INVL BALTIC REAL ESTATE

Special Closed-Ended Type Real Estate Investment Company's

„INVL Baltic Real Estate" Consolidated Interim Condensed Not-audited Financial Statements for the six months ended 30 June 2019

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

GENERAL INFORMATION

Management

Management Company

UAB INVL Asset Management

Investment Committee

Mr. Vytautas Bakšinskas
Mr. Andrius Daukšas

Address and company code

Gynėjų Str. 14,
Vilnius,
Lithuania

Company code 152105644

Banks

AB Šiaulių Bankas
AB SEB Bankas
AS "SEB banka"

The financial statements were authorised for issue by the Management Company on 19 August 2019.

Mr. Vytautas Bakšinskas
Real estate fund manager at UAB INVL Asset Management

Justina Kontenienė
Chief financier at UAB INVL Asset Management

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of comprehensive income

	Notes	Group 1st Half Year 2019	Group 1st Half Year 2018	Company 1st Half Year 2019	Company 1st Half Year 2018
Revenue	4, 5	**2,979**	**2,924**	**2,123**	**2,157**
Interest income		12	-	12	-
Other income		-	-	-	-
Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss	3	-	-	512	329
Net profit from fair value adjustments on investment property		1,576	849	1,337	761
Premises rent costs	4, 5	(45)	(152)	(46)	(152)
Utilities	4	(473)	(430)	(20)	(20)
Repair and maintenance of premises	4	(1,458)	(448)	(1,177)	(223)
Management and Performance Fee	5, 16	(279)	(234)	(279)	(234)
Property management and brokerage costs	4	(12)	(20)	(190)	(133)
Taxes on property	4	(159)	(163)	(150)	(154)
Employee benefits expenses		(61)	(40)	-	-
Provision for impairment of trade receivables (reversal of impairment)	9	1	(26)	1	(12)
Depreciation and amortisation		(20)	(12)	(19)	(10)
Other expenses		(119)	(114)	(82)	(90)
Operating profit		**1,942**	**2,134**	**2,022**	**2,219**
Finance costs	6	(233)	(232)	(213)	(210)
Profit before income tax		**1,709**	**1,902**	**1,809**	**2,009**
Income tax credit (expenses)	7	(2)	5	-	-
NET PROFIT FOR THE PERIOD		**1,707**	**1,907**	**1,809**	**2,009**
Other comprehensive income for the period, net of tax		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,707**	**1,907**	**1,809**	**2,009**
Attributable to:					
Equity holders of the parent	13	1,707	1,907		
Basic and diluted earnings per share (in EUR)		0.13	0.15		

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of financial position

		Group		Company	
	Notes	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
ASSETS					
Non-current assets					
Property, plant and equipment		170	160	167	156
Investment properties	8	59,984	58,295	51,143	49,693
Intangible assets		40	40	40	40
Investments into subsidiaries measured at fair value through profit or loss	3	-	-	7,065	6,553
Operating lease pre-payments	5	-	100	-	100
Financial lease receivables		1,056	-	1,056	-
Other receivables, related to ABLV Bank, AS	12	150	150	-	-
Total non-current assets		**61,400**	**58,745**	**59,471**	**56,542**
Current assets					
Inventories, prepayments and deferred charges		106	63	102	55
Trade and other receivables	9	338	354	270	277
Financial lease receivables		180	-	180	-
Cash and cash equivalents		699	734	357	454
Total current assets		**1,323**	**1,151**	**909**	**786**
TOTAL ASSETS		**62,723**	**59,896**	**60,380**	**57,328**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

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

	Notes	Group		Company	
		As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	10	19,068	19,068	19,068	19,068
Share premium	10	2,478	2,478	2,478	2,478
Reserves	10	4,316	3,443	4,556	3,683
Retained earnings	10	9,446	10,331	9,004	9,787
Total equity		**35,308**	**35,320**	**35,106**	**35,016**
Liabilities					
Non-current liabilities					
Non-current borrowings	12	23,370	21,762	21,600	19,877
Lease liabilities		1,031	-	1,031	-
Provisions	5	818	949	818	979
Deferred tax liability		6	4	-	-
Trade payable		9	-	-	-
Advances received		404	388	404	388
Total non-current liabilities		**25,638**	**23,133**	**23,853**	**21,244**
Current liabilities					
Current portion of non-current borrowings	12	864	863	-	634
Current borrowings	12	-	-	-	-
Lease liabilities	5	193	-	193	-
Trade payables		195	206	107	95
Income tax payable		-	-	-	-
Provisions	5	3	14	3	14
Advances received		84	85	84	85
Other current liabilities	15	438	275	399	240
Total current liabilities		**1,777**	**1,443**	**1,421**	**1,068**
Total liabilities		**27,415**	**24,576**	**25,274**	**22,312**
TOTAL EQUITY AND LIABILITIES		**62,723**	**59,896**	**60,380**	**57,328**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of changes in equity

				Reserves			
Group	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2018		**19,068**	**2,478**	**615**	**2,828**	**10,331**	**35,320**
Impact of the application of IFRS 16		-	-	-	-	(9)	(9)
Balance as at 31 December 2018 (restated)		**19,068**	**2,478**	**615**	**2,828**	**10,322**	**35,311**
Net profit for the six months ended 30 June 2019		-	-	-	-	1,707	1,707
Total comprehensive income for the six months ended 30 June 2019		**-**	**-**	**-**	**-**	**1,707**	**1,707**
Dividends approved	11	-	-	-	-	(1,710)	(1,710)
Transfer to reserves	10	-	-	873	-	(873)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**873**	**-**	**(2,583)**	**(1,710)**
Balance as at 30 June 2019		**19,068**	**2,478**	**1,488**	**2,828**	**9,446**	**35,308**

				Reserves			
Group	**Notes**	**Share capital**	**Share premium**	**Legal reserve**	**Reserve of purchase of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2017		**19,068**	**2,478**	**426**	**2,828**	**9,061**	**33,861**
Net profit for the six months ended 30 June 2018		-	-	-	-	1,907	1,907
Total comprehensive income for the six months ended 30 June 2018		**-**	**-**	**-**	**-**	**1,907**	**1,907**
Dividends approved	11	-	-	-	-	(1,710)	(1,710)
Transfer to reserves		-	-	189	-	(189)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**189**	**-**	**(1,899)**	**(1,710)**
Balance as at 30 June 2018		**19,068**	**2,478**	**615**	**2,828**	**9,069**	**34,058**

