
Short-term loans granted	8	6,197	-	6,205
Total loans granted	71	56,616	2,755	59,442
Non-current borrowings	34	8,765	-	8,799
Current borrowings	61	3,012	-	3,073
Total borrowings	95	11,777	-	11,872
As at 31 December 2013				
Long-term loans granted	610	83,033	1,102	84,745
Short-term loans granted	23	8,838	-	8,861
Total loans granted	633	91,871	1,102	93,606
Non-current borrowings	91	4,124	-	4,215
Current borrowings	126	4,252	-	4,378
Total borrowings	217	8,376	-	8,593

At 31 December 2014, should interest rates change by 25 basis points with all other variables remaining constant, the change in the Company's net assets would amount to approximately LTL 119 thousand (2013: LTL 213 thousand). These estimates, however do not take into account the possible indirect impact of interest rate changes on the value of the Company's investments, which depends on the impact of interest rate changes on cash flows of the portfolio companies, or the fair values of which are determined with reference to interest rate used as input data.

3.1.2. Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk arising on possible default in principal or interest payments (Note 7).

The Company has no significant concentration of credit risk. The Company uses the services of banks that belong to groups with short-term credit ratings of A- 1 or higher, as rated by the rating agency Standard and Poor's. Accordingly, the Company's all assets were held at bank with such rating as at 31 December 2014 and 2013.

The Company assesses all existing and future counterparties for their creditworthiness before contracting with them. Subsequently, the credit quality of the Company's partners is assessed by the management at least on a quarterly basis.

The Company's maximum exposure to credit risk is the carrying amounts of the financial instruments. The Company does not hold any collateral to mitigate the Company's exposure to credit risk.

The Company provides loans to the portfolio companies and other private companies, which are assessed for creditworthiness on individual basis. For those amounts receivable that are not past due, it is believed that the risk of default is low, and the principal and interest payments will be made in accordance with the agreed terms. The value of amounts receivable that are past due is reduced on the basis of individually assessed probability of recoverability of principal and/or accrued interest amounts (Note 7).

As at the date of the financial statements the maximum exposure to credit risk was as follows:

	Carrying amount	
	31 December 2014	31 December 2013
Loans granted (long and short-term)	59,442	93,606
Other amounts receivable	174	214
Cash and cash equivalents	2,152	12,892
Total	61,768	106,712

3.1.3. Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company invests in financial instruments that are illiquid. As a result, the Company may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet significant unplanned liquidity requirements.

The Company has not been facing any liquidity issue so far. All loans obtained by the Company (Note 11) represent an instrument of re-distributing free funds between the portfolio companies in a short term.

The table below analyses the Company's financial liabilities as at 31 December 2014 and 2013 into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Carrying amount	Less than 3 months	Between 4 and 12 months	Between 2 and 5 years	After 5 years	Total
Interest-bearing borrowings	11,872	95	3,102	9,116	-	12,313
Other current amounts payable	10	10	-	-	-	10
Balance at 31 December 2014	11,882	105	3,102	9,116	-	12,323
Interest-bearing borrowings	8,593	217	4,439	4,367	-	9,023
Other current amounts payable	126	126	-	-	-	126
Balance at 31 December 2013	8,719	343	4,439	4,367	-	9,149

3.2. Capital risk management

The capital of the Company is represented by the net assets attributable to the shareholders, comprising the share capital, share premium, legal reserve, reserve for acquisition of own shares and retained result. The Company's principal objective when managing the capital and related risks is to safeguard the ability to continue as a going concern in order to provide sufficient returns for shareholders, maintain a strong capital base to support the development of the investment activities of the Company. In order to maintain an optimal capital structure, the Company's meeting of shareholders may pay dividends to shareholders, return capital to shareholders or issue new shares.

3.3. Fair value estimation

In line with IFRS 13, the Company is required to provide disclosures about the degree of reliability of fair value measurements. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable inputs) and that significantly affect valuation of instruments. Unobservable inputs include instruments valued based on quoted prices for similar instruments; for the purpose of reflecting the differences between the instruments, significant unobservable adjustments or assumptions are required.

