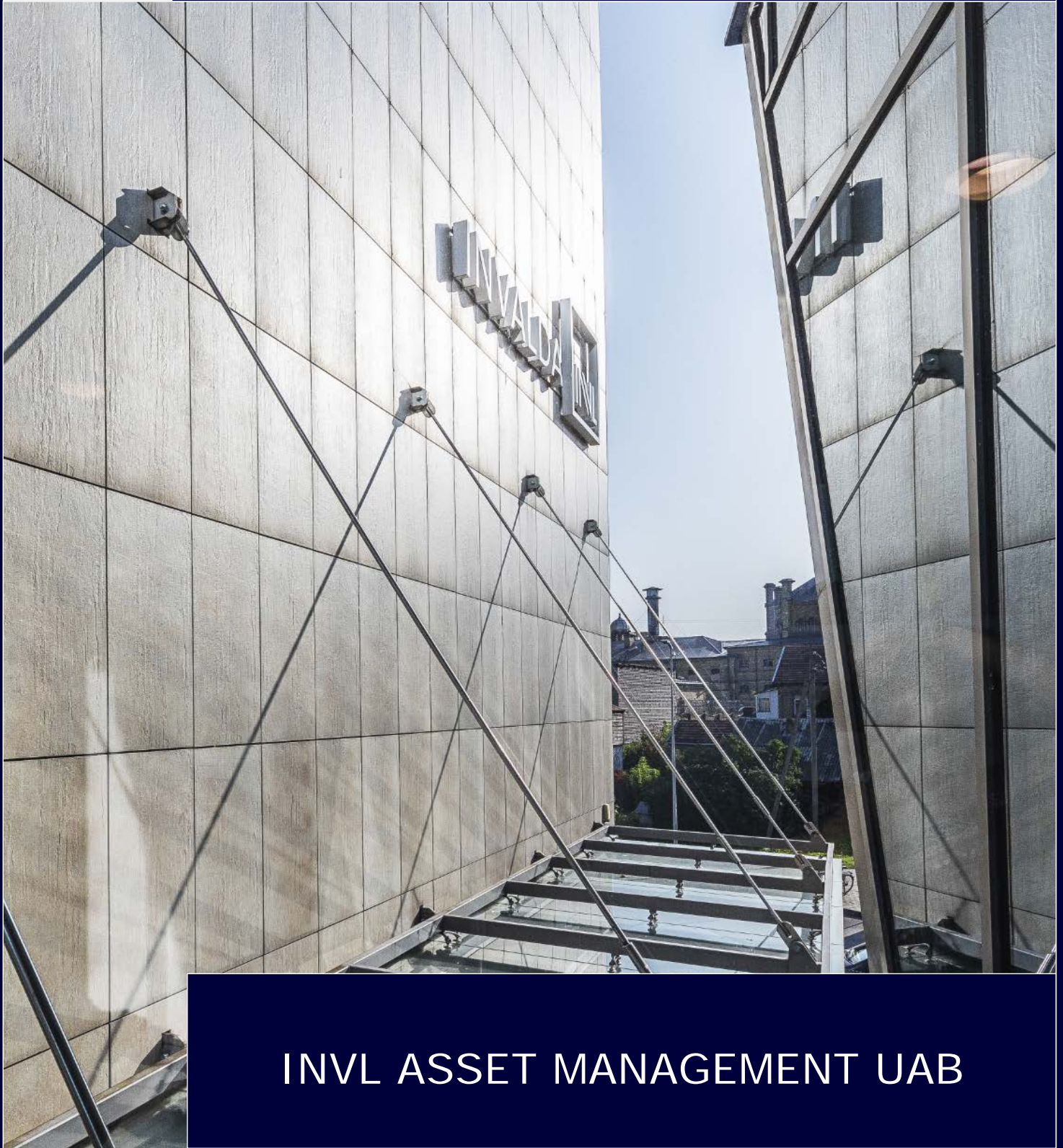


The logo for INVL, consisting of the letters 'INVL' in a bold, white, sans-serif font, set against a dark blue square background.

## INVL ASSET MANAGEMENT UAB

Separate financial statements for 2020 prepared according to International Financial Reporting Standards as adopted by the European Union, presented together with the independent auditor's report



**KPMG Baltics, UAB**  
Lvovo St. 101  
LT-08104, Vilnius  
Lithuania

Phone: +370 5 2102600  
Fax: +370 5 2102659  
E-mail: [vilnius@kpmg.lt](mailto:vilnius@kpmg.lt)  
Website: [kpmg.com/lt](http://kpmg.com/lt)

# Independent Auditor's Report

To the Shareholders of INVL Asset Management UAB

## Report on the Audit of the Separate Financial Statements

### Opinion

We have audited the separate financial statements of INVL Asset Management UAB ("the Company"). The Company's separate financial statements comprise:

- The separate statement of financial position as at 31 December 2020,
- the separate statement of comprehensive income for the year then ended,
- the separate statement of changes in equity for the year then ended,
- the separate statement of cash flows for the year then ended, and
- the notes to the separate financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the non-consolidated financial position of the Company as at 31 December 2020, and of its non-consolidated financial performance and its non-consolidated 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 Separate 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 Separate financial statements 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

## Revenue recognition

See Note 3.14 “Revenue recognition” and Note 4 “Revenue from contracts with customers”

The key audit matter	How the matter was addressed in our audit
<p>In 2020, the Company’s revenue amounted to EUR 10,501 thousand (2019 – EUR 9,981 thousand), and comprised revenue from the following main services:</p> <ul style="list-style-type: none"> <li>— fund management, including a success fee;</li> <li>— management of securities portfolios of private individuals; and</li> <li>— distribution of investment and pension funds.</li> </ul> <p>Success fee revenue and revenue from distribution of investment fund units is recognised at a point in time. Revenue from management of funds and securities portfolios of private individuals as well as distribution of pension funds is recognised over time as the services are being provided and the performance obligations satisfied. Significant judgement is required of the management when determining whether performance obligations are satisfied over a period of time or at a point in time.</p> <p>Management fees are calculated by applying the fee rates as set out in respective managed funds’ rules to either the net assets value (NAV) of the managed fund or to the amount of the investors’ commitment to invest into the fund. Success fees are generally calculated by applying the appropriate fee rate to the increase in the given fund’s unit value, as set out in the respective rules of the managed fund. The remaining fees earned by the Company are measured by reference to fee rates prescribed in the relevant contracts.</p> <p>Significant audit judgement and effort was required due to subjectivity of the main assumptions applied in the revenue recognition process (including the nature and timing of satisfaction of the underlying performance obligations) and the magnitude of the revenue amounts. Accordingly, we have determined this area to be associated with a significant risk of material misstatement and identified it as a key audit matter.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>— We obtained understanding of the Company’s revenue recognition process, and tested the design and implementation of the selected key internal controls therein, including those over revenue recognition and calculation derived from different services;</li> <li>— We critically assessed the Company’s revenue recognition policy for compliance with relevant provisions of the financial reporting standards;</li> <li>— We challenged the appropriateness of determination of performance obligations by reference to the rules of pension and investment funds as well as the terms of the contracts with customers;</li> <li>— We assessed accuracy of NAV used in management fees estimation by tracing NAV to audited financial statements of the fund (where audit was finalised) or by verifying reasonableness of assets and liabilities that NAV is derived from;</li> <li>— We evaluated the existence and accuracy of the revenue recognized, as follows: <ul style="list-style-type: none"> <li>• we assessed whether performance obligations are carried out at a point in time or over time by analysing the nature of the service and relevant contractual terms;</li> <li>• for fund management revenue – we traced the fee rates used to those prescribed in the funds’ rules, and independently estimated annual revenue from fund management by applying those fee rates to the net asset values of respective months or to the amounts of the investors’ commitment to invest into the fund, as considered appropriate;</li> <li>• for fund management revenue – we traced the revenue amounts to the payments received from the funds;</li> <li>• for success fee revenue – we assessed the appropriateness of the success fee calculation by reference to the funds’ rules;</li> <li>• for revenue from management of securities portfolios of private individuals – for a sample of contracts, we obtained confirmations of the amounts due therefrom as at 31 December 2020 and turnover for the year;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• for revenue from distribution of investment and pension fund units – for a sample of transactions, we traced the revenue amounts recognized to the fees prescribed in the relevant funds’ rules and payments received from fund’s participants;</li> </ul>
	<ul style="list-style-type: none"> <li>— We examined whether the Company’s revenue recognition-related disclosures appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.</li> </ul>