(all amounts are in EUR thousand unless otherwise stated)

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

Company	Notes	Share capital	Share premium	Reserves: Legal reserve	Reserves: Reserve of purchase of own shares	Retained earnings	Total
Balance as at 31 December 2018		**19,068**	**2,478**	**855**	**2,828**	**9,787**	**35,016**
Impact of the application of IFRS 16		-	-	-	-	(9)	(9)
Balance as at 31 December 2018 (restated)		**19,068**	**2,478**	**855**	**2,828**	**9,778**	**35,007**
Net profit for the six months ended 30 June 2019		-	-	-	-	1,809	1,809
Total comprehensive income for the six months ended 30 June 2019		**-**	**-**	**-**	**-**	**1,809**	**1,809**
Dividends approved	11	-	-	-	-	(1,710)	(1,710)
Transfer to reserves	10	-	-	873	-	(873)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**873**	**-**	**(2,583)**	**(1,710)**
Balance as at 30 June 2019		**19,068**	**2,478**	**1,708**	**2,828**	**9,004**	**35,106**

Company	Notes	Share capital	Share premium	Reserves: Legal reserve	Reserves: Reserve of purchase of own shares	Retained earnings	Total
Balance as at 31 December 2017		**19,068**	**2,478**	**666**	**2,828**	**8,314**	**33,354**
Net profit for the six months ended 30 June 2018		-	-	-	-	2,009	2,009
Total comprehensive income for the six months ended 30 June 2018		**-**	**-**	**-**	**-**	**2,009**	**2,009**
Dividends approved	11	-	-	-	-	(1,710)	(1,710)
Transfer to reserves		-	-	189	-	(189)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**-**	**189**	**-**	**(1,899)**	**(1,710)**
Balance as at 30 June 2018		**19,068**	**2,478**	**855**	**2,828**	**8,424**	**33,653**

(all amounts are in EUR thousand unless otherwise stated)

Condensed consolidated and Company's statements of cash flows

	Notes	Group		Company	
		1st Half Year 2019	1st Half Year 2018	1st Half Year 2019	1st Half Year 2018
Cash flows from (to) operating activities					
Net profit for the period		1,707	1,907	1,809	2,009
Adjustments for non-cash items and non-operating activities:					
Net gains from fair value adjustments on investment property		(1,576)	(849)	(1,337)	(761)
Depreciation and amortization		20	12	19	10
Net loss from sale of non-current assets		-	-		-
Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss	3	-	-	(512)	(329)
Interest income		(12)	-	(12)	-
Finance costs	6	233	232	213	210
Deferred taxes	7	2	(6)	-	-
Current income tax expenses	7	-	1	-	-
Provisions	5	(85)	86	(85)	86
Provision for impairment of trade receivables (reversal of impairment)	9	1	26	1	12
Changes in working capital:					
Decrease (increase) in inventories		-	-	-	-
Decrease (increase) in trade and other receivables		(163)	(179)	(172)	11
Decrease (increase) in other current assets		226	219	222	217
(Decrease) increase in trade payables		(34)	262	(11)	14
(Decrease) increase in other current liabilities		165	(383)	152	(389)
Cash flows from(to) operating activities		**482**	**1,328**	**285**	**1,090**
Income tax paid		-	(1)	-	-
Net cash flows from (to) operating activities		**482**	**1,327**	**285**	**1,090**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

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

		Group		Company	
	Notes	1st Half Year 2019	1st Half Year 2018	1st Half Year 2019	1st Half Year 2018
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(30)	(58)	(30)	(56)
Acquisition of investment properties	8	(117)	(591)	(117)	(591)
Proceeds from sale of non-current assets (except for investment properties)		-	-	-	-
Proceeds from sale of investment properties		-	-	-	-
Loans granted		-	-	-	-
Repayment of loans granted		-	-	-	-
Interest received		12	-	12	-
Net cash flows from (to) investing activities		**(135)**	**(649)**	**(135)**	**(647)**
Cash flows from (to) financing activities					
Cash flows related to Group owners:					
Issue of new shares		-	-	-	-
Dividends paid to equity holders of the parents		(1,661)	(1,673)	(1,661)	(1.673)
		(1,661)	(1,673)	(1,661)	(1.673)
Cash flows related to other sources of financing					
Proceeds from loans	12	2,023	2.642	2,023	2,642
Repayment of loans	12	(413)	(1,211)	(300)	(975)
Lease payments		(97)	-	(97)	-
Interest paid	12	(234)	(236)	(212)	(211)
		1,279	1,195	1,414	1,456
Net cash flows from (to) financing activities		**(382)**	**(478)**	**(247)**	**(217)**
Net increase (decrease) in cash and cash equivalents		**(35)**	**200**	**(97)**	**226**
Cash and cash equivalents at the beginning of the period		**734**	**411**	**454**	**223**
Cash and cash equivalents at the end of the period		**699**	**611**	**357**	**449**

(the end)

Notes to the interim condensed financial statements

1 General information

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

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

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

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

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

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

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

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

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

As at 30 June 2019 the Company's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each (as at 31 December 2018: 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each). All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 30 June 2019 and 31 December 2018 the shareholders of the Company were (by votes):

	As at 30 June 2019		As at 31 December 2018	
	Number of votes held	Percentage	Number of votes held	Percentage
AB Invalda INVL	4,262,907	32.42	4,246,233	32.29
UAB LJB Investments (controlling shareholder Mr. Alvydas Banys)	2,631,695	20.01	2,631,695	20.01
Mrs. Irena Ona Mišeikienė	2,498,596	19.00	2,498,596	19.00
Mr. Alvydas Banys	663,640	5.05	663,640	5.05
Other minor shareholders	3,093,162	23.52	3,109,836	23.65
Total	13,150,000	100.00	13,150,000	100.00

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

2 Accounting policies

Basis of preparation

The interim condensed financial statements for the 6 months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2018.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except adoption of new Standards and Interpretations as of 1 January 2019, noted below.

