Invalda Privatus Kapitalas AB
Annual report and financial statements
for the year ended 31 December 2016,
presented together with independent auditor's report

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KPMG Baltics, UAB
Konstitucijos Ave 29
LT-08105, Vilnius
Lithuania

Phone: +370 5 2102600
Fax: +370 5 2102659
E-mail: vilnius@kpmg.lt
Website: kpmg.com/lt

Independent Auditor's Report

To the Shareholders of Invalda Privatus Kapitalas AB

Opinion

We have audited the financial statements of Invalda Privatus Kapitalas AB ("the Company"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, 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.

Basis for Opinion

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

Other Information

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

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

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

Company code: 111494971
VAT code: LT114949716

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Toma Marčinauskytė.

On behalf of KPMG Baltics, UAB

Toma Marčinauskytė
Certified Auditor

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
20 April 2017

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
Konstitucijos Ave. 29
08105 Vilnius
Lithuania

These financial statements were signed and approved for issue by the Company's management and Board on 20 April 2017.

Management:

Mr Dalius Kaziūnas
Director

Mr Vaidas Savukynas
Chief Financier

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

Statement of financial position

	Note	At 31 December 2016	At 31 December 2015
ASSETS			
Non-current assets			
Intangible assets		-	-
Property, plant and equipment		8	11
Financial assets at fair value through profit or loss	6	70,603	68,304
Long-term loans granted	7	13,776	8,030
Deferred income tax assets	9	943	947
Total non-current assets		**85,330**	**77,292**
Current assets			
Short-term loans granted	7	7,850	9,726
Other amounts receivable and prepayments	8	1,551	3,620
Financial assets at fair value through profit or loss	6	-	619
Cash and cash equivalents	10	555	1,448
Total current assets		**9,956**	**15,413**
TOTAL ASSETS		**95,286**	**92,705**
EQUITY AND LIABILITIES			
Equity			
Share capital		6,000	6,000
Share premium		7,996	7,996
Legal reserve		758	758
Reserve for acquisition of own shares		22,330	22,330
Retained earnings		52,441	50,748
Total equity	11	**89,525**	**87,832**
Amounts payable and liabilities			
Amounts payable after one year and liabilities			
Non-current borrowings	12	102	65
Total amounts payable after one year and liabilities		**102**	**65**
Amounts payable within one year and liabilities			
Current borrowings	12	5,522	4,696
Other current amounts payable		137	112
Total amounts payable within one year and liabilities		**5,659**	**4,808**
Total liabilities		**5,761**	**4,873**
TOTAL EQUITY AND LIABILITIES		**95,286**	**92,705**

Notes set out on pages 11 to 34 form an integral part of these financial statements.

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Note	2016	2015
Interest income		611	533
Dividend income		1,946	3,473
Net change in fair value of financial assets	6	568	3,393
Other income		59	5
Total		**3,184**	**7,404**
Wages and salaries and social security contributions		(593)	(603)
Office and car lease and maintenance		(150)	(150)
Depreciation		(8)	(8)
Professional services		(16)	(15)
Taxes other than income tax		(34)	(36)
Other operating expenses		(7)	(7)
Total		**(808)**	**(819)**
Operating profit		**2,376**	**6,585**
Interest expenses		(162)	(149)
Total		**(162)**	**(149)**
Profit for the period before tax		**2,214**	**6,436**
Reversal of income tax expense (expense)	9	(4)	39
Net profit for the period		**2,210**	**6,475**
Other comprehensive income		-	-
Total profit or loss and other comprehensive income for the period		**2,210**	**6,475**

Notes set out on pages 11 to 34 form an integral part of these financial statements.

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

Statement of changes in equity

	Share capital	Share premium	Legal reserve	For acquisition of own shares	Retained earnings	Total
Balance at 31 December 2015	5,992	7,996	758	22,330	45,315	82,391
Net profit for the financial year until 31 December 2016	-	-	-	-	6,475	6,475
Total profit or loss and other comprehensive income	-	-	-	-	6,475	6,475
Dividends	-	-	-	-	(1,034)	(1,034)
Effect of change in the nominal value of shares	8	-	-	-	(8)	-
Balance at 31 December 2015	6,000	7,996	758	22,330	50,748	87,832
Net profit for the financial year until 31 December 2016	-	-	-	-	2,210	2,210
Total profit or loss and other comprehensive income	-	-	-	-	2,210	2,210
Dividends	-	-	-	-	(517)	(517)
Balance at 31 December 2016	6,000	7,996	758	22,330	52,441	89,525

Notes set out on pages 11 to 34 form an integral part of these financial statements.