The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources.

The following table analyses within the fair value hierarchy the Company's financial assets:

	Fair value estimation at the end of the reporting period using			Total at 31 December 2014
	Quoted price in active market for identical assets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
Ordinary registered shares of companies registered in Lithuania				
Non-current financial assets at fair value through profit or loss				
Furniture manufacturing	-	182,267	-	182,267
Real estate development and lease	-	-	37,300	37,300
Agricultural land	-	5,820	-	5,820
Other activities	-	-	3,451	3,451
Total non-current financial assets at fair value through profit or loss	-	188,087	40,751	228,838
Financial assets held for trading designated at fair value through profit or loss	-	2,725	-	2,725
Total assets measured at fair value	-	190,812	40,751	231,563

In 2014, the Company decided to reclassify its investments traded in active market from Level 1 to Level 2, since the fair value estimation method has changed and is based on the last 6-months' weighted average price (in 2013: based on quoted market prices at the close of trading, which is the date closest to the reporting date). The part of such investments in the total value of financial assets at fair value through profit or loss increased from 63% in 2013 to 80% in 2014, and the Company's management is of the opinion that transfer of such assets to Level 2 will allow for more accurate presentation of its fair value.

	Fair value estimation at the end of the reporting period using			Total at 31 December 2013
	Quoted price in active market for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ordinary registered shares of companies registered in Lithuania				
Non-current financial assets at fair value through profit or loss				
Furniture manufacturing	76,267	-	-	76,267
Real estate development and lease	-	-	21,028	21,028
Agricultural land	-	8,136	-	8,135
Agriculture and agrotrading	-	-	11,092	11,092
Other activities	-	-	7,040	7,040
Total non-current financial assets at fair value through profit or loss	76,267	8,136	39,160	123,563
Financial assets held for trading designated at fair value through profit or loss	2,602	-	-	2,602
Total assets measured at fair value	78,869	8,136	39,160	126,165

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

3.4. Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

4. Critical accounting estimates and judgements

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. These 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1. Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability.

Some of the valuations based on which the fair values of the assets managed by the controlled companies were established as at 31 December 2014 were carried out prior to the year 2014. Also, some of the valuations were carried out by a related party providing valuation services.

Details of the inputs and valuation models used to determine Level 2 and Level 3 fair value, is provided in Note 6.

4.2. Recognition of deferred income tax assets

A deferred tax asset should only be recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The carrying amounts of deferred tax assets are disclosed in Note 8.

4.3. Investment entity status

The management periodically reviews whether the Company meets all the defining criteria of an investment entity referred to in Note 2.2. In addition, the management assesses the Company's operation objective (Note 1), investment strategy, origin of income and fair value models. According to the management, the Company met all the defining criteria of an investment entity throughout the period from its establishment to the financial reporting date.

5. Financial instruments by category

	Loans and receivables	Assets at fair value through profit or loss	Total
At 31 December 2014			
Assets as per the statement of financial position			
Financial assets at fair value through profit or loss	-	228,838	228,838
Long-term loans granted	53,237	-	53,237
Short-term loans granted	6,205	-	6,205
Other amounts receivable, excluding prepayments	174	-	174
Financial assets held for trading designated at fair value through profit or loss		2,725	2,725
Cash and cash equivalents	2,152	-	2,152
Total	61,768	231,563	293,331
At 31 December 2013			
Financial assets at fair value through profit or loss	-	123,563	123,563
Long-term loans granted	84,745	-	84,745
Short-term loans granted	8,861	-	8,861
Other amounts receivable, excluding prepayments	211	-	211
Financial assets held for trading designated at fair value through profit or loss		2,602	2,602
Cash and cash equivalents	12,892	-	12,892
Total	106,709	126,165	232,874
31 December 2014 31 December 2013			
Financial liabilities at amortized cost			
Borrowings		11,872	8,593
Other liabilities, excluding taxes payable and employee benefits		10	126
Total		11,882	8,719