**Costs of obtaining contracts with customers (COOCWC)**

See Note 3.5 “Costs of obtaining contracts with customers”, Note 10 “Intangible assets and costs of obtaining contracts with customers”.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020: the carrying amount of capitalized costs of obtaining contracts with customers (COOCWC), respectively, for pillar II pension funds and for pillar III pension funds: EUR 1,678 thousand (EUR 1,741 thousand as at 31 December 2019) and EUR 769 thousand (EUR 590 thousand as at 31 December 2019).</p> <p>COOCWC represent the cost of commissions paid to intermediaries in conjunction with concluding pension contracts.</p> <p>Management applies significant judgment to determine the outstanding balance of such costs at the reporting date, mainly as regards the amortisation pattern and the recoverability of the amounts capitalised. The amortisation of the asset follows a straight-line pattern to allocate the acquisition costs over the expected remaining average term of the pension saving contracts with customers, i.e. generally over 10 years.</p> <p>In case there are indications of impairment, the Company determines the recoverable amount of the capitalised costs of obtaining contracts with customers. The recoverable amount is determined on the basis of discounted estimated cash flows from pension contracts.</p>	<p>Our audit procedures performed included, among others:</p> <ul style="list-style-type: none"> <li>— We obtained an understanding of the process for the assessment of COOCWC impairment indicators;</li> <li>— We obtained an understanding of the process the Company has over accounting of costs to obtain contracts with customers, and tested the design and implementation of the selected key internal controls therein;</li> <li>— We critically assessed the Company’s accounting policies for costs of obtaining contracts with customers against the requirements of the relevant financial reporting standards;</li> <li>— For a sample of COOCWC, we reconciled the capitalised acquisition costs deferred during the reporting period to the supporting documentation, including invoices and payments;</li> <li>— Assisted by our own valuation specialists, assessed the appropriateness of the recoverable amount determination methods and models applied, against the methodologies commonly used in valuations of similar assets as well as against the requirements of the relevant financial reporting standards;</li> </ul>

<p>Due to the above factors, accounting for costs of obtaining contracts with customers is an area associated with significant judgment and estimation uncertainty. As such it required our increased attention in the audit and was considered by us to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>— Assisted by our own valuation specialists, assessed the amounts recognized for indications of impairment and, where such indications were identified, evaluated the mathematical accuracy and integrity of the discounted cash flow model used, and challenging the key assumptions therein, in assessing the recoverability of COOCWC. The key assumptions included those in respect of: projected cash flows, long-term growth rates and discount rate;</li> <li>— We challenged the appropriateness of the COOCWC C’s useful life used, by reference to contractual terms and conditions, past experience and an analysis of funds’ participants actual churn rates;</li> <li>— We assessed the accuracy and completeness of the Company’s COOCWC -related disclosures in the separate financial statements against the requirements of the relevant financial reporting standards.</li> </ul>
---	--

**Accounting for bonuses**

See Note 3.16 “Bonuses”, Note 5 “Employee benefits”, Note 16 “Reserves” and Note 22 “Off-balance sheet commitments and contingencies”.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2019: bonus costs: EUR 624 thousand (31 December 2019: EUR 743 thousand); share-based payment reserve: EUR 796 thousand (31 December 2019: EUR 611 thousand), deferred not recognized part of bonuses: EUR 239 thousand (31 December 2019: EUR 170 thousand).</p> <p>In accordance with the Company’s remuneration policy, certain of its employees are entitled to bonuses, depending on their performance and the Company’s results. bonus or its part can be paid/granted in cash or in the form of additional contributions to a private pension fund or as share options of the parent company. For employees responsible for making decisions related to assuming the risks, a bonus is allocated proportionally and paid/granted over the subsequent 3–5 years, provided that the employee remains in the Company.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>— We obtained understanding of the employee remuneration process and tested the design and implementation of the selected key controls therein, including those over the accounting for bonuses, approval of key inputs in the option valuation model and validation of the model output;</li> <li>— We inspected the key terms of the remuneration policy, other relevant internal policies, and share option plans, and critically assessed the Company’s accounting policy for share-based payment arrangements against the requirements of the relevant financial reporting standards;</li> <li>— We assessed the appropriateness of the option pricing model used to determine the fair value of the options granted against the requirements of the financial reporting standards and accepted market practice;</li> <li>— We traced the number of share options granted in 2020 to the minutes of Management Board’s meetings and agreements with employees;</li> </ul>

The share-based payments costs are measured with reference to the grant-date fair values of the share options awarded. Significant judgment is required in estimating the fair values, using the Black-Scholes model, which requires determination of the key inputs to the model, such as the risk-free rate, volatility, dividend rate, as well as share price. The Management also applies significant judgment to determine the related grant date, vesting conditions and service period.

Due to the above factors as well as the magnitude of the amounts involved, we considered accounting for bonuses and share-based payment arrangements to be associated with a significant risk of material misstatement. As such, it required our increased attention in the audit and determined by us to be a key audit matter.

— Considering the results of the above procedures, as well as corroborating inquiries of the Management Board, we challenged the key judgements and assumptions applied in accounting for the amount of bonuses and share-based payments, as follows:

- grant date – by reference to agreements with employees;
- employee service period – by reference to agreements with employees and remuneration policy;

— We challenged the key assumptions in the option pricing model, as follows:

- risk-free rate – by reference to European Central Bank statistics on AAA-rated euro area central government bonds;
- volatility – by reference to publicly available trading history on INVL AB shares;
- stock price – by reference to publicly available trading history on INVL AB shares and share grant agreement.

— We assessed the adequacy of the Company's disclosures in the separate financial statements related to bonuses and share-based payments related against the requirements of the relevant financial reporting standards.

## Other Information

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

Our opinion on the separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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.

In addition, our responsibility is to consider whether information included in the Company's annual management report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of separate financial statements, in our opinion, in all material respects:



- The information given in the Company's annual management report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements; and
- The Company's annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 Separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 28 June 2019 for the first time to audit the Company's separate financial statements for the year 2019. The total uninterrupted period of our appointment to audit the Company's separate financial statements is 3 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report presented to the Company and its Audit Committee together with this independent auditor's report.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

We have not provided any other services except for audit of separate financial statements.

On behalf of KPMG Baltics, UAB

Toma Jensen  
Partner pp  
Certified Auditor

Vilnius, the Republic of Lithuania  
31 March 2021

*The electronic auditor's signature applies only to the Independent Auditor's Report on pages 2 to 8 of this document.*



# ANNUAL MANAGEMENT REPORT OF INVL ASSET MANAGEMENT UAB FOR 2020

## Basic details about the Company

One of the leading asset management companies in Lithuania INVL Asset Management UAB ('the Company') manages both classic and alternative assets: pension and investment funds, individual portfolios and private equity and other alternative investments. At the end of 2020 the total assets managed by the Company (including the assets managed on the basis of obligations to invest) amounted to EUR 1,086 million. INVL Asset Management provides services both to private and institutional customers, the number of which in Lithuania is 190 thousand.

Type of assets managed	Assets managed at 31 December 2020, EUR	Assets managed at 31 December 2019, EUR
Investment funds	52,015,450	55,660,535
Pillar II pension funds	603,073,004	524,686,309
Pillar III pension funds	54,665,746	39,633,957
Portfolios	87,283,475	74,992,971
Alternative assets*	273,068,706	222,202,576
	<b>1,070,106,381</b>	<b>917,176,348</b>

\* The assets managed by CEIC included into the amounts are calculated on the basis of share capitalisation, and assets managed by INVL Baltic Sea Growth Fund included into the amounts as at 31 December 2020 and 31 December 2019 and assets managed by INVL Sustainable Timberland and Farmland Fund II included into the amount as at 31 December 2020 are calculated on the basis of the obligations of investors to invest as it serves as the basis for calculating management fees

As at 31 December 2020, the Company managed 1 investment fund, 1 umbrella investment fund consisting of 3 subfunds, 13 pension funds, 74 portfolios of clients' financial instruments, 2 closed-end investment companies, 2 closed-end umbrella investment funds intended for informed investors, consisting of 5 and 1 subfunds, respectively, and 1 closed-end investment fund intended for professional investors.