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

Statement of cash flows

	Note	2016	2015
Cash flows from operating activities			
Purchase of financial assets		(620)	(657)
Proceeds from sale of financial assets		1,096	2,535
Loans granted		(10,429)	(11,304)
Loan repayments received		4,359	10,163
Interest received		13	65
Dividends received		5,212	677
Acquisition of non-current assets (excluding financial assets)		(1)	(7)
Other operating expenses		(814)	(987)
Net cash outflow from operating activities		**(1,184)**	**485**
Cash flows from financing activities			
Dividends paid		(426)	(848)
Proceeds from borrowings		3,095	3,808
Repayments of borrowings		(2,197)	(2,539)
Interest paid		(181)	(81)
Net cash inflow from financing activities		**291**	**340**
Net increase in cash and cash equivalents		**(893)**	**825**
Foreign exchange effect on cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		**1,448**	**623**
Cash and cash equivalents at 31 December	**9**	**555**	**1,448**

Notes set out on pages 11 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).

These financial statements cover the full financial year of the Company coinciding with the calendar year 2016 and the financial year 2015 coinciding with the calendar year 2015.

The Company's share capital is divided into 20,689,038 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares issued by the Company give equal rights to their holders. As at 31 December 2016 and 2015, 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 2016, 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 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 EUR thousand, 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, except for 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 new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016.

New standards, amendments to standards and interpretations not yet adopted

The following new Standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2016 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018, to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships - fair value, cash flow and foreign operation net investment - remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Company does not expect IFRS 9 (2014) to have material impact on the financial statements. The classification and measurement of the Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial instruments that it holds. However, the Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of expected credit loss impairment model.

The impact of IFRS 9 as at the date of these financial statements has not been fully assessed.

(ii) IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

(iii) IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.) This pronouncement is not yet endorsed by the EU.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Company does not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Company has no significant lease agreements.

(iv) Annual Improvements to IFRSs

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

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

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 euro (EUR), which is the Company's functional and presentation currency. The comparative information of the previous year was translated into euro at the official 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 (Notes3 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. 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 Law on Corporate Income Tax of the Republic of Lithuania, 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.

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. 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.

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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.

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

	31 December 2016	31 December 2015
Financial assets at fair value through profit or loss exposed to general price risk:		
Securities traded in an active market	46,537	51,454
Securities not traded in active market designated at fair value through profit or loss	24,066	17,469
Total financial assets at fair value through profit or loss exposed to general price risk:	**70,603**	**68,923**

At 31 December 2016, 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 EUR 465 thousand (2015: EUR 515 thousand).

(b) Foreign exchange risk

The Company holds assets denominated in currencies other than the functional currency (the euro). 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 as the main part of the Company's transactions are carried out in euro; 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's all borrowings (see Note 12) 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.

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	Non-interest bearing	Within 12 months	After 12 months	Total
As at 31 December 2016				
Long-term loans granted	495	-	13,281	**13,776**
Short-term loans granted	218	7,632	-	**7,850**
Total loans granted	**713**	**7,632**	**13,281**	**21,626**
Non-current borrowings	2	100	-	**102**
Current borrowings	45	5,477	-	**5,522**
Total borrowings	**47**	**5,577**	-	**5,624**
As at 31 December 2015				
Long-term loans granted	134	-	7,896	**8,030**
Short-term loans granted	208	9,518	-	**9,726**
Total loans granted	**342**	**9,518**	**7,896**	**17,756**
Non-current borrowings	19	46	-	**65**
Current borrowings	62	4,634	-	**4,696**
Total borrowings	**81**	**4,680**	-	**4,761**

At 31 December 2016, 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 EUR 54 thousand (2015: EUR 44 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 2016 and 2015.

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 2016	31 December 2015
Loans granted (long and short-term)	21,626	17,756
Other amounts receivable and prepayments	1,551	3,620
Cash and cash equivalents	555	1,448
Total	23,732	22,824

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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 12) 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 2016 and 2015 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.