6. Financial assets at fair value through profit or loss

The Company's non-current financial assets at fair value through profit or loss as at 31 December 2013 and 2014 comprised the shares of the following companies registered in Lithuania:

Company name	Profile of activities	31 December 2014		31 December 2013	
		Shares and votes held, %	Fair value hierarchy	Shares and votes held, %	Fair value hierarchy
Directly controlled companies					
Vilniaus baldai AB	Furniture manufacturing	86.0%	Level 2	40.6%	Level 1
Dizaino institutas UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Riešės investicija UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Naujoji švara UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Elniakampio namai UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Saistas UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
BNN UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Trakų kelias UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Etanija UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Dipolio valda UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Purvynės valda UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Bartų valda UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Tripolio valda UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
IBC logistika UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Minijos valda UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Via solutions UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Justum UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Inreal valdymas UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
InReal UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Inreal geo UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Deltuvis UAB	Agricultural land	100.0%	Level 2	100.0%	Level 2
Investicijų tinklas UAB	Other activities	100.0%	Level 3	100.0%	Level 3
Fortina UAB	Other activities	100.0%	Level 3	100.0%	Level 3
Aikstentis UAB	Other activities	100.0%	Level 3	100.0%	Level 3
Ente UAB	Other activities	100.0%	Level 3	100.0%	Level 3
Vadula UAB	Other activities	100.0%	Level 3	100.0%	Level 3
Vedašva UAB	Other activities	100.0%	Level 3	100.0%	Level 3

Dommo Nerija UAB	Real estate development and lease	50.0%	Level 3	50.0%	Level 3
Aktyvo UAB	Other activities	45.4%	Level 3	45.4%	Level 3
Vernitas AB	Other activities	0.7%	Level 3	0.7%	Level 3
Zelvė AB	Other activities	3.8%	Level 3	3.8%	Level 3
Vertingis UAB	Real estate development and lease	100.0%	Level 3	-	-
Trailinga UAB	Real estate development and lease	100.0%	Level 3	-	-
Nemora UAB	Real estate development and lease	100.0%	Level 3	-	-
Larėjas UAB	Real estate development and lease	100.0%	Level 3	-	-
Nedruvis UAB	Real estate development and lease	100.0%	Level 3	-	-
Andojus UAB	Real estate development and lease	100.0%	Level 3	-	-
Danės gildija UAB	Real estate development and lease	100.0%	Level 3	-	-
Akvilas UAB	Real estate development and lease	100.0%	Level 3	-	-
Daugpirkis UAB	Real estate development and lease	100.0%	Level 3	-	-
LT investicijos UAB	Real estate development and lease	100.0%	Level 3	-	-
Krevina UAB	Other activities	100.0%	Level 3	-	-
Žemvesta UAB	Agricultural land	-	-	100.0%	Level 2
Ineturas UAB	Real estate development and lease	-	-	100.0%	Level 3
Paralelių valda UAB	Real estate development and lease	-	-	100.0%	Level 3
Viendienė UAB	Agricultural land	-	-	100.0%	Level 2
Kvietnešys UAB	Agricultural land	-	-	100.0%	Level 2
Šimtamargis UAB	Agricultural land	-	-	100.0%	Level 2
Pantėja UAB	Agricultural land	-	-	0.9%	Level 2
Cedus Invest UAB	Agriculture and agrotrading	-	-	45.4%	Level 3
Finansų rizikos valdymas UAB	Other activities	-	-	45.4%	Level 3
ŽVF projektai UAB	Other activities	-	-	21.5%	Level 3

All companies in the table above have been founded and operate in Lithuania. The table above includes only those subsidiaries that are directly controlled by the Company; however, they may have other subsidiaries controlled by the Company indirectly.

Some of the companies controlled by the Company have loans granted by credit institutions, thus, for the purpose of paying dividends, they have to obtain the consent of credit institutions. The liabilities to credit institutions of some of the controlled companies are subordinated with respect to loans granted by the Company, and as at 31 December 2014 the amount of such subordinated liabilities of the companies controlled by the Company was LTL 8,119 thousand. There are no other material restrictions imposed on the controlled companies with respect to their profit appropriation.