<b>Registered office address:</b>	Gynėjų St. 14, Vilnius. The Company has no branches or representative offices.
<b>Shareholder:</b>	The sole controlling shareholder – Invalda INVL AB (company code – 121304349, registered office address – Gynėjų St. 14, Vilnius).
<b>Shares:</b>	As at 31 December 2020, the Company's authorised share capital totalled EUR 5,452,000 and it was divided into 18,800,000 units of ordinary registered shares with par value of EUR 0.29 each.
<b>General Manager of the Company:</b>	As at 31 December 2020, the position of the Company's General Manager was held by Laura Križinauskienė.
<b>Board of the Company:</b>	As at 31 December 2020, the Board consisted of three members. The Members of the Board: Darius Šulnis – Chairman of the Board; Nerijus Drobavičius – Member of the Board; Vytautas Plunksnis – Member of the Board.

## Major events in 2020

- **On 10 January 2020**, INVL Asset Management merged the INVL Emerging Europe ex Russia TOP20 Subfund of the umbrella harmonised investment fund INVL Umbrella Fund to the open-ended harmonised investment fund INVL Baltic Fund.
- **On 10 January 2020**, INVL Asset Management revised and updated investment strategies of pillar II pension funds.
- **On 7 February 2020**, an announcement was made that INVL Baltic Sea Growth Fund successfully completed the second distribution stage following which the size of the fund reached EUR 165 million.
- **On 11 February 2020**, it was announced that INVL Technology has consolidated companies in the Novian group that provide software services. With the completion of an internal transaction, Algoritmu Sistemas has acquired the business analytics and process automation company Acena from BAIP.
- **On 6 March 2020**, an announcement was made that INVL Baltic Real Estate sold the business centre IBC located in Vilnius for EUR 33 million, the centre was acquired by the companies managed by the investment fund Lords LB Baltic Green Fund (V).

- **On 25 March 2020**, INVL Asset Management reduced the maximum amounts of pillar II pension funds expenses that can be deducted from the fund's assets.
- **On 10 April 2020**, it was announced that investment fund INVL Special Opportunities Fund managed by INVL Asset Management became the shareholder of MD Partners, the co-owner of Moldova-Agroindbank (MAIB).
- **On 30 June 2020**, it was announced that INVL Baltic Sea Growth Fund, private equity investment fund in the Baltic region managed by INVL Asset Management has completed the acquisition of a controlling stake (52.81%) in Eco Baltia, the largest environmental management group for plastic recycling and waste collection in the Baltics.
- **On 1 July 2020**, after the change in procedures for pillar II payments, INVL Asset Management implemented respective changes in the company's systems, updated the procedures for pillar II pension payments and related documents.
- **On 4 September 2020**, it was announced that INVL Baltic Sea Growth Fund, private equity investment fund in the Baltic region managed by INVL Asset Management, has completed the acquisition of a stake in MBL Group, a leading European manufacturer of medical mobility devices, headquartered in Denmark.
- **On 21 September 2020**, INVL Asset Management established the INVL Partner Global Distressed Debt Fund I subfund, The new subfund acts as a feeder fund for a distressed debt fund established by a world-class investment management firm.
- **On 30 September 2020**, it was announced that INVL Baltic Real Estate sold the 7,200-square-metre part of the Vilnius Gates business centre that it owned for EUR 20 million. The company Tvarus Projektas which is owned by Eastnine Lithuania, acquired the property.
- **On 11 November 2020**, INVL Asset Management established the INVL Sustainable Timberland and Farmland Fund II (STAFF II). An initial offering of the fund raised EUR 32.45 million from private investors. The fund invests in sustainably managed forests and agricultural land in the Baltic Sea region and Central and Eastern Europe.
- **On 26 November 2020**, INVL Asset Management changed the custodian of the pillar II pension fund INVL Prudent and reduced the maximum amount of the fee for the services of custodian that are covered from this fund.
- **On 26 November 2020**, it was announced that INVL Sustainable Timberland and Farmland Fund II completed its first transaction and acquired 7 companies from the agricultural business group Linas Agro Group for EUR 13.6 million.

#### Significant events after the end of the financial year

No significant events occurred after the end of the financial year.

#### Objective overview of the Company's financial position, performance and development

The Company's core line of business is the management of financial assets on behalf of customers. INVL Asset Management manages pillar II and pillar III pension funds as well as investment funds, customer investment portfolios and alternative investments. The investment funds of the Company specialise in shares and debt securities of Central and Eastern European companies. The majority of alternative investments is concentrated in the Baltic countries.

#### Pension funds

The year 2020 marked the second year when all participants of pillar II pension funds were transferred to the newly (in January 2019) established life cycle pension funds. Despite the rather short life of life cycle pension funds, the benefits raise no doubts – bonds comprised the major part in the assets of elder participants, the fluctuation of which is insignificant and therefore helped the participants remain calm while waiting for their retirement moment. Younger participants had the opportunity to benefit from the advantages of periodic contributions and to utilise significant fluctuations in risky assets.

The year 2020 was full of fluctuations. After the outbreak of COVID-19 at the beginning of 2020 in Italy, many countries closed their borders, announced a quarantine, introduced immediate preventive measures, which slowed down the business activities and the movement of people. Strong anxiety was felt in global capital markets as well: share prices dropped in record speed and panic has spread also to safer asset classes. The leaders of the main countries around the world as well as central banks took immediate measures to stabilise the situation. The US Federal Reserve reduced the base rate to almost 0% and announced the programmes of redemption of USD bonds, support for business and other incentive programmes, that are ongoing until now. As a result of successful results of quarantine measures in Europe, as well as better than expected macroeconomic indicators provided markets with optimism. The November results of the US presidential elections and successful transfer of power as well as an outbreak in COVID-19 vaccination process helped the shares to complete the year at record heights.

To summarize the results of pillar II pension funds, during 2020, INVL pension funds generated over 4.5%, harmonised funds over 3.5% and conservative funds over 2.5%.

(Information on the Company prepared based on data from Bloomberg and other sources).

Pillar II pension fund	Data for 2020		
	Change in the value of the fund's unit, %	Change in the value of the benchmark index, %	Change in the value of the fund's unit since launch, %
INVL Pension 1954–1960	2.57	2.81	10.4
INVL Pension 1961–1967	3.74	4.76	19.66
INVL Pension 1968–1974	4.36	5.34	27.12
INVL Pension 1975–1981	4.69	5.63	28.52
INVL Pension 1982–1988	4.76	5.63	27.94
INVL Pension 1989–1995	4.77	5.63	28.36
INVL Pension 1996–2002	4.95	5.63	28.5
INVL Pension Asset Preservation Fund	3.68	3.23	11.41

As at 31 December 2020, net assets of pillar II pension funds managed by the Company amounted to EUR 603.1 million, or 15% more than a year ago (EUR 524.7 million as at 31 December 2019).

At the end of 2020, the number of participants of pillar II pension funds managed by the Company was 163 thousand compared to 2019, i.e. the number of participants of pillar II pension funds increased by 6 thousand in a year (the number of participants of pillar II pension funds was 157 thousand as at 31 December 2019).

At the end of 2020, the total assets managed in the supplementary voluntary pension accumulation pension funds (pillar III) of the Company amounted to EUR 54.7 million, or 38.1% more than a year ago (EUR 39.6 million). The number of participants reached 22.3 thousand (18.1 thousand a year ago).

The table below presents changes in the value of the unit of pillar II pension funds and net assets managed.