	Less than 3 months	Between 4 and 12 months	Between 2 and 5 years	After 5 years	Total
Interest-bearing borrowings	47	5,725	-	-	**5,772**
Other current amounts payable	88	-	-	-	**88**
Balance at 31 December 2016	**135**	**5,725**	-	-	**5,860**
Interest-bearing borrowings	20	4,735	68	-	**4,823**
Other current amounts payable	65	-	-	-	**65**
Balance at 31 December 2015	**85**	**4,735**	**52**	-	**4,888**

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.

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

Ordinary registered shares of companies registered in Lithuania	**Fair value estimation at the end of the reporting period using**			**Total at 31 December 2016**
	Quoted price in active market for identical assets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	
Non-current financial assets at fair value through profit or loss				
Furniture manufacturing	-	46,537	71	**46,608**
Real estate development and lease	-	-	17,663	**17,663**
Agricultural land	-	2,493	-	**2,493**
Other activities	-	-	3,839	**3,839**
Total non-current financial assets at fair value through profit or loss	-	**49,030**	**21,573**	**70,603**
Financial assets held for trading designated at fair value through profit or loss	-	-	-	-
Total assets measured at fair value	-	**49,030**	**21,573**	**70,603**

Ordinary registered shares of companies registered in Lithuania	**Fair value estimation at the end of the reporting period using**			**Total at 31 December 2015**
	Quoted price in active market for identical assets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	
Non-current financial assets at fair value through profit or loss				
Furniture manufacturing	-	50,835	10	**50,845**
Real estate development and lease	-	-	14,028	**14,028**
Agricultural land	-	2,427	-	**2,427**
Other activities	-	-	1,004	**1,004**
Total non-current financial assets at fair value through profit or loss	-	**53,262**	**15,042**	**68,304**
Financial assets held for trading designated at fair value through profit or loss	-	619	-	**619**
Total assets measured at fair value	-	**53,881**	**15,042**	**68,923**

There were no transfers of financial assets between the levels of the fair value hierarchy during 2016.

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.

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.

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5. Financial instruments by category

	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per the statement of financial position			
At 31 December 2016			
Financial assets at fair value through profit or loss	-	70,603	**70,603**
Long-term loans granted	13,776	-	**13,776**
Short-term loans granted	7,850	-	**7,850**
Other amounts receivable, excluding prepayments	1,538	-	**1,538**
Financial assets held for trading designated at fair value through profit or loss	-	-	**-**
Cash and cash equivalents	555	-	**555**
Total	**23,719**	**70,603**	**94,322**
At 31 December 2015			
Financial assets at fair value through profit or loss	-	68,304	**68,304**
Long-term loans granted	8,030	-	**8,030**
Short-term loans granted	9,726	-	**9,726**
Other amounts receivable, excluding prepayments	3,587	-	**3,587**
Financial assets held for trading designated at fair value through profit or loss	-	619	**619**
Cash and cash equivalents	1,448	-	**1,448**
Total	**22,791**	**68,923**	**91,714**

	31 December 2016	31 December 2015
Financial liabilities at amortized cost		
Borrowings	5,624	4,761
Other liabilities, excluding taxes payable and employee benefits	87	65
Total	**5,711**	**4,826**

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 2016 and 2015 comprised the shares of the following companies registered in Lithuania:

		31 December 2016		31 December 2015	
Company name	**Profile of activities**	**Shares and votes held, %**	**Fair value hierarchy**	**Shares and votes held, %**	**Fair value hierarchy**
Directly controlled companies					
Vilniaus baldai AB	Furniture industry	86.0%	Level 2	86.0%	Level 2
Bordena UAB	Furniture industry	100.0%	Level 3	100.0%	Level 3
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
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

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Company name	Profile of activities	31 December 2016 Shares and votes held, %	31 December 2016 Fair value hierarchy	31 December 2015 Shares and votes held, %	31 December 2015 Fair value hierarchy
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
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
Dommo Nerija UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Investicijų srautas UAB	Real estate development and lease	100.0%	Level 3	-	-
Trailinga UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Nemora UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Larėjas UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Nedruvis UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Andojus UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Danės gildija UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Akvilas UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Daugpirkis UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
LT investicijos UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Geruvis UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Pluknis UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Vėjo dukra UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3