A number of new or amended standards became applicable for the current reporting period:
- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019);
- *Annual Improvements* to IFRSs 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (effective for annual periods beginning on or after 1 January 2019).

2 Accounting policies (cont'd)

IFRS 16 *Leases*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The main impact for the Group's and the Company's financial statements had accounted of the lease agreement of 10 August 2007 (Note 5). The Group and the Company recognised lease liability of EUR 1,321 thousand and derecognised operating lease prepayment of EUR 100 thousand. Because all property leased by above mentioned lease agreement is subleased until the expire of the agreement, the sublease is recognised as financial lease as of 1 January 2019. The Group and the Company recognised finance lease receivable of EUR 1,325 thousand. The provision for onerous contract has decreased from EUR 182 thousand till EUR 95 thousand. The total negative impact on the Group's and the Company's equity as at 1 January 2019 is amounted to EUR 9 thousand. The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 1.9 percent. From 1 January 2019 in the statement of comprehensive income is recognised interest expenses on lease liability and interest income from finance lease (previously was recognised lease expenses and sublease income).

IFRIC 23 *Uncertainty over Income Tax Treatments*

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. This interpretation had no impact to The Group's and the Company's financial statements for the six months ended 30 June 2019.

3 Investments into subsidiaries

<u>Fair value of investments in subsidiaries</u>

Investments into subsidiaries together with loans granted to subsidiaries are measured at fair value through profit or loss in the Company's stand-alone financial statements for six months ended 30 June 2019 and for the year ended 31 December 2018. It is Level 3 fair value measurement. The fair value of investments is measured at the fair value of their net assets including loans granted by the Company. The main assets of dormant entities are cash. The main assets of active subsidiaries are investment properties, which are measured at fair value using the income approach. The main liabilities of subsidiaries are borrowings from external financial institutions, which are measured using an income approach, such as a present value technique.

(all amounts are in EUR thousand unless otherwise stated)

4 Investments into subsidiaries (cont'd)

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

	As at 30 June 2019	as at 31 December 2018
Shares	90	99
Loans granted	6,975	6,454
	7,065	**6,553**

Key inputs to valuation on subsidiaries as at 30 June 2019:

Significant unobservable inputs	Value of input or range
Sales price EUR per sq. m. (with VAT)	2,079
Cost to completion EUR per sq. m (without VAT)	1,053
Profit on cost ratio of the entire project (%)	30
Discount rate (%)	11
Capitalisation rate for terminal value (%)	9
Vacancy rate (%)	3 - 11
Increase of rents per year (%)	1.5
Inflation (%)	1.4 – 1.6

Fair value of investments into subsidiaries (cont'd)

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

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

The sensitivity analysis of fair value of subsidiaries as at 30 June 2019 is as follows:

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in future sale prices of developed properties by 10%	190	(190)
Change in construction costs by 10%	(150)	150
Change in profit on cost ratio of the entire project by 200 bps	(30)	30
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	169	(165)
Change in expected vacancy rates by 20%	(53)	52
Change in discount and capitalization rate by 50 bps	(273)	304

(all amounts are in EUR thousand unless otherwise stated)

3 Investments into subsidiaries (cont'd)

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

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in future sale prices of developed properties by 10%	160	(170)
Change in construction costs by 10%	(130)	130
Change in profit on cost ratio of the entire project by 200 bps	(30)	20
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(57)	56
Change in discount and capitalization rate by 50 bps	(270)	301

The table below shows changes in financial instruments in Level 3 during the 1st Half Year of 2019:

Fair value as at 31 December 2018	**6,553**
Gains and losses recognized in profit or loss (within 'Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss')	512
Fair value as at 30 June 2019	**7,065**

The table below shows changes in financial instruments in Level 3 during the 1st Half Year of 2017:

Fair value as at 31 December 2017	**5,881**
Gains and losses recognized in profit or loss (line 'Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss')	329
Fair value as at 30 June 2018	**6,210**

The main part of investments into subsidiaries together with loans granted are loans granted to Latvian entities. In 2015 50% of these loans were acquired by the Former Parent Company at a price below their estimated fair value, which was measured as 50% of fair value of net assets of subsidiaries, over which control was obtained by the Former Parent Company. On the acquisition day, the difference amounted to EUR 1,014 thousand. As the fair value was not determined based on observable inputs, this '1 day profit' was not recognised immediately but is deferred and is recognised during the estimated maturity of the loans. During the 1st Half Year of 2019 and 2018 the Company has recognised EUR 101 thousand and EUR 101 thousand of this '1 day profit' within 'Net changes in fair value of investments in subsidiaries measured at fair value through profit or loss' in the statement of comprehensive income, respectively. As at 30 June 2019 and as at 31 December 2018 unrecognised part of '1 day profit' was EUR 203 thousand and EUR 304 thousand, respectively. Therefore, the total fair value of loans granted by the Company was EUR 7,178 thousand and EUR 6,758 thousand as at 30 June 2019 and as at 31 December 2018, respectively (their carrying amount – EUR 6,975 thousand and EUR 6,454 thousand, respectively). It is Level 3 measurement.

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information

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

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

The following table presents performance of reportable segments of the Group for the six months ended 30 June 2019:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Six months ended 30 June 2019				
Rent income	2,047	-	275	2,322
Other revenue (utilities and other service)	655	-	-	655
Revenue	**2,702**	**-**	**275**	**2,702**
Expenses				
Premises rent costs	(53)	-	(2)	(55)
Utilities	(472)	-	(1)	(473)
Repair and maintenance of premises	(1,439)	-	(29)	(1,468)
Property management and brokerage costs	(1)	-	(11)	(12)
Taxes on property	(152)	-	(7)	(159)
Insurance costs	(5)	-	(1)	(6)
Net operating income for the period	**580**	**-**	**224**	**804**

From 1 January 2019 property management services is provided by subsidiary UAB Proprietas to the Company. The previous agreement for property management services with external entity ended on 31 December 2018. Therefore, from 1 January 2018 on the Group level property management costs are not incurred, but the Group has incurred additional employee benefits expenses which is not included into reportable segment expenses.