Fund	Accounting unit value in EUR		Net asset value in EUR	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
INVL Pension 1954–1960	1.104	1.0763	27,605,257	27,518,805
INVL Pension 1961–1967	1.1966	1.1535	95,303,632	86,983,412
INVL Pension 1968–1974	1.2712	1.2181	132,634,105	119,564,062
INVL Pension 1975–1981	1.2852	1.2276	145,683,907	128,684,564
INVL Pension 1982–1988	1.2794	1.2213	128,924,981	109,017,977
INVL Pension 1989–1995	1.2836	1.2252	59,760,929	45,465,634
INVL Pension 1996–2002	1.285	1.2244	8,608,877	4,914,279
INVL Pension Asset Preservation Fund	1.1141	1.0746	4,551,316	2,537,576
<b>Total pillar II pension funds:</b>	-	-	<b>603,073,004</b>	<b>524,686,309</b>

The table below presents changes in the value of the unit of pillar III pension funds.

Pillar III pension fund	Brief investment strategy of the fund	Data for 2020		
		Change in the value of the fund's units, %	Change in the value of the benchmark index, %	Change in the value of the fund's unit since launch, %
INVL STABILO III 58+ Pension Fund	Low risk	2.4	2.22	88.23
INVL MEDIO III 47+ Pension Fund	Medium risk	3.66	5.5	101.71
INVL Bold Pension Fund	Higher risk	-0.19	1.24	27.11
INVL EXTREMO III 16+ Pension Fund	Higher risk	4.23	5.63	144.04
INVL Prudent Pension Fund	Higher risk	1.75	0.71	34.29

The table below presents the values of the unit of pillar III pension funds and net assets managed.

Fund	Accounting unit value in EUR		Net asset value in EUR	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
INVL STABILO III 58 + Pension Fund	0.5451	0.5323	14,282,607	12,719,787
INVL MEDIO III 47+ Pension Fund	0.5842	0.5636	10,447,038	8,071,286
INVL Bold Pension Fund	0.3681	0.3688	4,774,657	3,557,475
INVL EXTREMO III 16+ Pension Fund	0.7068	0.6781	22,172,152	12,862,120
INVL Prudent Pension Fund	0.3889	0.3822	2,989,292	2,423,289
<b>Total for voluntary accumulation pension funds:</b>	-	-	<b>54,665,746</b>	<b>39,633,957</b>

#### Management of closed-end investment companies

Currently INVL Asset Management UAB manages two alternative investment companies: INVL Technology, the aim of which is to invest into IT companies operating in the region, and INVL Baltic Real Estate, which manages commercial real estate in Lithuania and Latvia. These are both closed-end investment companies (CEIC).

INVL Technology did not pay dividends in 2020, while INVL Baltic Real Estate paid out EUR 20,382 thousand dividends for 2019, by allocating EUR 1.55 per share.

The table below presents information on CEIC share prices and capitalisation as at 31 December 2020 and 31 December 2019.

Company	Share price at 31 December 2020	Share price at 31 December 2019	Assets managed at 31 December 2020*	Assets managed at 31 December 2019*
CEIC INVL Technology	2.08	1.76	25,324,668	21,428,565
CEIC INVL Baltic Real Estate	2.16	3.00	28,187,069	39,450,000
			<b>53,511,737</b>	<b>60,878,565</b>

\* The assets managed by CEIC are calculated on the basis of share capitalisation because it serves as a basis for calculating management fees.

#### Management of private equity and alternative collective investment undertakings

The closed-end umbrella investment subfunds intended for informed investors INVL Baltic Forests Fund I and INVL Partner Energy and Infrastructure started their activities from 2017.

The closed-end private equity investment fund intended for professional investors INVL Baltic Sea Growth Fund started its operations on 25 June 2018 after the approval of its establishment documents by the Bank of Lithuania.

INVL Special Opportunities Fund – the subfund of the closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund I started its activities on 24 July 2018 after the approval of its establishment documents by the Bank of Lithuania.

INVL Baltic Sea Growth Capital Fund – the subfund of the closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund II started its activities on 22 October 2018 after its establishment documents were approved by the Bank of Lithuania.

INVL Partner Global Distressed Debt Fund I – the subfund of the closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund I started its activities on 14 September 2020 after its establishment documents were approved by the Bank of Lithuania.

INVL Sustainable Timberland and Farmland Fund II – the subfund of the closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund I started its activities on 5 October 2020 after its establishment documents were approved by the Bank of Lithuania.

Fund	Value of the unit at 31 December 2020, Eur*	Value of the unit at 31 December 2019, Eur*	Assets managed at 31 December 2020, Eur	Assets managed at 31 December 2019, Eur
<b>Closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund I:</b>			<b>96,422,513</b>	<b>52,021,947</b>
Subfund INVL Baltic Forests Fund I	217.3688	175.5888	3,762,407	3,039,243
Subfund INVL Special Opportunities Fund	202.3365	221.958	6,154,841	6,751,705
Subfund INVL Baltic Sea Growth Capital Fund	99.9863 class A 100.4345 class B	106.016 class A 106.3666 class B	45,306,000** class A 15,000,000 class B	32,231,000** class A 10,000,000 class B
INVL Partner Global Distressed Debt Fund I	81.4266 class A 81.4266 class B 81.4266 class C		1,024,265***	
<i>INVL Sustainable Timberland and Farmland Fund II-Capital Fund</i>	989.3441		25,175,000**	
<b>Closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund II;</b>			<b>11,450,706</b>	<b>9,672,064</b>
Subfund INVL Partner Energy and Infrastructure Fund	112.1031	107.0871	11,450,706	9,672,064
<b>Closed-end private capital investment fund intended for professional investors INVL Baltic Sea Growth Fund (BSGF)</b>	<b>89.2924 class A</b> <b>100.00 class B</b> <b>89.2924 class C</b>	<b>118.2979 class A</b> <b>100.00 class B</b> <b>122.6690 class C</b>	<b>164,709,750**</b>	<b>141,861,000**</b>
Investment of INVL Baltic Sea Growth Capital Fund Subfund into INVL Baltic Sea Growth Fund			(60,306,000)	(42,231,000)
<b>INVL Alternative Assets Umbrella Fund, SCSp SICAV-RAIF subfund INVL Sustainable Timberland and Farmland Fund II</b>			<b>32,455,000**</b>	
INVL Sustainable Timberland and Farmland Fund II-Capital Fund investment into INVL Sustainable Timberland and Farmland Fund II			(25,175,000)	
			<b>219,556,969</b>	<b>161,324,011</b>

\* Unit values of all funds are calculated from funds NAV

\*\* investors' obligation to invest is shown as management fees are calculated from the obligation to invest

\*\*\* called amount translated into euros

## Investment funds

Out of all collective investment undertakings registered in Lithuania the investment funds managed by INVL Asset Management are the most popular - 88.2% market participants have chosen the investment funds managed by the Company (according to data as at 31 December 2020, while as at 31 December 2018 it was 85%).

Based on the data of the Bank of Lithuania, net assets managed in the harmonised investment funds of INVL Asset Management account for 37.1% of market share of collective investment undertakings and assets managed amount to EUR 52.02 million (31 December 2019: EUR 55.7 million).

Seeking to optimise the management of the investments into shares in the Central and Eastern Europe and to purify the investment strands, the management company merged the INVL Emerging Europe ex Russia TOP20 Subfund into the INVL Baltic Fund on 15 January 2020. The investment strategies of these funds were partly the same; in addition, the increased number of participants and division of fixed-size fees among them mean that from now this merge will allow investing on more favourable terms.

The table below presents the results of investment funds managed and the value of net assets:

Fund	Accounting unit value, EUR		Net asset value, Eur	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
INVL Global Emerging Markets Bond Subfund	122.6744	119.3584	8,750,510	7,189,547
INVL Emerging Europe Bond Subfund	43.4841	42.077	30,371,295	30,557,271
INVL Emerging Europe ex Russia TOP20 Subfund <sup>1</sup>	-	34.7681	-	5,601,401
INVL Russia TOP20 Subfund	35.2228	40.3999	5,903,401	8,179,280
INVL Baltic Fund	36.8253	37.4405	6,990,244	4,133,036
<b>Total for investment funds:</b>	-	-	<b>52,015,450</b>	<b>55,660,535</b>

<sup>1</sup> On 15 January 2020, the INVL Emerging Europe ex Russia TOP20 Subfund of the umbrella harmonised investment fund INVL Umbrella Fund was merged to the open-ended harmonised investment fund INVL Baltic Fund.