The Company's financial assets held for trading designated at fair value through profit or loss comprised the shares of the following companies registered in Lithuania:

Company name	Profile of activities	31 December 2014		31 December 2013	
		Shares and votes held, %	Fair value hierarchy	Shares and votes held, %	Fair value hierarchy
Šiaulių Bankas AB	Financial services	0.7%	Level 2	0.7%	Level 1
Žemaitijos Pienas AB	Food products	0.7%	Level 2	0.8%	Level 1

The following table presents inputs and Level 3 and Level 2 fair value valuation techniques used by the Company as at 31 December 2014:

Profile of activities	Fair value at 31 December 2014	Valuation technique	Inputs	Values of inputs
Real estate development and lease	24,982	Comparable valuation	Market price per sq. m, LTL	5,200-8,700
			WACC	13.6%-14.1%
Real estate development and lease	12,318	Discounted cash flows	Long-term revenue growth	-6.7%-3.5%
			Long-term EBIT margin	3.0%-14.9%
			Comparable transactions in the market	Market price per ha, LTL
Agricultural land	5,820	Comparable transactions in the market	WACC	13.8%
			Other activities	3,451
Long-term EBIT margin	11.3%			

The following table presents inputs and Level 3 and Level 2 fair value valuation techniques used by the Company as at 31 December 2013:

Profile of activities	Fair value at 31 December 2013	Valuation technique	Inputs	Values of inputs
Real estate development and lease	10,644	Comparable valuation	Market price per sq. m, LTL	5,200-8,700
			WACC	13.9%-15.2%
Real estate development and lease	10,384	Discounted cash flows	Long-term revenue growth	3.0%-4.5%
			Long-term EBIT margin	1.3%-14.5%
			Comparable transactions in the market	Market price per ha, LTL
Agricultural land	8,136	Comparable transactions in the market	EBITDA multiple	6-8
			Agriculture and agrotrading	11,092
Market price per ha, LTL	10,000-14,000			
WACC	14.1%			
Other activities	7,040	Discounted cash flows	Long-term revenue growth	-35.4%-4.5%
			Long-term EBIT margin	8.7%-8.9%

Should inputs (market price per ha, LTL) change by 10% with all other variables remaining constant, the change in the fair values of investments valued based on comparable valuation method would amount to LTL 3,080 thousand.

With all other variables remaining constant, the sensitivity of fair value of investments valued based on discounted cash flows method to changes in inputs as at 31 December 2014 would be as follows:

Change in fair value if:	Increase	Decrease
WACC changes by 1 percentage point	(551)	652
Long-term revenue growth changes by 1 percentage point	190	(184)
Long-term EBIT margin changes by 1 percentage point	907	(880)

The following table presents the movement in Level 3 instruments:

Ordinary registered shares of companies registered in Lithuania	Real estate development and lease	Agriculture and agrotrading	Other activities	Total
During the short year until 31 December 2013				
Spinoff	11,291	9,148	3,382	23,821
Purchase / capital increase	3,976	-	3,658	7,634
Sales / reduction	-	-	-	-
Gains (losses) recognised in the statement of profit or loss and other comprehensive income	-	-	-	-
Net change in fair value of financial assets	5,761	1,944	-	7,705
Fair value at the end of the period	21,028	11,092	7,040	39,160
During the year until 31 December 2014				
Purchase / capital increase	18,667	-	10	18,677
Sales / reduction	(10,925)	(4,545)	(6,211)	(21,681)
Gains (losses) recognised in the statement of profit or loss and other comprehensive income	(7,213)	6,254	(1,496)	(2,455)
Net change in fair value of financial assets	15,743	(12,801)	4,108	7,050
Fair value at the end of the period	37,300	-	3,451	40,751

The movement on *non-current financial assets at fair value through profit or loss* account in the Company's statement of financial position during the year 2013 and 2014 was as follows:

	2014	2013
Balance at the beginning of the period	123,563	-
Investments received on spinoff	-	90,239
Additional purchase of shares, establishment of companies	57,605	18,932
Additional investments capitalising loans granted to capital	27,017	3,916
Sales, reduction of share capital	(21,140)	(10)
Change in fair value over the period	41,793	10,486
Balance at end of the period	228,838	123,563

The movement on *financial assets held for trading designated at fair value through profit or loss* account in the Company's statement of financial position during the year 2013 and 2014 was as follows:

	2014	2013
Balance at the beginning of the period	2,602	-
Investments received on spinoff	-	8,795
Purchase	86	23
Sales	(216)	(6,420)
Change in fair value over the period	253	204
Balance at end of the period	2,725	2,602

Net change in fair value of financial assets during 2013 and 2014 in profit or loss comprised as follows:

	2014	2013
Changes in fair value of non-current financial assets	41,793	10,486
Changes in fair value of financial assets held for trading	253	204
Total changes in fair value of financial assets	42,046	10,690

	2014	2013
Realised gains on investments	9,054	498
Realised loss on investments	(10,751)	(7)
Unrealised gains on investments	56,852	15,257
Unrealised loss on investments	(13,109)	(5,058)
Total profit on investments	42,046	10,690

7. Loans granted

The Company's loans granted comprised as follows:

	31 December 2014	31 December 2013
Long-term loans granted		
Long-term loans granted to subsidiaries and associates (including the subsidiaries controlled by them)	53,237	84,745
Total long-term loans granted	53,237	84,745
Short-term loans granted		
Short-term loans granted to subsidiaries	6,205	2,257
Short-term loans granted to third parties	-	6,604
Total short-term loans granted	6,205	8,861
Total loans granted	59,442	93,606

The movement on *loans granted* account in the Company's statement of financial position during 2013 and 2014 was as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the period	93,606	-
Loans received on spinoff	-	92,556
Additional loans granted during the year	22,154	40,606
Interest charged during the year	2,477	3,088
Repayments received	(31,778)	(38,728)
Capitalisation of loans granted to investments	(27,017)	(3,916)
Balance at end of the period	59,442	93,606

As at 31 December 2013 and 2014, the Company's loans granted were neither overdue nor impaired. They were granted to fully performing parties. At the financial reporting date there were no indications that the debtors would fail to meet their obligations, because the Company's policy is to grant loans only to the subsidiaries controlled by it or to reliable third parties. The maximum credit risk as at the financial reporting date is the carrying amount of each category of amounts receivable as indicated above. The Company does not hold any collateral.

The carrying amount of the Company's loans granted approximates their fair value since the interest rates charged thereon are reviewed and re-priced every time the market interest rates change. Their value was determined with reference to the discounted cash flows at interest rate of 3% as at 31 December 2014 (3,1% as at 31 December 2013). This represents a Level 3 fair value.

8. Income tax

The Company's deferred income tax assets and liabilities were calculated using the income tax rate of 15%.

The movement on the Company's *deferred income tax assets and liabilities* account during 2014 was as follows:

	Balance at 31 December 2013	Recognised in profit or loss	Balance at 31 December 2014
Deferred income tax assets			
Tax losses carried forward for indefinite period	370	106	476
Financial assets at fair value through profit or loss	(20)	20	-
Limited carry-forward of tax losses	7,224	255	7,479
Accruals	6	1	7
Total deferred income tax assets	7,580	382	7,962
Part of deferred income tax asset not recognized	0	(4,764)	(4,764)
Assets offset against liabilities	(12)	(52)	(64)
Deferred income tax assets, net	7,568	(4,434)	3,134
Deferred income tax liabilities			
Financial assets at fair value through profit or loss	(12)	(52)	(64)
Deferred income tax liabilities	(12)	(52)	(64)
Liabilities offset against assets	12	52	64
Total deferred income tax liabilities	-	-	-
Deferred income tax, net	7,568	(4,434)	3,134

The movement on the Company's *deferred income tax assets and liabilities* account during 2013 was as follows:

	Assets recognised on spinoff	Recognised in profit or loss	Balance at 31 December 2013
Deferred income tax assets			
Tax losses carried forward for indefinite period	468	(98)	370
Financial assets at fair value through profit or loss	7,265	(7,285)	(20)
Tax losses carried forward until 2018	-	7,224	7,224
Accruals	7	(1)	6
Total recognised deferred income tax assets	7,740	(160)	7,580
Assets offset against liabilities	-	(12)	(12)
Deferred income tax assets, net	7,740	(172)	7,568
Deferred income tax liabilities			
Financial assets at fair value through profit or loss	-	(12)	(12)
Deferred income tax liabilities	-	(12)	(12)
Liabilities offset against assets	-	12	12
Total deferred income tax liabilities	-	-	-
Deferred income tax, net	7,740	(172)	7,568

Reconciliation of income tax expense to the theoretical amount of income tax using the applicable income tax rate:

	2014		2013	
Profit before tax	57,196		26,295	
Income tax calculated at 15% tax rate	(8,579)	(15%)	(3,944)	(15%)
Expenses not deductible for tax purposes	(22)	0%	(423)	(2%)
Income not subject to tax	8,931	16%	4,195	16%
Increase in the part of deferred income tax asset not recognised	(4,764)	(8%)	-	-
Income tax expense	(4,434)	(8%)	(172)	(1%)

The major part of deferred tax asset has not been recognised in respect of limited carry-forward of tax losses on sale of investments due to high uncertainty if enough taxable profit will be available in the foreseeable future against which the Company could utilise the benefits in full.

The whole amount of deferred income tax is expected to be realised not earlier than after 12 months.

9. Cash and cash equivalents

As at 31 December 2014, the Company's cash and cash equivalents comprised the following cash balances in current accounts of bank registered in Lithuania: LTL 1,617 thousand and EUR 155 thousand (LTL 535 thousand) (as at 31 December 2013: respectively LTL 12,430 thousand, EUR 111 thousand (LTL 385 thousand) and LVL 15 thousand (LTL 77 thousand)).

10. Equity

The terms of spinoff of Invalda AB (company code 121304349) were published on 13 February 2013, and they were approved at the Extraordinary General Meeting of Shareholders of Invalda AB on 9 April 2013. Following the spinoff, Invalda AB was renamed into Invalda LT AB, and a new company Invalda Privatus Kapitalas AB was established.

Following the spinoff, approx. 45.45% of assets, liabilities and equity of Invalda AB were transferred to the Company. The spinoff process was finalised on 31 May 2013.

The Company's equity was formed in accordance with the procedure set forth in the terms of spinoff on 31 May 2013, whereas assets received and liabilities assumed were estimated at fair values at the date of spinoff.

Equity formation on the spinoff was as follows:

	<u>At 31 May 2013</u>
Financial assets at fair value through profit or loss	99,034
Loans granted	92,556
Cash and cash equivalents	13,200
Deferred income tax assets	7,740
Other amounts receivable and prepayments	120
Property, plant and equipment	108
Borrowings	(6,919)
Other current amounts payable	(246)
Total net assets	<u>205,593</u>
Equity	
Share capital	20,689
Share premium	27,608
Legal reserve	2,616
Reserve for acquisition of own shares	77,100
Retained earnings	77,580
Total equity	<u>205,593</u>

On the spinoff, the fair value of financial assets at fair value through profit or loss was determined under the same principles and methods as those applied as at 31 December 2013. More details are disclosed in Note 6. On the spinoff, the fair value of loans granted was LTL 92,556 thousand, nominal value was LTL 107,345 thousand, whereof the recoverability of LTL 14,789 thousand was unlikely (Note 7).

11. Borrowings

The Company's borrowings were as follows:

	31 December 2014	31 December 2013
Non-current borrowings		
Non-current borrowings from related persons	8,000	-
Non-current borrowings from subsidiaries	799	4,215
Total non-current borrowings	8,799	4,215
Current borrowings		
Current borrowings from subsidiaries	3,073	4,378
Total current borrowings	3,073	4,378
Total borrowings	11,872	8,593

As at 31 December 2014, the Company had non-current borrowings amounting to LTL 8,799 thousand with a maturity expiring in May 2016. The maturities of current borrowings expire at the end of 2015. During 2014, interest rates were 3-4%.