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

The following table presents performance of reportable segments of the Group for the six months ended 30 June 2018:

	Owned property in Lithuania	Leasehold property	Owned property in Latvia	Total
Six months ended 30 June 2017				
Rent income	1,996	101	261	2,358
Other revenue (utilities and other service)	564	-	-	564
Revenue	**2,560**	**101**	**261**	**2,922**
Expenses				
Premises rent costs	(43)	(105)	(2)	(150)
Utilities	(428)	-	(2)	(430)
Repair and maintenance of premises	(453)	-	(8)	(461)
Property management and brokerage costs	(9)	-	(11)	(20)
Taxes on property	(156)	-	(7)	(163)
Insurance costs	(5)	-	(2)	(7)
Net operating income for the period	**1,466**	**(4)**	**229**	**1,691**

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

	01.01.2019 – 30.06.2019				01.01.2018 – 30.06.2018			
	Net operating income to operating profit	Premises rent costs	Repair and maintenance of premises	Revenue	Net operating income to operating profit	Premises rent costs	Repair and maintenance of premises	Revenue
From reportable segment	**804**	**(55)**	**(1,468)**	**2,977**	**1,691**	**(150)**	**(461)**	**2,922**
Provision for onerous contracts	10	10	-	-	(2)	(2)	-	-
Other revenue not included in reportable segments	2	-	-	2	2	-	-	2
Add back insurance costs and other expenses (included within 'other expenses')	16	-	10	-	20	-	13	-
Management and Performance Fee	(279)	-	-	-	(234)	-	-	-
Impairment of financial assets (reversal of impairment)	1	-	-	-	(26)	-	-	-
Employee benefits expenses	(61)	-	-	-	(40)	-	-	-
Depreciation and amortisation	(20)	-	-	-	(12)	-	-	-
Other expenses	(119)	-	-	-	(114)	-	-	-
Other income	-	-	-	-	-	-	-	-
Interest income	12	-	-	-	-	-	-	-
Net gains from fair value adjustments on investment	1,576	-	-	-	849	-	-	-
Total	**1,942**	**(45)**	**(1,458)**	**2,979**	**2,134**	**(152)**	**(448)**	**2,924**

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 30 June 2019 and 31 December 2018:

	Lithuania	Latvia	Total
As at 30 June 2019	51,782	8,412	60,194
As at 31 December 2018	50,412	8,183	58,595

5 Revenue, lease expenses and provisions

Revenue

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

Analysis of revenue by category:

	Group		Company	
	1st Half Year 2019	1st Half Year 2018	1st Half Year 2019	1st Half Year 2018
Rent income	2,322	2,358	2,045	2,096
Utilities revenue	459	428	10	11
Other services revenue	198	138	68	50
Total revenue	**2,979**	**2,924**	**2,123**	**2,157**

From 1 January 2019 subsidiary UAB Proprietas provide property management services for the Company and utilities and other services to the tenants of the Company. Therefore, from 1 January 2019 most of utilities and other services revenue is earned by the subsidiary, not by the Company.

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

	Group		Company	
	1st Half Year 2019	1st Half Year 2018	1st Half Year 2019	1st Half Year 2018
Rent income from owned premises	2,322	2,257	2,045	1,995
Other revenue from owned premises	657	566	78	61
Total revenue from owned premises	*2,979*	*2,823*	*2,123*	*2,056*
Rent income from subleased premises	-	101	-	101
Other revenue from subleased premises	-	-	-	-
Total revenue from subleased premises	-	*101*	-	*101*
Total revenue	**2,979**	**2,924**	**2,123**	**2,157**

Analysis of revenue of the Group by geographical areas:

	Group	
	1st Half Year 2019	1st Half Year 2018
Lithuania	2,703	2,661
Latvia	276	263
Total	**2,979**	**2,924**

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

Expenses and provisions

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

After the adoption of IFRS 16 Leases from 1 January 2019 only interest expense is recognized in the statement of comprehensive income under this agreement as well as interest income for the sublease is recognized (Note 2). In the first half year of 2019 EUR the Group and the Company were recognized in the statement of comprehensive income 12 thousand of interest income and EUR 11 thousand of interest expenses. According to this agreement during the first half of 2018 the Group and the Company incurred EUR 106 thousand lease expenses, of which the contingent rents of the Group and the Company during the first half of 2018 amounted EUR 17 thousand.

The lease agreement of 10 August 2007 is an onerous contract, therefore there is a provision of EUR 86 thousand and EUR 182 thousand to cover the loss anticipated in connection with this contract recognised in the statement of financial position as at 30 June 2019 and 31 December 2018, respectively.

The changes in the provision for onerous contract during the 1st Half Year of 2019 and 2018 are presented below:

	1st Half Year 2019	1st Half Year 2018
As at 1 January	**95**	**181**
Re-estimation of provision at the end of the reporting period	-	-
Amount used (recognised as a reduction of 'Premises rent costs')	-	(3)
The reversal of the discount effect and changes in the discount rate	(10)	5
As at 30 June	**85**	**183**
	As at 30 June 2019	**As at 31 December 2018**
Non-current	82	168
Current	3	14
Total	**85**	**182**

As at 30 June 2019 the Company recognised non-current provision for the Performance Fee of EUR 736 thousand (as at 31 December 2018 - EUR 811 thousand)

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

	1st Half Year 2019	1st Half Year 2018
As at 1 January	**811**	**777**
Re-estimation of provision at the end of the reporting period	117	84
Reclassification of payable to "Other current liabilities"	(192)	-
As at 30 June	**736**	**861**

(all amounts are in EUR thousand unless otherwise stated)

6 Finance costs

	Group		Company	
	1st Half Year 2019	1st Half Year 2018	1st Half Year 2019	1st Half Tear 2018
Interest expenses of bank borrowings	(222)	(224)	(202)	(202)
Interest expenses of borrowings from related parties	-	(7)	-	(7)
Interest expenses arising from the lease liabilities	(11)	-	(11)	-
Unwinding of the discount effect of provision for onerous contract	-	-	-	-
Other expenses related to borrowings	-	(1)	-	(1)
	(233)	(232)	(213)	(210)

7 Income tax

	Group		Company	
	1st Half Year 2019	1st Half Year 2018	1st Half Year 2019	1st Half Year 2018
Components of the income tax expenses				
Current income tax expense	-	-	-	-
Prior year current income tax correction	-	1	-	-
Deferred income tax expense	2	(6)	-	-
Income tax expense charged to profit or loss – total	2	(5)	-	-