#### Management of financial instruments portfolios

At the end of 2020, the Company managed financial instruments portfolios of 74 customers, while at the end of 2019 the Company managed financial instruments portfolios of 76 customers. The value of the portfolios under management increased by 15.7% during one year – from EUR 74.99 million to EUR 87.28 million.

The assets managed under management of portfolios increased due to increased assets managed of institutional customers.

#### Development prospects

The main objective of the Company is to ensure a successful management of customers' funds. We believe that our focus on the creation of wealth for our customers will enable us to increase the size of customer portfolio in 2021. In addition, this year we will focus even more on the improvement of customer services, new customer service channels and also launching the new products, which, in our expectations, will allow to significantly increase the number of customers who will entrust their asset management to us.

#### Analysis of financial and non-financial performance

The year 2020 was full of large challenges related to the outbreak of COVID-19 pandemic and its impact on the economies. In March 2020, with the rapid spread of the virus in Europe and elsewhere, share prices dropped significantly and panic has spread also to safer asset classes. The leaders of the main countries around the world as well as central banks took immediate measures to stabilise the situation. As a result of successful results of quarantine measures in Europe, as well as better than expected macroeconomic indicators and an outbreak in COVID-19 vaccination process provided markets with optimism. All these factors helped markets recover and complete the year at record heights.

Despite the challenges of the pandemic, the previous year was successful for the Company. Although management fee rate of pillar II pension funds continued to decrease, stable contributions from existing customers and return on assets determined the fact the income from this product decreased only slightly compared to 2019. Changes in the priorities of the people caused by the pandemic resulted in the decreased attention to saving products and the number of customers at pillar III grew at a slower pace than planned; however, the clients of this product were loyal and their contributions remained stable, which, together with the positive markets effect, allowed to significantly increase the pillar III pension funds' management income.

In the area of alternative funds management, the successful completion of INVL Baltic Sea Growth Fund (BSGF) distribution in February 2020 increased the value of obligations to invest into the fund to EUR 164.7 million, which, together with stable activities of other alternative funds, resulted in a significant increase in the management fee income from alternative products in 2020. In 2020, BSGF fund successfully completed two more investments: acquired a controlling stake in Eco Baltia, the largest environmental management group for plastic recycling and waste collection in the Baltics, and MBL – manufacturer of medical mobility devices, headquartered in Denmark, and so by the end of the year put into operation more than one third of obligations to invest. Another significant achievement of alternative funds business – INVL Sustainable Timberland and Farmland Fund II, which was established in October 2020 in Luxembourg and in November 2020 completed a significant investments transaction into agricultural land. Also, in 2020 CEIC INVL Baltic Real Estate (BRE) completed two significant sales transactions:

in March 2020 it sold IBC business centre and in September 2020 – part of the Vilnius Gates business centre. Due to successful activities of BRE, the Company earned success fee of EUR 1.4 million from this CEIC in 2020.

Assets managed by the Company continued to increase in 2020 and exceeded EUR 1 billion: it increased by EUR 169 million (18%) from EUR 917 million to EUR 1,087 million.

Successful activities of the Company during the previous year meant that the Company's revenue amounted to EUR 10.4 million and were higher by EUR 0.6 million or 6% compared to 2019. During the previous year, the Company generated profit of EUR 1.9 million, which was EUR 0.3 million (15%) less than in 2019. The decrease in profit mainly resulted from the smaller profit from the Company's own portfolio, which decreased by EUR 0.8 million if compared to 2019. The assets accounted for in the Company's statement of financial position as at 31 December 2020 amounted to EUR 14.4 million and were higher by EUR 0.8 million compared to the assets accounted for as at 31 December 2019.

The key performance indicators of the Company are presented in the table below.

Items	31 December 2020 (in EUR)	31 December 2019 (in EUR)	Change
Commission, management and service income	10,421,857	9,809,894	6%
Profit/(loss) before tax	1,832,404	2,296,755	-20%
Net profit/(loss)	1,832,404	2,185,546	-16%
Assets	14,438,203	13,584,673	6%
Shareholders' equity	10,098,483	9,581,111	5%
Book value per share	0.54	0.51	6%
Indicators	At 31 December 2020	At 31 December 2019	
Net profit margin	18%	22%	*
Return on assets (ROA)	13%	16%	*
Return on equity (ROE)	18%	23%	*

In 2020, the Company paid EUR 1,500,000 of dividends.

#### References to and additional explanations of data reported in the annual financial statements

The information in the annual financial statements is provided in sufficient detail; therefore, references and additional explanations are not provided.

#### Description of the Company's exposure to key risks and contingencies

The main risks to which the Company is exposed in its activities include credit risk, operational risk, liquidity risk and market risk which in turn includes interest rate risk, the risk of fluctuations in security prices and foreign exchange risk.

**Credit risk.** It is a risk that the other party will default on its liabilities to the Company. The Company applies measures to ensure on a continuous basis that transactions are concluded with credible customers and do not exceed the credit exposure limit established. The Company has not issued guarantees to secure the fulfilment of obligations of other parties.

**Operational risk.** Operational risk is defined as an exposure to potential direct and/or indirect losses that may occur from inadequate or unimplemented internal control processes, errors and/or illegal actions of employees and IT system disruptions or external events. Operational risk is managed by the internal control function implemented at the Company, by establishing procedures limiting potential exposure to risks and preparing business continuity plans, by obtaining insurance for the Company's property, plant and equipment, by assessing the level of acceptance of services provided, by implementing the functions on product and service pricing management and reallocation of internal resources, analysing internal processes and procedures and identifying risk factors and evaluating the adequacy of their control.

**Liquidity risk.** It is a risk of failure to fulfil the Company's payment obligations in a timely manner. The Company manages its liquidity risk by maintaining a sufficient amount of cash and cash equivalents, or ensuring the availability of financing, fulfilment of established commitments through an adequate amount of committed credit facilities or other borrowing instruments.

**Market risk.** It is a risk for the Company to incur losses due to fluctuations in market variables. The Company is mainly exposed to interest rate risk, the risk of fluctuations in security prices and foreign currency risk. The debts of the Company were short-term; therefore, interest rate risk is considered as insignificant. The Company also had no financial instruments designated to control the risk of interest rate fluctuations. The Company has invested a part of its financial funds into equity securities and units of the funds it manages. Before reaching the decision on investing own funds, the Company assesses the risk and liquidity levels of the investment and its compliance with investment objectives. As mainly all of the Company's operations are conducted in euros, open foreign currency positions are insignificant. The Company's foreign exchange risk is insignificant.

#### Exposure to financial risk and its management objectives

The Company manages its financial risk in the manner described in the annual financial statements. Exposure to financial risk is also described in these financial statements. In performing risk assessment and managing its operations, the Company follows the principles of prudence, conservativeness and precaution.

#### Personnel management policy

As at 31 December 2020, the number of the Company's actually working employees (excluding employees on parental leave) was 106 (31 December 2019: 102). 96% of the Company's employees have higher education (bachelor's or master's degree). Conditions and opportunities are created for employees to acquire the financial broker licence. 29% of employees, i.e. 31 employees of the Company, have the financial broker licence. Professional development of employees was conducted based upon the needs of employees and development of their mandatory competences.

The Company has approved the policies with respect to employees whose professional activity and/or decisions made may have a significant impact on the Company's exposure to risks, including the Company's executive employees, members of managerial bodies, employees carrying out control functions and other employees who receive remuneration attributed to the remuneration category of the Company's management personnel (hereinafter jointly 'risk-assuming employees') ('the Remuneration Policy') which meet the requirements of the Law on Collective Investment Undertakings, the Law on Managers of Alternative Collective Investment Undertakings and other legal acts. Considering the requirements of Article 373 of the Law on Companies of the Republic of Lithuania, special closed-end type real estate investment company INVL Baltic Real Estate and special closed-end private equity investment company INVL Technology ("CEIC") shall approve remuneration policy, it is determined that the Company's policy is applicable at CEIC.