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		31 December 2016		31 December 2015	
Company name	**Profile of activities**	**Shares and votes held, %**	**Fair value hierarchy**	**Shares and votes held, %**	**Fair value hierarchy**
Vadula UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Variagis UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Dangės krantinės UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Delfino Valda UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Krevina UAB	Real estate development and lease	100.0%	Level 3	100.0%	Level 3
Vedašvos valda UAB	Real estate development and lease	-	-	100.0%	Level 3
Deltuvis UAB	Agricultural land	100.0%	Level 2	100.0%	Level 2
Vernitas AB	Other activities	0.7%	Level 3	0.7%	Level 3
Zelvė AB	Other activities	3.8%	Level 3	3.8%	Level 3
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
Švytėjimas UAB	Other activities	100.0%	Level 3	-	-
Ente UAB	Other activities	100.0%	Level 3	100.0%	Level 3
Aktyvo UAB	Other activities	45.4%	Level 3	45.4%	Level 3
Adruva UAB	Other activities	100.0%	Level 3	-	-
Trenduva UAB	Other activities	100.0%	Level 3	-	-

All companies in the table above have been founded and operate in Lithuania.

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 2016 the amount of such subordinated liabilities was EUR 11,192 thousand (2015: EUR 5,277 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:

		31 December 2016		31 December 2015	
Company name	**Profile of activities**	**Shares and votes held, %**	**Fair value hierarchy**	**Shares and votes held, %**	**Fair value hierarchy**
Šiaulių Bankas AB	Financial services	-	Level 2	0.4%	Level 2
Žemaitijos Pienas AB	Dairy industry	-	Level 2	0.7%	Level 2

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The following table presents inputs and Level 3 and Level 2 fair value valuation techniques used by the Company as at 31 December 2016:

Profile of activities	Fair value at 31 December 2016	Valuation technique	Inputs	Values of inputs
Real estate development and lease	13,917	Comparable valuation	Market price per sq. m, EUR	1,506-2,520
Real estate development and lease	3,746	Discounted cash flows	WACC	7.4-10.5%
			Long-term revenue growth	3.0%
			Long-term EBIT margin	1.1-16.8%
Agricultural land	2,493	Comparable transactions in the market	Market price per ha, EUR	1,828-3,832
Other activities	3,910	Discounted cash flows	WACC	10.5-11.7%
			Long-term revenue growth	3.0%
			Long-term EBIT margin	4.0-10.9%

The following table presents inputs and Level 3 and Level 2 fair value valuation techniques used by the Company as at 31 December 2015:

Profile of activities	Fair value at 31 December 2015	Valuation technique	Inputs	Values of inputs
Real estate development and lease	10,107	Comparable valuation	Market price per sq. m, EUR	1,506-2,520
Real estate development and lease	3,921	Discounted cash flows	WACC	10.3-14.1%
			Long-term revenue growth	3.0%
			Long-term EBIT margin	1.5-14.8%
Agricultural land	2,427	Comparable transactions in the market	Market price per ha, EUR	1,828-3,832
Other activities	1,004	Discounted cash flows	WACC	12.0%
			Long-term revenue growth	3.0%
			Long-term EBIT margin	16.0%

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 2016 would be as follows:

Change in fair value if:	Increase	Decrease
WACC changes by 1 percentage point	(790)	995
Long-term revenue growth changes by 1 percentage point	212	(201)
Long-term EBIT margin changes by 1 percentage point	1,131	(1,275)

Weighted average cost of capital (WACC) is measured applying a ratio of a company's borrowed capital to equity and beta of the respective industry.