8 Investment properties

The movements of investment properties of the Group were:

	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	**Level 2**	**Level 3**	**Level 3**	
Balance as at 31 December 2017	**4,073**	**51,918**	**350**	**56,341**
Subsequent expenditure	-	327	-	327
Gain from fair value adjustment	303	616	-	919
Loss from fair value adjustment	-	(70)	-	(70)
Balance as at 30 June 2018	**4,376**	**52,791**	**350**	**57,517**
Balance as at 31 December 2018	**4,490**	**53,455**	**350**	**58,295**
Subsequent expenditure	-	113	-	113
Gain from fair value adjustment	399	1,177	-	1,576
Loss from fair value adjustment	-	-	-	-
Balance as at 30 June 2019	**4,889**	**54,745**	**350**	**59,984**
Unrealized gains or losses for the period, included within 'Net gain (losses) on fair value adjustments of investment property' in profit or loss	**399**	**1,177**	**-**	**1,576**

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont’d)

The movements of investment properties of the Company were:

	Other investment properties valued using sales comparison method	Properties leased out by the entity	Investment properties held for future redevelopment	Total
Fair value hierarchy	Level 2	Level 3	Level 3	
Balance as at 31 December 2017	**862**	**43,102**	**-**	**43,964**
Subsequent expenditure	-	697	-	697
Gain from fair value adjustment	1	1,005	-	1,006
Loss from fair value adjustment	(100)	-	-	(100)
Balance as at 30 June 2018	**763**	**44,804**	**-**	**45,567**
Balance as at 31 December 2018	**1,040**	**48,653**	**-**	**49,693**
Subsequent expenditure	-	113	-	113
Gain from fair value adjustment	249	1,088	-	1,337
Loss from fair value adjustment	-	-	-	-
Balance as at 30 June 2019	**1,289**	**49,854**	**-**	**51,143**
Unrealized gains or losses for the period, included within ‘Net gain (losses) on fair value adjustments of investment property’ in profit or loss	**249**	**1,088**	**-**	**1,337**

During the 1st Half Year of 2019 and the 1st Half Year of 2018 the reconstruction expenses of EUR 9 thousand and EUR 55 thousand have incurred, respectively, and were capitalised and added to the acquisition cost of investment property, located at Gynėjų 14, Vilnius. During the 1st Half Year of 2019 and 2018 the reconstruction expenses of EUR 104 thousand and EUR 272 thousand have incurred additionally for the investment properties, located at Palangos 4, Vilnius. During the 1st Half Year of 2019 the Group/the Company has paid outstanding payables from 2017 for subsequent expenditure for investment properties of EUR 4 thousand and has paid EUR 113 thousand for subsequent expenditures during 2019. During the 1st Half Year of 2018 the Group/the Company has paid outstanding payables from 2017 for subsequent expenditure for investment properties of EUR 264 thousand and has paid EUR 327 thousand for subsequent expenditures during 2018. During the 1st Half Year of 2019 the Group/the Company incurred higher expenses for the renovation of premises than in the first half year of 2018 recognised in the statement of comprehensive income for the preparation of premises for the new long term leases (in the first half year of 2019 were incurred repair expenses of EUR 1,148 thousand, of which attributable to IBC Business Center EUR 883 thousand, and in first half year of 2018 were incurred repair expenses of EUR 210 thousand in all real estate objects).

Investment properties are measured at fair value. During the 1st Half Year of 2019 and in 2018, properties leased out by the entity and investment properties held for future redevelopment in Lithuania were valued as at 30 April 2019 and 31 October 2018, respectively, by an accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas (hereinafter together with SIA OBER-HAUS Vertešanas Serviss referred to as ‘Oberhaus’) using the income approach, in 2018 investment properties also were valuated by an accredited valuer UAB Newsec Valuations (hereinafter ‘Newsec’) using the income approach and market approach. During the 1st Half Year of 2019 and in 2018 investment properties located in Latvia were valued as at 30 April 2019 and 31 October 2018, respectively, by an accredited valuer SIA OBER-HAUS Vertešanas Serviss using a market approach for land and using an income approach for warehouse. There were no significant changes in the market during period from valuation date till end of reporting periods that could have an effect on the value of investment properties, therefore the updated valuation was not performed as at 30 June 2019 and as at 31 December 2018.

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

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

	Group		Company	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Offices premises in city centre – Lithuania	49,854	48,653	49,854	48,653
Warehouse – Latvia	4,891	4,802	-	-
	54,745	**53,455**	**49,854**	**48,653**

Description of valuation techniques used and key inputs to valuation on investment properties located in Lithuania as at 30 June 2019:

	Valuation technique	Significant unobservable inputs	Range (weighted average) Oberhaus
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 9 (8.84)
		Capitalisation rate for terminal value (%)	7.0 – 8.0 (7.41)
		Vacancy rate (%)	3-25
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	4.0-6.5 (4.22)
		Warehouse premises - Rent price EUR per sq. m. (without VAT)	7.41 – 20.3 (10.87)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30 (30)
		Cost to completion EUR per sq. m (without VAT)	1053
		Sales price EUR per sq. m. (with VAT)*	2079
		Completion date, years	2

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

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

	Valuation technique	Significant unobservable inputs	Range (weighted average) Oberhaus	Newsec
Properties leased out by the entity	Discounted cash flows	Discount rate (%)	8.5 – 9 (8.85)	9.00 – 9.8 (9.20)
		Capitalisation rate for terminal value (%)	7.0 – 8.0 (7.41)	7.5 – 8.5 (7.65)
		Vacancy rate (%)	3-25	5-10, in first year 5-50
		Office premises in city centre - Rent price EUR per sq. m. (without VAT)	7.2 – 20 (10.70)	5.79 – 19.70 (11.0)
		Warehouse premises - Rent price EUR per sq. m. (without VAT)	4.5-6.5 (4.68)	3.77-6.12 (5.01)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Profit on cost ratio of the entire project (%)	30	-
		Cost to completion EUR per sq. m (without VAT)	887	-
		Sales price EUR per sq. m. (with VAT)*	1,810	-
		Completion date, years	2	-