The remuneration policy is submitted for approval to the Company's Board, to the CEIC general meetings of shareholders at least every four years and in case of significant amendments to the Policy. Services of external advisers were not used in preparing the Remuneration Policy, there is no contribution from stakeholders. Considering the size of the Company, organisational structure and profile, scope and complexity of activities, the remuneration committee is not formed at the Company. The amount of a monthly service pay of the General Manager, other employees who are subordinate (accountable) to the Company's Board in accordance with the management structure approved by the Company's Board is established based on the Board's decision. The latter amount for all other employees is set by the order of the General Manager in accordance with the requirements applicable to the job position as well as the nature of work, qualification and skills of the employee.

The employee's fixed remuneration consists of a monthly service pay, employer's taxes and additional benefits that are allocated to the employee irrespective of his/her performance and paid to all employees who meet the criteria established in accordance with the procedure set at the Company (e.g. pension contributions to voluntary pension funds). In addition to a monthly service pay or remuneration received in other form, an incentive may be paid, i.e. a bonus which is subject to the same procedure which is applied to the variable remuneration part. This procedure is set in the legislation regulating the activities of asset management. The bonus is allocated depending on the fulfilment of the Company's annual business plan and/or budget, fulfilment of annual targets set for the employee's division and/or team and fulfilment of the employee's individual plans and tasks indicated in the employee's individual performance assessment plan. A monthly service pay is established in a manner to ensure proper proportions of a monthly service pay and bonus. A monthly service pay represents a relatively large portion of the employee's overall remuneration thus enabling the Company to implement flexible promotional policies.

The bonus is paid to risk-assuming employees according to the following schedule:

- The portion equal to 60% of the bonus is paid as a lump sum in accordance with the procedure and within the time limits set in the order of the General Manager;
- The remaining portion of the bonus (i.e. the remaining 40%) is paid to the employee within three years in accordance with the pro rata principle, i.e. the deferred part of the bonus is distributed proportionately throughout the deferral period; the payment is not made earlier than one year after the end of the employee's performance assessment and paid at the annual intervals to complete the payment of a proportionally calculated part of the bonus. In individual cases the competent body of the Company, which makes a decision on the allocation of the bonus, has the right to decide on a longer deferral period (usually not longer than five years), considering the business cycle of the Company and/or respective collective investment undertaking or the pension fund, its activity profile, risks assumed by the employee and results of activities as well as other criteria set forth in legal acts.



The previously set deferral period is not applied if the annual bonus allocated to an employee comprises up to 20% of the annual monthly service pay and is lower than EUR 8,000. In such case, the entire amount of the bonus is paid as a lump sum following the procedure and deadlines set by the order of the Company's Director or the decisions of the Company's Board. The same procedure is applicable and the bonus is paid to employees who are not considered risk-assuming employees.

The bonus, including a deferred part thereof, can be allocated and/or paid to the employee only if the Company's financial position is sustainable, considering the results of operations of the Company and/or the Company's unit and only in case the results of the employee's annual individual performance assessment are positive. The individual performance assessment of the employee also takes into consideration non-financial and behavioural (soft) criteria, such as compliance with the Company's internal rules and procedures, communication with customers and investors, observance of rules and professional development, etc. In paying bonuses or applying other incentive measures to employees the Company ensures that their payment (allocation) is not linked with sales of a specific collective investment undertaking or financial instrument. If the results of the Company's financial activities of a respective year are negative or the Company fails to achieve the business objectives set, the Company has the right to make a decision not to pay the bonus or a part thereof or to reduce the amount of the bonus allocated earlier as well as reduce the payment of such amounts previously earned by defining in advance the period of such non-payment or reduction. Such adjustment or deferral was not applied in the reporting period.

The bonus is usually paid in cash. Following the proportionality principle, the Company does not apply the requirement to pay a certain part of the bonus in financial instruments. However, if such a possibility is offered by the Company and the employee makes such a request, the bonus may be replaced with other incentive measures – granting financial instruments or their equivalents (share options, payments into a private pension fund).

In 2020, a termination benefit of EUR 4,896 was paid out to three risk-assuming employees (in 2019 a termination benefit of EUR 11,610 was paid out to risk-assuming employees).

Bonus of 2020 will be allocated in 2021, following the approval of the financial statements for 2020.

The distribution of remuneration and incentives allocated and paid in 2020 is presented below:

	Number of employees*	Annual fixed remuneration (including taxes), EUR	Variable remuneration (bonuses)**		Remaining allocated deferred variable remuneration (bonuses), EUR
			In cash and contributions to pension funds, EUR	In share-based financial instruments, EUR	
Management personnel	4	402,962	57,970	28,716	81,512
Risk-assuming employees, except for the Board members and management personnel	36	2,302,268	270,875	124,839	214,606
Employees	102	1,586,325	110,822	51,864	-
<b>Total:</b>	<b>142</b>	<b>4,291,555</b>	<b>439,667</b>	<b>205,419</b>	<b>296,118</b>

\* Weighted average

\*\* For the purpose of information disclosure, meets the definition of the bonus, as described above, and comprises the part of variable remuneration allocated for the previous year, which was paid/due in the financial year. Reduction of the deferred variable remuneration (bonus) for 2016–2020, by adjusting according to activity results, was not applied during the reporting period.

The remaining allocated deferred variable remuneration (bonus) in the table above comprises the entire allocated part which was not paid by 31 December 2020. Based on the Company's variable remuneration policy, part of this remuneration was recognised as the Company's costs and liabilities or share-based payment reserve before 31 December 2020. The part of variable remuneration (bonus) calculated for the year 2020 but which will be allocated only after the issue of the financial statements, is not included in the amounts in the table above. More details are provided in Notes 16 and 17 of the financial statements.

### The Company's operation plans and prospects

In the field of retail investment product management (pension funds, investment funds), in 2021 the Company plans to strengthen the channel of product sales agents, optimize customer attraction channel and servicing processes. As in 2020, the Company will focus on the improvement of customer service quality and of customer experience. The Company will continue its plans to develop the fastest-growing specialised platform for saving and investment solutions which offers the Company's customers opportunities to manage their long-term savings in an efficient and convenient manner.

In the area of private equity investment management, the Company plans to implement one more stage of funds raising into the alternative fund investing into forestry and land assets INVL Sustainable Timberland and Farmland Fund II, which was established in 2020, and to invest the funds raised by this fund to attractive timberland and farmland units. In the activities of the BSGF fund, the Company will continue to invest the funds raised by extending the portfolio of the companies managed by this fund. In 2021, the Company plans to establish one fund, investing into a third-party product attractive to customers and to establish a new fund investing into alternative energy and infrastructure projects.

## Information on the positions held by members of the management and their main workplace

Information on other managing positions held by the head of the Company and members of the board, and information on their main employment is provided below:



Laura Križinauskienė – General Manager of the Management Company

Main workplace – INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Director.

Involvement in activities of other companies: FMJ INVL Finasta UAB (code 304049332, Gynėjų St. 14, Vilnius), Member of the Board; IPAS INVL Asset Management (investment management joint-stock company, code 40003605043, Smilšu iela 7-1, Riga, Latvia), Member of the Supervisory Board; AS INVL atklātais pensiju fonds (joint-stock company, code 40003377918, Smilšu iela 7-1, Riga, Latvia), Member of the Supervisory Board.



Darius Šulnis – Chairman of the Board of the Management Company

Main workplace – Invalda INVL AB (code 121304349, Gynėjų St. 14, Vilnius), President.

Involvement in activities of other companies: Invalda INVL AB (code 121304349, Gynėjų St. 14, Vilnius), Member of the Board, President; Šiaulių bankas AB (code 112025254, Tilžės St. 149, Šiauliai), Member of the Supervisory Board; Litagra UAB (code 304564478, Savanorių Ave. 173, Vilnius), Member of the Board; INVL Baltic Farmland AB (code 303299781, Gynėjų St. 14, Vilnius), Member of the Board; INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Chairman of the Board; INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Member of the Investment Committee of the managed fund INVL Baltic Sea Growth Fund.