The carrying amount of the Company's borrowings approximates their fair value, because the interest rates are reviewed and re-priced each time the market interest rates change. Their value was determined with reference to the discounted cash flows at interest rate of 3.0 - 4.0% (3,2% as at 31 December 2013). This represents a Level 3 fair value.

12. Off-balance sheet commitments and contingencies

Under the terms of spinoff, the Company obtained claims rights to LTL 9,220 thousand in relation to bankruptcy proceedings initiated against AB Bankas Snoras. The Company's management believes there are no grounds to expect full or partial recovery of this amount neither at present nor in the future, and accordingly, it was not reflected in these financial statements.

13. Related-party transactions

Related-party transactions

Parties are considered to be related if one party has the power to control the other party or exercise significant influence over the other party in making financial or operational decisions. In 2013 and 2014, the Company's related parties were defined as its subsidiaries, associates, the Company's shareholders (Note 1) and the Company's key management personnel, including entities controlled by or jointly controlled with the Company's key management personnel and shareholders exercising significant influence.

Transactions with related parties conducted during 2014 and balances arising from these transactions as at 31 December 2014 were as follows:

	Interest income	Dividend income	Loans granted (Note 7) and other amounts receivable	Interest expenses	Borrowings (Note 11)
Subsidiaries	2,245	15,904	59,442	162	3,872
Associates	232	-	-	-	-
Company's shareholders	-	-	-	171	7,317
Company's key management personnel	-	-	-	16	683
	2,477	15,904	59,442	349	11,872

Transactions with related parties conducted during 2013 and balances arising from these transactions as at 31 December 2013 were as follows:

	Interest income	Dividend income	Loans granted (Note 7)	Interest expenses	Borrowings (Note 11)
Subsidiaries	2,711	-	72,130	210	8,593
Associates	373	14,218	14,872	-	-
Company's shareholders	-	-	-	24	-
Company's key management personnel	-	-	-	10	-
	3,084	14,218	87,002	244	8,593

Compensation to key management personnel and other benefits

The Company's key management personnel include Board members, Director and Chief Financier. Compensation to the Company's key management personnel in 2014 totalled LTL 1,528 thousand (2013 totalled LTL 908 thousand), including social security contributions.

14. Significant events after the end of the reporting period

On 1 January 2015, the Republic of Lithuania joined the eurozone and the Lithuanian national currency litas was replaced by the euro. As a result, the Company converted its financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Future comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

In January 2015, the Company sold its shares of UAB Vedašva to UAB Bartų Valda for EUR 3 thousand (LTL 10 thousand).

In January 2015, the Company established three new companies: UAB Geruvis, UAB Pluknis and UAB Variagis and paid up 100% of shares issued by the companies at establishment date, i.e. EUR 3 thousand (LTL 10 thousand) for the shares of each of the company.

In March 2015, the Company made an additional contribution and increased the share capital of the 100% owned company UAB Tripolio Valda from EUR 813 thousand to EUR 850 thousand.

ANNUAL REPORT

Invalda Privatus Kapitalas AB (“the Company”) is a private limited liability company established and operating under the Lithuanian laws, following the spinoff of 45.45% of assets, equity and liabilities from Invalda AB. The spinoff process was finalised on 31 May 2013, which is deemed to be the date of the Company’s establishment and start of operations.

The main objective of the Company is to achieve capital growth through investing the funds received from shareholders in a careful selection of medium- to long-term projects and private companies operating in Lithuania. The funds are invested through acquisition of equity securities of companies and/or provision of interest-bearing loans, each time making a responsible assessment of risks associated with specific investment, business partners, market condition and development prospects, as well as possible exit strategies. On behalf of the Company, the management actively takes advantage of the rights provided by securities, and is actively involved in the management of companies, in which it invests, and regularly discusses all strategic and critical current operational issues with the management of these companies.