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The following table presents the movement in Level 3 instruments:

Ordinary registered shares of companies registered in Lithuania	**Real estate development and lease**	**Furniture industry**	**Other activities**	**Total**
During the year until 31 December 2016				
Fair value at the beginning of the period	**14,028**	10	**1,004**	**15,042**
Change of type of activities	2	-	(2)	-
Purchase / capital increase	1,971	50	1,432	**3,453**
Sales / reduction	(1,339)	-	(102)	**(1,441)**
Net change in fair value of financial assets	3,001	11	1,507	**4,519**
Fair value at the end of the period	**17,663**	**71**	**3,839**	**21,573**
During the year until 31 December 2015				
Fair value at the beginning of the period	**10,803**	-	**999**	**11,802**
Change of type of activities	5	-	(5)	-
Purchase / capital increase	1,863	50	253	**2,166**
Sales / reduction	(1,951)	-	(32)	**(761)**
Net change in fair value of financial assets	3,308	(40)	(349)	**2,919**
Fair value at the end of the period	**14,028**	**10**	**1,004**	**15,042**

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 2016 and 2015 was as follows:

	2016	**2015**
Balance at the beginning of the period	**68,304**	**66,276**
Additional purchase of shares, establishment of companies	620	4,119
Additional investments capitalising loans granted to capital	2,833	1,741
Sales, reduction of share capital	(1,441)	(4,749)
Change in fair value over the period	287	917
Balance at end of the period	**70,603**	**68,304**

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 2016 and 2015 was as follows:

	2016	**2015**
Balance at the beginning of the period	**619**	**789**
Sales	(528)	(138)
Change in fair value over the period	(91)	(32)
Balance at end of the period	**-**	**619**

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

Net change in fair value of financial assets during 2016 and 2015 in profit or loss comprised as follows:

	2016	2015
Result from sale of non-current financial assets	(5)	1,666
Changes in fair value of non-current financial assets	287	1,707
Result from sale of financial assets held for trading	377	52
Changes in fair value of financial assets held for trading	(91)	(32)
Total changes in fair value of financial assets	**568**	**3,393**

	2016	2015
Realised gains on investments	377	2,000
Realised loss on investments	(5)	(282)
Unrealised gains on investments	6,303	4,167
Unrealised loss on investments	(6,107)	(2,492)
Total profit on investments	**568**	**3,393**

7. Loans granted

The Company's loans granted comprised as follows:

	31 December 2016	31 December 2015
Long-term loans granted		
Long-term loans granted to subsidiaries and associates (including the subsidiaries controlled by them)	13,776	7,543
Long-term loans granted to third parties	-	487
Total long-term loans granted	**13,776**	**8,030**
Short-term loans granted		
Short-term loans granted to subsidiaries	7,850	9,710
Short-term loans granted to third parties	-	16
Total short-term loans granted	7,850	9,726
Total loans granted	**21,626**	**17,756**

The movement on *loans granted* account in the Company's statement of financial position during 2016 and 2015 was as follows:

	31 December 2016	31 December 2015
Balance at the beginning of the period	**17,756**	**17,216**
Additional loans granted during the year	11,895	12,315
Interest charged during the year	611	533
Repayments received	(5,803)	(10,567)
Capitalisation of loans granted to investments	(2,833)	(1,741)
Balance at end of the period	**21,626**	**17,756**

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

As at 31 December 2016 and 2015, 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 2.7-4% as at 31 December 2016 (2.7-4% as at 31 December 2015). This represents a Level 3 fair value.

8. Other amounts receivable and prepayments

The Company's other amounts receivable and prepayments comprised the following:

	31 December 2016	31 December 2015
Dividends receivable	902	3,342
Prepayments	13	26
Other amounts receivable	636	252
Total other amounts receivable and prepayments	**1,551**	**3,620**

9. 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 2016 was as follows:

	Balance at 31 December 2015	Recognised in profit or loss	Balance at 31 December 2016
Deferred income tax assets			
Tax losses carried forward for indefinite period	148	43	191
Limited carry-forward of tax losses	2,474	162	2,636
Accruals	2	-	2
Total deferred income tax assets	**2,624**	**205**	**2,829**
Part of deferred income tax asset not recognized	(1,659)	(209)	(1,868)
Assets offset against liabilities	(18)	-	(18)
Deferred income tax assets, net	**947**	**(4)**	**943**
Deferred income tax liabilities			
Financial assets at fair value through profit or loss	(18)	-	(18)
Deferred income tax liabilities	(18)	-	(18)
Liabilities offset against assets	18	-	18
Total deferred income tax liabilities	-	-	-
Recognized deferred income tax, net	**947**	**(4)**	**943**

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

The movement on the Company's *deferred income tax assets and liabilities* account during 2015 was as follows:

	Balance at 31 December 2014	Recognised in profit or loss	Balance at 31 December 2015
Deferred income tax assets			
Tax losses carried forward for indefinite period	138	10	148
Limited carry-forward of tax losses	2,166	308	2,474
Accruals	2	-	2
Total deferred income tax assets	**2,306**	**318**	**2,624**
Part of deferred income tax asset not recognized	(1,380)	(279)	(1,659)
Assets offset against liabilities	(18)	-	(18)
Deferred income tax assets, net	**908**	**39**	**947**
Deferred income tax liabilities			
Financial assets at fair value through profit or loss	(18)	-	(18)
Deferred income tax liabilities	(18)	-	(18)
Liabilities offset against assets	18	-	18
Total deferred income tax liabilities	-	-	-
Recognized deferred income tax, net	**908**	**39**	**947**

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

	2016		2015	
Profit before tax	**2,214**		**6,436**	
Income tax calculated at 15% tax rate	(332)	-15%	(965)	-15%
Expenses not deductible for tax purposes	(3)	0%	(3)	0%
Income not subject to tax	540	24%	1,286	20%
Impairment of recognised deferred income tax asset	(209)	-9%	(279)	-4%
Reversal of income tax expense (expense)	**(4)**	**0%**	**39**	**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.

Based on the legislation currently in effect, 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 if activities due to which these losses were incurred are continued. When calculating the income tax for 2015 and subsequent years, the amount of tax losses used cannot exceed 70% of taxable profit of the tax period.

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

10. Cash and cash equivalents

As at 31 December 2016, the Company's cash and cash equivalents comprised the following cash balances in current accounts of bank registered in Lithuania: EUR 555 thousand total (as at 31 December 2015: EUR 1,448 thousand).

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

11. Equity

On 30 April 2015, the Company's shareholders adopted a decision to pay dividends equal to EUR 0.05 per share, in total EUR 1,034 thousand.

On 8 May 2015, the Company changed the nominal value of all 20,689,038 issued ordinary registered shares from LTL 1 to EUR 0.29 resulting in the increase of the Company's authorised capital by EUR 8 thousand.

On 29 April 2016, the Company's shareholders adopted a decision to pay dividends in the amount of EUR 0.025 per share, EUR 517 thousand in total.

12. Borrowings

The Company's borrowings were as follows:

	31 December 2016	31 December 2015
Non-current borrowings		
Non-current borrowings from subsidiaries	102	65
Total non-current borrowings	**102**	**65**
Current borrowings		
Current borrowings from related parties	3,517	2,317
Current borrowings from subsidiaries	2,005	2,379
Total current borrowings	**5,522**	**4,696**
Total borrowings	**5,624**	**4,761**

As at 31 December 2016, the Company's current borrowings from related parties shall be repaid by August 2017. The maturities of other current borrowings expire at the end of 2017. During 2016, interest rates were 2.7-4.0%.

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 2.7-4.0% (3.0-4.0% as at 31 December 2015).

13. Off-balance sheet commitments and contingencies

Under the terms of spinoff, the Company obtained claims rights to EUR 2,670 thousand in relation to bankruptcy proceedings initiated against AB Bankas Snoras. Based on the court decision, state enterprise Indėlių ir investicijų draudimas covered EUR 45 thousand from this amount and recognised it in income for 2015. The Company's management believes there are no grounds to expect the recovery of the remaining amount neither at present nor in the future, and accordingly, it was not reflected in these financial statements.

14. Related-party transactions

<u>Related-party transactions</u>

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 2016 and 2015, 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.

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

Transactions with related parties conducted during 2016 and balances arising from these transactions as at 31 December 2016 were as follows:

	Interest income	Dividend income	Loans granted (Note 7)	Interest expenses	Borrowings (Note 12)
Subsidiaries	603	1,908	21,604	55	2,043
Associates	8	38	22	1	64
Company's shareholders	-	-	-	97	3,224
Company's key management personnel	-	-	-	9	293
	611	**1,946**	**21,626**	**162**	**5,624**

Transactions with related parties conducted during 2015 and balances arising from these transactions as at 31 December 2015 were as follows:

	Interest income	Dividend income	Loans granted (Note 7)	Interest expenses	Borrowings (Note 12)
Subsidiaries	510	3,473	17,251	55	2,423
Associates	6	-	2	-	21
Company's shareholders	-	-	-	85	2,124
Company's key management personnel	-	-	-	8	193
	516	**3,473**	**17,253**	**148**	**4,761**

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 2016 totalled EUR 455 thousand (in 2015 totalled EUR 436 thousand), including social security contributions.