Nerijus Drobavičius – Member of the Board of the Management Company

Main workplace – INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Partner for Private Equity.

Involvement in activities of other companies: special closed-end type private equity investment company INVL Technology (code 300893533, Gynėjų St. 14, Vilnius), Member of the Investment Committee; Inservis UAB (code 126180446, A. Juozapavičiaus St. 6, Vilnius), Chairman of the Board; group of companies Inservis UAB (code 301673796, Gynėjų St. 14, Vilnius), Chairman of the Board; Jurita UAB (code 220152850, Justiniškių St. 64, Vilnius), Chairman of the Board; BSGF Sanus UAB (code 304924481, Gynėjų St. 14, Vilnius), Director; InMedica UAB (code 300011170, L. Asanavičiūtės St. 20-201, Vilnius), Chairman of the Board; INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Member of the Board, Private Equity Partner. MBL A/S (code 12825242, Glarmestervej 18, St. Silkeborg 8600 Denmark), Member of the Board; MBL Poland Sp. Z.o.o. (code 0000065219, Sulejowska 45d, 97-300 Piotrkow Trybunalski, Poland), Member of the Supervisory Board; MB Sugrasta (code 305287386, Pranapolio g. 11, Vilnius), Director; INVL Asset Management AB (code 126263073, Gynėjų St. 14, Vilnius), Member of the Investment Committee of the managed fund INVL Baltic Sea Growth Fund.



Vytautas Plunksnis – Member of the Board of the Management Company

Main workplace – INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Head of Private Equity.

Involvement in activities of other companies: INVL Asset Management UAB (code 126263073, Gynėjų St. 14, Vilnius), Member of the Investment Committee of the managed fund INVL Baltic Sea Growth Fund; Eco Baltia AS (Maskavas str. 240-3, Rīga, Latvia 40103446506), Chairman of the Supervisory Board; PET Baltija AS (Aviācijas Str. 18, Jelgava, Latvia 42103029708), Chairman of the Supervisory Board; Montuotojas UAB (code 121520069, Granito St. 3-101, Vilnius), Member of the Board; BSGF Salvus UAB (Gynėjų St. 14, Vilnius, Lithuania 305160086), Advisor; special closed-end type private equity investment company INVL Technology (code 300893533, Gynėjų St. 14, Vilnius), Member of the Investment Committee; Norway Registers Development AS (private limited company, code NO 985 221 405 MVA, Lokketangen 20 B, 1337 Sandvika, Norway), Member of the Board; NRD Companies AS (private limited company, code NO 921 985 290 MVA, Lokketangen 20 B, 1337 Sandvika, Norway), Member of the Board; NRD Systems UAB (code 111647812, Gynėjų St. 14, Vilnius), Member of the Board; NRD CS UAB (code 303115085, Gynėjų St. 14, Vilnius), Member of the Board; Novian Systems UAB (code 125774645, Gynėjų St. 14, Vilnius), Chairman of the Board; BC Moldova-Agroindbank SA (MAIB) (code 1002600003778, Constantin Tănase St. 9/1, Kišiniovas, Moldova), Chairman of the Supervisory Board; Investors Association (code 302351517, Konstitucijos Ave. 23, Vilnius), Chairman of the Board.

#### Other required disclosures

The Company has no authorisations or commitments to issue or purchase its own shares. The Company is not engaged in any research and development activities.

Head of Process Development and Supervision Unit, Deputy General Manager

Aura Paulikienė

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
Revenue from contracts with customers	4	10,421,857	9,809,894
Other income	6	79,012	171,271
Net change in fair value of financial instruments measured at fair value through profit or loss	11	88,839	912,295
Employee benefits	5, 3.15, 3.16	5,038,291	4,658,353
Fees on fund distribution and portfolio management		577,502	643,876
Amortisation of costs for obtaining contracts with customers	10	310,013	244,473
IT maintenance expenses		329,546	377,241
Depreciation and amortisation	9, 10	249,054	240,820
Rent of premises and utility services		331,320	290,809
Advertising and other sales promotion expenses		343,582	400,260
Impairment, write-downs and provisions		-	-
Other expenses	7	1,467,420	1,638,312
Interest expenses (IFRS 16)	18	110,576	102,561
<b>Operating profit (loss)</b>		<b>1,832,404</b>	<b>2,296,755</b>
<b>Profit/(loss) before tax for the reporting period</b>		<b>1,832,404</b>	<b>2,296,755</b>
Income tax (expenses) / income	8	-	(111,209)
<b>Net profit (loss) for the reporting period attributable to the Company's shareholders</b>		<b>1,832,404</b>	<b>2,185,546</b>
Other comprehensive income		-	-
<b>Total comprehensive income (expenses) for the year attributable to the Company's shareholders</b>		<b>1,832,404</b>	<b>2,185,546</b>

The accompanying notes form an integral part of these financial statements.

These financial statements were signed and approved for issue on behalf of the Company by:

Head of Process Development and Supervision Unit, Deputy General Manager    Aura Paulikienė \_\_\_\_\_    31 March 2021

Chief Accountant    Dovilė Lukoševičienė \_\_\_\_\_    31 March 2021

## SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	169,519	222,941
Right-of-use assets	18	1,145,793	1,327,120
Intangible assets	10	1,566,285	1,610,829
Costs of obtaining contracts with customers	10	2,446,958	2,331,004
Investments in subsidiaries/associates	20	279,977	264,977
Financial assets at fair value through profit or loss	11	3,282,441	2,720,786
Deferred income tax assets	8	573,490	459,039
<b>Total non-current assets</b>		<b>9,464,463</b>	<b>8,936,696</b>
<b>Current assets</b>			
Trade and other receivables	12	936,234	1,737,975
Assets from contracts with customers	12	194,055	58,714
Prepayments and deferred costs	13	35,044	72,987
Cash and cash equivalents	14	3,808,407	2,778,301
<b>Total current assets</b>		<b>4,973,740</b>	<b>4,647,977</b>
<b>TOTAL ASSETS</b>		<b>14,438,203</b>	<b>13,584,673</b>

## SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2020	31 December 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	5,452,000	5,452,000
Reserves	16	905,737	611,492
Retained earnings/(loss)		3,740,746	3,517,619
<b>Total equity</b>		<b>10,098,483</b>	<b>9,581,111</b>
<b>Amounts payable and liabilities</b>			
<b>Amounts payable after one year and non-current liabilities</b>			
Non-current portion of contractual obligations	19	1,068,389	699,532
Non-current portion of lease liabilities	18	1,004,240	1,165,681
Trade and other payables	17	96,715	88,527
<b>Total amounts payable after one year and non-current liabilities</b>		<b>2,169,344</b>	<b>1,953,740</b>
<b>Amounts payable within one year and current liabilities</b>			
Current portion of contractual obligations	19	138,214	85,165
Current portion of lease liabilities	18	222,429	203,678
Payable income tax		112,508	99,744
Trade and other payables	17	1,697,225	1,661,235
<b>Total amounts payable within one year and current liabilities</b>		<b>2,170,376</b>	<b>2,049,822</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,438,203</b>	<b>13,584,673</b>

Head of Process Development and Supervision Unit, Deputy General Manager      Aura Paulikienė \_\_\_\_\_      31 March 2021

Chief Accountant      Dovilė Lukoševičienė \_\_\_\_\_      31 March 2021

## SEPARATE STATEMENT OF CHANGES IN EQUITY

	Reserves				Total
	Share capital	Reserve for share-based payments	Legal reserve	Retained earnings (loss) restated	
<b>Balance at 31 December 2018</b>	<b>5,452,000</b>	<b>384,499</b>	-	<b>1,332,073</b>	<b>7,168,572</b>
Net profit/(loss) for the year (restated)	-	-	-	2,185,546	2,185,546
Increase in share capital (Note 15)	-	-	-	-	-
Share-based payments (Note 16)	-	226,993	-	-	226,993
<b>Balance at 31 December 2019</b>	<b>5,452,000</b>	<b>611,492</b>	-	<b>3,517,619</b>	<b>9,581,111</b>
Net profit/(loss) for the year	-	-	-	1,832,404	1,832,404
Share-based payments (Note 16)	-	184,968	-	-	184,968
Dividends paid	-	-	-	(1,500,000)	(1,500,000)
Legal reserve	-	-	109,277	(109,277)	-
<b>Balance at 31 December 2020</b>	<b>5,452,000</b>	<b>796,460</b>	<b>109,277</b>	<b>3,740,746</b>	<b>10,098,483</b>