At the end of 2014, the Company’s equity per share amounted to LTL 13.75 (2013: LTL 11.20). The change in equity attributable to the Company’s shareholders (or net profit) per share amounted to LTL 2.55 for the year 2014 (LTL 1.26 for the year 2013).

At the end of 2013 and 2014, the Company’s structure of investment portfolio was as follows:

	2014	2013
Real estate	27%	37%
Vilniaus Baldai AB	63%	35%
Litagra AB	-	11%
Agricultural land	7%	10%
Other businesses	2%	6%
Securities held for trading	1%	1%

All the main areas of the Company’s investments in 2014 were profitable.

In 2014, the Company increased its investment in shareholding of Vilniaus Baldai AB to 86% by transferring the investment in Litagra AB in return and paying the difference in cash. The Company’s management considers this transaction very successful, since in 2014 the total profit before taxes (including share price gain and dividends received) from the investment in Vilniaus Baldai AB amounted to LTL 55.2 million.

The Company’s management did not change its opinion about Vilniaus Baladai AB: this company has steady cash flows, high dividend yield, professional management approach and responsible investment strategy, which, together with the favourably rated outlook of the growth of furniture export, allows expecting good future performance results.

The major real estate development projects carried out during 2014 were as follows:

- In March 2014, the Company through its subsidiaries acquired multiple-purpose real estate located in different locations across Lithuania for LTL 20 million from Šiaulių Bankas AB. Part of the estate is intended for sale, while another part for development and lease.
- further successful development and sale of Kopų Vėtrungės (multi-apartment buildings located in Nida);
- completion of construction and partial sale of *Danės Gildija* (multi-apartment building located in the owl town of Klaipėda).
- decision adopted regarding the development of recreation complex of apartments Labas, Jūra! on the sea shore at Juodkrantė.

During 2014, investment in real estate and related activities earned the Company the total of LTL 2.9 million of profit before taxes.

With respect to the Lithuanian real estate market, the Company’s management forecasts a moderate growth based on low interest rates on borrowed funds, healthy competition and attention of foreign investors. It is expected that the team of professionals from the professional real estate services group Inreal will help ensure quality for development projects, cope with competitive pressure and help ensure maximum return on investment.

In 2013, the Company regrouped its investments in agricultural land management companies, which was finalised in early 2014. The management forecasts a moderate capital growth for agriculture-related businesses in the foreseeable future. In a short-term perspective, the management observes a high risk of fluctuations in capital growth in this sector associated with specific season harvest levels, global prices of agricultural produce, size of EU support to farmers, and restrictions to buy agricultural land.

The Company's investments in this segment in a medium-term are likely to be focused on the improvement of quality of agricultural area in use and geographical consolidation of land plots.

The Company's temporarily free liquid funds are kept in bank accounts or invested in equity securities of listed companies. In 2014, the Company increased its shareholding in Šiaulių Bankas AB, with the shares received free of charge as a result of share capital increase from own funds.

Right from the start of operations, the Company's management adopted the amendment to IFRS published in 2013, which enabled the investment entity to measure its financial assets at fair value and not to prepare the consolidated financial statements. The Company's management believes that such presentation of financial statements to the readers provides the best reflection of the substance of its activities and the best measure of achievement of strategic goals.

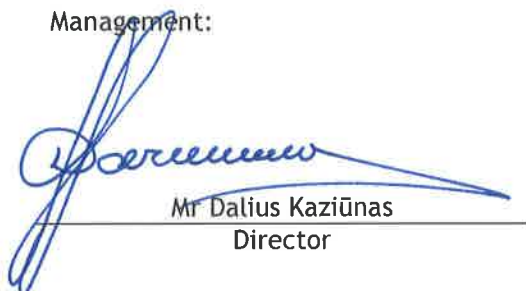
At the end of 2014, the Company had 8 employees (2013: 8).

Significant events after the end of 2014 have been disclosed in Note 14 of the financial statements.

Information on financial risk management at the Company has been disclosed in Note 3 of the financial statements.

The present annual report was signed and approved by the Company's management and board on 20 April 2015.

Management:


Mr Dalius Kaziūnas
Director


Mr Vaidas Savukynas
Chief Financier