15. Significant events after the end of the reporting period

No significant events occurred until the date of signing these financial statements.

Financial statements for 2016 (all amounts in EUR thousand unless otherwise stated)

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 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 2016, the Company's equity per share amounted to EUR 4.33 (2015: EUR 4.25). The change in equity attributable to the Company's shareholders (or net profit) per share amounted to EUR 0.11 for the year 2016 (EUR 0.31 for the year 2015).

In 2016, the Company paid dividends amounting to EUR 517 thousand (2015: EUR 1,034 thousand), dividends of EUR 0.025 (2015: EUR 0.05) per ordinary registered share.

The movement in the Company's structure of investment portfolio over three years was as follows (as a percentage from the value of investment property at the end of the year):

	2016	2015	2014
Real estate	37%	31%	27%
Furniture industry	51%	59%	63%
Agricultural land	7%	7%	7%
Other businesses	5%	2%	2%
Securities held for trading	-	1%	1%

Investments into furniture industry, due to a negative change in the trading price of Vilniaus Baldai AB shares and a positive impact of the declared dividends attributable to the Company resulted in a loss of EUR 3.4 million. In 2015, the investment into Vilniaus Baldai had generated a positive change in value of EUR 1.3 million.

The Company's management did not change its opinion about Vilniaus Baldai AB: this company has steady cash flows, high dividend yield, professional management approach and responsible investment strategy. Vilniaus Baldai AB coordinates its development strategy with the long-term global development outlook of its main customer IKEA, which allows the Company to expect stable future investment returns.

The change of the investment into a new company operating in furniture industry was not significant in 2016.

In total, the Company's profit before taxes from the investments into real estate and related activities in 2016 comprised EUR 4.5 million (EUR 4.5 million in 2015).

The major real estate development projects carried out during 2016 were as follows:
- Launch of activities of *Smiltynės Jachtklubas*, further development of hotel and other necessary infrastructure facilities;
- Reconstruction of the business centre *Highway* in Vilnius and search for tenants;
- Construction of recreation complex of apartments *Labas, Jūra!* on the Baltic Sea shore at Juodkrantė in line with the project and start of reservations;
- Construction of multi-apartment building *Dangės Krantinės* located in the old town of Klaipėda in line with the project and very successful start of reservations;
- Construction of multi-apartment building *Marių Verandos* located in Pervalka, on the coast of Curonian Lagoon in line with the project and start of reservations;
- Completion of sale of *Kopų Vėtrungės* (multi-apartment buildings located in Nida);
- Acquisition and successful development of the business centre *Business Home 92* (formerly named *Kernavė*) in Vilnius.

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 real estate services group Inreal will continue ensuring quality for development projects, will successfully cope with competitive pressure and ensure the return on investment exceeding the market average.

In 2016, no significant events occurred in the agricultural land industry. The total profit earned in the industry amounting to EUR 0.2 million resulted from a steady growth of lease revenue. In 2015, the sale of part of the land and revaluation of the remaining land resulted in a positive change of EUR 0.7 million in the value of investments into this sector. 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.

A significant increase of share in other sectors resulted from investments into Švytėjimas UAB, engaged in the manufacture of steel products, road signs, installation of guard rails. In 2016, the Company took over a full control of Švytėjimas UAB, gathered the new management team, ceased non-profitable operations. It is expected that the company will optimise its order portfolio, increase efficiency in using its production capacities, which will allow generating profit again.

In 2016, the Company sold its shares in Šiaulių bankas AB and Žemaitijos pienas AB in stock exchange and by direct transactions. Including the received dividends, the Company generated a profit of EUR 0.3 million from those shares.

At the end of 2016, the Company had 8 employees (2015: 8).

No significant events occurred after the end of 2016.

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 2017.

Management:

Mr Dalius Kaziūnas
Director

Mr Vaidas Savukynas
Chief Financier