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

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties located in Latvia as at 30 June 2019:

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

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

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

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

The sensitivity analysis of investment properties located in Lithuania valued using income approach as at 30 June 2019 is as follows:

Group Reasonable possible shift +/- (%)	Increase of estimates		Decrease of estimates	
	Properties leased out by the entity	Investment properties held for future redevelopment	Properties leased out by the entity	Investment properties held for future redevelopment
Change in future rental rates by 10 %	4,969	-	(4,870)	-
Change in future sale prices of developed properties by 10%	-	190	-	(190)
Change in construction costs by 10%	-	(150)	-	150
Change in expected vacancy rates by 20%	(639)	-	639	-
Change in discount and capitalization rate by 50 bps	(3,134)	-	3,655	-
Change in profit on cost ratio of the entire project by 200 bps	-	(30)	-	30

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

Company **Reasonable possible shift +/- (%)**	**Increase of estimates** **Properties leased out by the entity**	**Decrease of estimates** **Properties leased out by the entity**
Change in future rental rates by 10 %	4,969	(4,870)
Change in expected vacancy rates by 20%	(639)	639
Change in discount and capitalization rate by 50 bps	(3,134)	3,655

The sensitivity analysis of investment properties located in Latvia valued using income approach as at 30 June 2019 is as follows:

Reasonable possible shift +/- (%)	**Increase of estimates**	**Decrease of estimates**
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	169	(165)
Change in expected vacancy rates by 20%	(53)	52
Change in discount and capitalization rate by 50 bps	(273)	304

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

8 Investment properties (cont'd)

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

Reasonable possible shift +/- (%)	Increase of estimates	Decrease of estimates
Change in Increase of rents per year by 100 bps or change in future rental rates by 1%	168	(164)
Change in expected vacancy rates by 20%	(57)	56
Change in discount and capitalization rate by 50 bps	(272)	303

As at 30 June 2019 the Group's investment properties with carrying amount of EUR 59,456 thousand (EUR 57,784 thousand as at 31 December 2018) were pledged to the banks as collateral for the loans.

As at 30 June 2019 the Company's investment properties with carrying amount of EUR 51,046 thousand (EUR 49,602 thousand as at 31 December 2018) were pledged to the banks as collateral for the loans.

As at 31 December 2016 a written consent was required for sale of investment property from AB SEB bankas as a depository service provider. According to the Lithuanian Law on Collective Investment Undertakings, the sale price of investment properties may not be lower by more than 15% of the value determined by the independent qualified valuer. Having concluded a contract on sale of investment properties, when the above-described condition is not satisfied, the Management Company must, in exceptional cases and provided that interests of participants of the Company are not harmed, notify the supervisory authority thereof immediately. The 5 parking spaces acquired by the Company with the carrying amount of EUR 67 thousand (as at 31 December 2018: EUR 58 thousand) are subject to interim measures not to sell them to third parties if the legal dispute is in process. The legal dispute between the seller of the parking spaces and third entity is regarding the right to land and legitimacy of construction of parking spaces.

On 28 September 2018 the Group signed a preliminary agreement regarding the sale of 20.6 hectares of land plots in Latvia. In order for the transaction to be completed, the buyer of the land plots must by the end of April 2019 sign a lease agreement for the properties planned to be built on the land plots, and also make an advance payment and perform other actions envisaged in the agreement. If the parties fulfil all the stipulated conditions. the transaction could be completed by 1 July 2019. The conditions were not completed, and the agreement was terminated on 30 April 2019.

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals during the 1st Half Year of 2019 and 2018. No contractual obligations to purchase, construct, repair or enhance investment properties existed at the end of the period.

9 Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
Trade receivables, gross	320	342	240	253
Accrued lease income, gross	64	64	64	64
Taxes receivable, gross	3	3	-	-
Total trade and other receivable, gross	**387**	**409**	**304**	**317**
Less: provision for impairment of trade and other receivables	(16)	(16)	(16)	(16)
Less: Write off still subject to enforcement activity	(33)	(39)	(18)	(24)
Trade and other receivable net of expected credit losses	**338**	**354**	**270**	**277**

Changes in provision for impairment of trade and other receivables for the year 2019 and 2018 have been included within 'Provision for impairment of trade receivables' in the statement of comprehensive income.

(all amounts are in EUR thousand unless otherwise stated)

9 Trade and other receivables (cont'd)

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

Movements in the accumulated impairment losses on credit impaired accounts receivable of the Group and in the write-off were as follows:

	Group		
	Impairment losses	Write off still subject to enforcement activity	Total
Balance as at 31 December 2017	**35**	**-**	**35**
Restatement according to application of IFRS 9	(28)	28	-
Charge for the year	26	-	26
Write-offs charged against the provision	-	-	-
Enforcement activity ended	-	-	-
Recoveries of amounts previously impaired or written off	-	-	-
Balance as at 30 June 2018	**33**	**28**	**61**
Balance as at 31 December 2018	**16**	**39**	**55**
Charge for the year	-	-	-
Write-offs charged against the provision	-	-	-
Enforcement activity ended	-	(5)	(5)
Recoveries of amounts previously impaired or written off	-	(1)	(1)
Balance as at 30 June 2019	**16**	**33**	**49**

Movements in the accumulated impairment losses on credit impaired accounts receivable of the Company and in the write-off were as follows:

	Company		
	Impairment losses	Write off still subject to enforcement activity	Total
Balance as at 31 December 2017	**35**	**-**	**35**
Restatement according to application of IFRS 9	(28)	28	-
Charge for the year	12	-	12
Write-offs charged against the provision	-	-	-
Enforcement activity ended	-	-	-
Recoveries of amounts previously impaired or written off	-	-	-
Balance as at 30 June 2018	**19**	**28**	**47**
Balance as at 31 December 2018	**16**	**24**	**40**
Charge for the year	-	-	-
Write-offs charged against the provision	-	-	-
Enforcement activity ended	-	(5)	(5)
Recoveries of amounts previously impaired or written off	-	(1)	(1)
Balance as at 30 June 2019	**16**	**18**	**34**

(all amounts are in EUR thousand unless otherwise stated)

9 Trade and other receivables (cont'd)

The credit quality of trade receivables of the Group can be assessed on the ageing analysis disclosed below:

	Group						
	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Credit impaired	Total
As at 30 June 2019							
Trade receivables net of write off	168	60	37	2	-	20	287
Accrued lease income	64	-	-	-	-	-	64
Expected credit losses	-	-	-	-	-	(16)	(16)
Trade and other receivable net of expected credit losses	**232**	**60**	**37**	**2**	**-**	**4**	**335**
As at 31 December 2018							
Trade receivables, gross	204	60	13	3	-	23	303
Accrued lease income	64	-	-	-	-	-	64
Expected credit losses	-	-	-	-	-	(16)	(16)
Trade and other receivable net of expected credit losses	**268**	**60**	**13**	**3**	**-**	**7**	**351**

The credit quality of trade receivables of the Company can be assessed on the ageing analysis disclosed below:

	Company						
	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Credit impaired	Total
As at 31 June 2019							
Trade receivables net of write off	64	49	27	1	61	20	222
Accrued lease income	64	-	-	-	-	-	64
Expected credit losses	-	-	-	-	-	(16)	(16)
Trade and other receivable net of expected credit losses	**128**	**49**	**27**	**1**	**61**	**4**	**270**
As at 31 December 2018							
Trade receivables, gross	78	52	74	2	-	23	229
Accrued lease income	64	-	-	-	-	-	64
Expected credit losses	-	-	-	-	-	(16)	(16)
Trade and other receivable net of expected credit losses	**142**	**52**	**74**	**2**	**-**	**7**	**277**

The impairment losses for not credit impaired trade receivables is not recognised, because it is immaterial. As at 30 June 2019 and 31 December 2018 most of trade receivables were secured by advances received from tenants.

The ageing analysis of the credit impaired trade receivables of Group and the Company disclosed below:

	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
Trade receivables net of write off as at 30 June 2019	-	-	-	-	20	20
Trade receivables net of write off as at 31 December 2018	-	-	5	1	17	23

(all amounts are in EUR thousand unless otherwise stated)

10 Share capital and reserves

As at 30 June 2019 the Group's/Company's share capital is divided into 13,150,000 ordinary registered shares with the nominal value of EUR 1.45 each.

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

All the shares of the Company were fully paid.

On 26 April 2019 EUR the annual general meeting has decided to transfer from retained earnings EUR 169 thousand to the legal reserve and EUR 704 to the reserve thousand to reserve of purchase of own shares.

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

11 Dividends

On 29 December 2017 the Extraordinary General Shareholders Meeting of the Company changed dividend payment policy by increasing the minimum dividend from EUR 0.012 till EUR 0.026, if the legal and contractual requirements do not restrict the payment of dividends. After change of nominal value of shares (Note 10) the minimum dividend per share amounts to EUR 0.13.

Payment of dividends of EUR 0.13 per share and total dividends of EUR 1,710 thousand in respect of the year ended 31 December 2017 was approved at the Annual General Meeting of Shareholders on 26 March 2018.

A dividend in respect of the year ended 31 December 2018 of EUR 0.13 per share with the nominal value of EUR 1.45, amounting to a total dividend of EUR 1,710 thousand, was approved at the annual general meeting on 26 April 2019.

12 Borrowings

	Group		Company	
	As at 30 June 2019	**As at 31 December 2017**	**As at 30 June 2018**	**As at 31 December 2017**
Non-current:				
Non-current bank borrowings	23,365	21,757	21,600	19,877
Non-current other borrowings	5	5	-	-
	23,370	21,762	21,600	19,877
Current:				
Current portion of non-current borrowings	864	863	635	634
Borrowings from related parties	-	-	-	-
	864	863	635	634
Total borrowings	**24,234**	**22,625**	**22,235**	**20,511**

All borrowings are expressed in EUR.

(all amounts are in EUR thousand unless otherwise stated)

12 Borrowings (cont'd)

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

Interest rate type:	**Group**		**Company**	
	As at 30 June 2019	**As at 31 December 2018**	**As at 30 June 2019**	**As at 31 December 2018**
Fixed	5	5	-	-
Floating	24,229	22,620	22,235	20,511
	24,234	**22,625**	**22,235**	**20,511**

As at 30 June 2019 and at 31 December 2018 all Group entities have complied with bank loan covenants.

On 23 February 2018 the Board of the Financial and Capital Market Commission in Latvia adopted a decision on the unavailability of deposits at ABLV Bank AS. On 12 June 2018 it was announced that the Financial and Capital Market Commission has approved ABLV Bank AS voluntary liquidation. The cash on the current account on ABLV Bank AS was used for repayment of borrowing from ABLV Bank AS. During the 1st Half Year of 2018 EUR 22 thousand of deposit placed on the ABLV Bank AS was used for repayment of the borrowing. According to borrowing agreement in April 2018 the deposit was restored to EUR 150 thousand by transfer cash from other bank. Because ABLV Bank, AS ceased to be bank after voluntary liquidation process was approved, the previous deposit became as other receivables from ABLV Bank, AS. They comprise legally from three part:
- the Group claim of EUR 5 thousand from ABLV Bank, AS in liquidation process;
- blocked guaranteed compensation of EUR 100 thousand according to Latvian deposit insurance systems;
- the Group owned funds of EUR 45 thousand in possession of the ABLV Bank, AS (restored amount of deposits).

The other receivables could be paid to the Group only after borrowing to ABLV Bank, AS would be settled in full.

On 10 April 2018 the Company has signed an amendment of to the borrowing agreement with AB Šiaulių bankas. According to the amendment the new credit limit of EUR 23,926 thousand is set. It consists of two parts. The first part amounts to EUR 22,926 thousand and could be disbursed until 31 May 2019. The second part is a credit line of EUR 1,000 thousand, which could be disbursed until 22 December 2022. Furthermore, the settlement schedule and interest rate were changed. In May of 2019 the Company used remaining part of the first loan (EUR 2,023 thousand). There are currently EUR 1,000 thousand of credit line remaining unused. During 2nd Quarter of 2018 the Company has disbursed EUR 2,642 thousand of borrowing to settle liabilities. In the meantime, it was repaid EUR 800 thousand of borrowing to a subsidiary of AB Invalda INVL.

During the 1st Half Year of 2019 the Group and the Company repaid respectively EUR 413 thousand and EUR 300 thousand of borrowings. During the 1st Half Year of 2018 the Group and Company repaid respectively EUR 1,211 thousand and EUR 975 thousand of borrowings.

13 Earnings per share

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

The weighted average number of shares for the six months ended 30 June 2019 was 13,150 thousand.

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

Therefore, the weighted average number of shares for the six months ended 30 June 2018 was also 13,150 thousand.

13 Earnings per share (cont'd)

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

	Group	
	1st Half Year 2019	1st Half Year 2018
Net profit, attributable to the equity holders of the parent	1,707	1,907
Weighted average number of ordinary shares (thousand)	13,150	13,150
Basic earnings per share (EUR)	0.13	0.15

For the 1st Half Year of 2019 and 2018 the Group diluted earnings per share are the same as basic earnings per share.

14 Liquidity risk

The Group's liquidity ratio (total current assets including assets held for sale / total current liabilities) as at 30 June 2019 was approximately 0.74 (as at 31 December 2018 – 0.80). The Company liquidity ratio as at 30 June 2019 was approximately 0.64 (as at 31 December 2018 – 0,74).

As at 30 June 2019, current assets were lower than current liabilities of EUR 454 thousand in the Group and EUR 512 thousand in the Company. The Group would use additional liquidity source of up to EUR 1,000 thousand (Note 12) after signing of the amendment of bank borrowing agreement with AB Šiaulių bankas to meet its liabilities, which expire within twelve months after 30 June 2019.

The table below summarises the maturity profile of the Group's financial liabilities as at 30 June 2019 and at 31 December 2018 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	326	970	24,421	-	25,717
Lease liabilities	-	54	161	859	222	1,296
Trade and other payables	-	193	2	9	-	204
Provision for onerous contract	-	-	3	50	33	86
Other liabilities	116	217	-	-	-	333
Balance as at 30 June 2019	**116**	**790**	**1,136**	**25,339**	**255**	**27,636**
Interest bearing borrowings	-	317	948	22,924	-	24,189
Trade and other payables	-	206	-	-	-	206
Provision for onerous contract	-	3	11	99	71	184
Other liabilities	67	37	-	-	-	104
Balance as at 31 December 2018	**67**	**563**	**959**	**23,023**	**71**	**24,683**

(all amounts are in EUR thousand unless otherwise stated)

14 Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company financial liabilities as at 30 June 2019 and at 31 December 2018 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	258	768	22,652	-	23,678
Lease liabilities	-	54	161	859	222	1,296
Trade and other payables	-	107	-	-	-	107
Provision for onerous contract	-	-	3	50	33	86
Other liabilities	116	206	-	-	-	322
Balance as at 30 June 2019	**116**	**625**	**932**	**23,561**	**255**	**25,489**
Interest bearing borrowings	-	249	746	21,021	-	22,016
Trade and other payables	-	95	-	-	-	95
Provision for onerous contract	-	3	11	99	71	184
Other liabilities	67	27	-	-	-	94
Balance as at 31 December 2018	**67**	**374**	**757**	**21,120**	**71**	**22,389**

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

15 Other current liabilities

Other current liabilities are presented in the table below:

	Group		Company	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
<u>**Financial liabilities**</u>				
Dividends payable	116	67	116	67
Performance Fee	192	-	192	-
Other amounts payable	25	37	14	27
	333	104	322	94
<u>**Non – financial liabilities**</u>				
Salaries and social security contributions payable	15	10	-	-
Tax payable	90	161	77	146
	105	171	77	146
Total other current liabilities	**438**	**275**	**399**	**240**

(all amounts are in EUR thousand unless otherwise stated)

16 Related party transactions

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

The Group transactions with related parties during the six months ended 30 June 2019 and related balances as at 30 June 2019 were as follows:

1st Half Year 2019 Group	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	7	-	-
Other related parties (maintenance and repair services)	-	228	-	40
Other related parties (rent, utilities and other)	165	4	9	-
Other related parties (management services provided by the Management Company)	-	279	-	217
	165	518	9	257

The Group transactions with related parties during the six months ended 30 June 2018 and related balances as at 30 June 2018 were as follows:

1st Half Year 2018 Group	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
AB Invalda INVL (accounting services)	-	5	-	1
Other related parties (borrowings)	-	7	-	-
Other related parties (maintenance and repair services)	-	239	-	97
Other related parties (rent, utilities and other)	157	4	48	-
Other related parties (management services provided by the Management Company)	-	234	-	26
	157	489	48	124

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

(all amounts are in EUR thousand unless otherwise stated)

16 Related party transactions (cont'd)

The Company transactions with related parties during the six months ended 30 June 2019 and related balances as at 30 June 2019 were as follows:

1st Half Year 2019 Company	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
Loans granted to subsidiaries	-	-	6,975	-
AB Invalda INVL (accounting services)	-	3	-	-
Other related parties (maintenance and repair services)	-	74	-	3
Other related parties (rent, utilities and other)	134	-	-	-
Other related parties (management services provided by the Management Company)	-	279	-	217
Property administration and other services from subsidiaries	-	202	61	42
	134	558	7,036	262

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

The Company transactions with related parties during the six months ended 30 June 2017 and related balances as at 30 June 2017 were as follows:

1st Half Year 2018 Company	**Revenue and other income from related parties**	**Purchases (including provision) and interest from related parties**	**Receivables from related parties**	**Payables to related parties (excluding provision)**
Loans granted to subsidiaries	-	-	6,156	-
AB Invalda INVL (accounting services)	-	4	-	-
Other related parties (borrowings)	-	7	-	-
Other related parties (maintenance and repair services)	-	127	-	34
Other related parties (rent, utilities and other)	130	-	39	-
Other related parties (management services provided by the Management Company)	-	234	-	26
Property administration and other services from subsidiaries	-	135	-	27
	130	507	6,195	87

According to the dividend distribution report prepared according to the list of former shareholders as of 13 May 2019 (record date), the Company paid out dividends after tax in total EUR 554 thousand to Invalda INVL AB and EUR 692 thousand to other significant shareholders.

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

17 Events after reporting period

As of 30 June 2019, there have been no events that would have a significant effect on the reported values and the activities of the company.