Head of Process Development and Supervision Unit, Deputy General Manager      Aura Paulikienė \_\_\_\_\_      31 March 2021

Chief Accountant      Dovilė Lukoševičienė \_\_\_\_\_      31 March 2021

## SEPARATE STATEMENT OF CASH FLOWS

	Note	2020	2019
<b>Cash flows from operating activities</b>			
Net profit/(loss) for the year		1,832,404	2,185,546
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation	9,10, 18	491,235	447,415
Dividend income	6	(79,012)	(168,126)
Interest expense		110,576	102,561
Current year income tax expense/(income)	8	-	111,209
Unrealised/(gain) loss from financial instruments measured at fair value	11	(88,839)	(397,362)
Realised/(gain) loss from financial instruments measured at fair value	11	-	(514,936)
Share-based payments expenses	16	76,870	107,432
Expenses of bonuses	17	546,639	635,966
(Profit) loss from amendments to lease agreements		(189)	-
Amortisation of costs of obtaining contracts with customers	10	310,013	244,472
		<b>3,199,697</b>	<b>2,754,177</b>
<b>Changes in working capital:</b>			
(Increase)/decrease in trade and other receivables	12	666,397	(1,108,484)
(Increase)/decrease in other current assets	12	37,943	(8,224)
Increase/(decrease) in trade and other payables	17	(399,608)	(6,461)
Increase/(decrease) in contractual obligations	19	421,907	588,245
Income tax paid		(37,620)	-
Sale/(acquisition) of tax losses	8	(64,068)	29,970
<b>Net cash flows from/(used in) operating activities</b>		<b>3,824,648</b>	<b>2,249,223</b>
<b>Cash flows from investing activities</b>			
(Acquisition) of property, plant and equipment	9	(145,842)	(69,236)
Dividends received	6	79,012	150,944
Costs for obtaining contracts with customers		(425,967)	(929,679)
Investments in subsidiaries	20	(15,000)	-
Proceeds on disposal of financial assets		-	1,587,851
Acquisition of financial assets		(472,816)	-
Settlement of financial liability related to acquisition of subsidiary	17	-	(43,000)
<b>Net cash flows from/(used in) investing activities</b>		<b>(980,613)</b>	<b>696,880</b>
<b>Cash flows from financing activities</b>			
Increase of share capital		-	-
Payments of lease liabilities	18	(203,353)	(164,554)
Interest payments	18	(110,576)	(102,561)
Dividends paid		(1,500,000)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(1,813,929)</b>	<b>(267,115)</b>
<b>Net increase (decrease) in cash flows</b>		<b>1,030,106</b>	<b>2,678,988</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,778,301</b>	<b>99,313</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>3,808,407</b>	<b>2,778,301</b>

Head of Process Development and Supervision Unit, Deputy General Manager      Aura Paulikienė \_\_\_\_\_      31 March 2021

Chief Accountant      Dovilė Lukoševičienė \_\_\_\_\_      31 March 2021



## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

INVL Asset Management UAB ('the Company') is a private limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Gynėjų St. 14,  
Vilnius,  
Lithuania.

The Company was established and registered with the Register of Legal Entities on 21 July 2003 under the name of Finasta Investicijų Valdymas UAB. On 8 October 2009, the Company was renamed to Finasta Asset Management UAB.

On 27 March 2015, Finasta Asset Management UAB was renamed to INVL Asset Management UAB.

As at 31 December 2020, the sole controlling shareholder of the Company was Invalda INVL AB. The Company's authorised share capital totalled EUR 5,452,000 and it was divided into 18,800,000 ordinary registered shares with the par value of EUR 0.29 each.

As at 31 December 2020, the Company had 106 (31 December 2019: 102) employees.

The Company's activities are regulated by the Lithuanian Law on Collective Investment Undertakings and the AIFMD Directive. On 15 January 2004, the Securities Commission of the Republic of Lithuania issued a license No. VJK – 005 to INVL Asset Management UAB which was supplemented on 21 August 2008. The licence issued permits to the Company to perform the following operations:

- manage harmonised collective investment undertakings;
- manage collective investment undertakings investing into transferable securities;
- manage real estate collective investment undertakings;
- manage private capital collective investment undertakings;
- manage collective investment undertakings investing into other collective investment undertakings;
- manage alternative investment collective investment undertakings;
- manage portfolios of financial instruments of other entities;
- manage portfolios of financial instruments in pension funds accumulated from a part of state social security contributions;
- manage portfolios of financial instruments in additional voluntary pension accumulation pension funds;
- consult on issues relating to investment into financial instruments;
- safe-keep and handle investment units of investment funds managed by other management companies or shares of investment companies.

As at 31 December 2020, the Company managed 1 investment fund, 1 umbrella investment fund consisting of 3 subfunds, 13 pension funds, 74 portfolios of clients' financial instruments, 2 closed-end investment companies, 2 closed-end umbrella investment funds intended for informed investors, one of them consists of 5 and 1 subfunds and 1 closed-end investment fund intended for professional investors and a hedged alternative investment fund established in Luxembourg (as at 31 December 2019, the Company managed 1 investment fund, 1 umbrella investment fund consisting of 4 subfunds and 13 pension funds, as well as 76 portfolios of individual customers, 2 closed-end investment companies, 2 closed-end umbrella investment funds intended for informed investors (one of them consists of 1 subfund, another – of 3 subfunds) and 1 closed-end fund intended for professional investors).

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

The Company's management signed these financial statements on 31 March 2021. The Company's shareholders have a statutory right to either approve the financial statements or not to approve them and prepare a new set of financial statements.

### 2 Going concern basis

These financial statements have been prepared on a going concern basis.

### 3 Significant accounting policies

The principal accounting policies applied in the preparation of the Company's financial statements for 2020 are set out below.

### 3.1. Basis of preparation

#### *Statement of compliance*

These financial statements have been prepared on a historical cost basis, except for investments in equity securities, units of collective investment undertakings and contingent liabilities measured at fair value.

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

The Company does not prepare consolidated financial statements as permitted by the legislation of the Republic of Lithuania, as the Company and its subsidiary are included into a full consolidation in the consolidated financial statements of the parent company Invalda INVL. Invalda INVL was established in Lithuania and its consolidated financial statements are available at <https://invaldainvl.com/lit/lt/investuotojams/ataskaitos>.

#### *Presentation currency*

The Company keeps its accounting records in the euro and all amounts in these financial statements have been presented in the national currency of the Republic of Lithuania, the euro (EUR).

Standards adopted but not yet effective, amendments and interpretations which the Company does not intend to apply early:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (not yet endorsed by EU);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).

### 3.2. Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and estimated impairment. Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment.

Depreciation is calculated using the straight-line method over useful lives established as follows:

Computer hardware	3–4 years
Office equipment, furniture	4–6 years

The assets' carrying amounts, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each financial year to ensure that they reflect economic benefits expected to be derived from property, plant and equipment.

All other property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The accounting policies of right-of-use assets are disclosed in part 3.13.

### 3.3. Business combinations and goodwill

Subsidiaries acquired on a business combination involving entities under common control are not within the scope of IFRS 3, Business Combinations, and accordingly, such acquisitions were accounted for using the predecessor value method. No assets or liabilities were restated by the Company to their fair values. Instead, the Company incorporated their predecessor carrying amounts. They are generally the carrying amounts from the consolidated financial statements of the entity that has the highest common control. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. No goodwill arises in predecessor accounting, and the results of the combined entities are presented in the financial statements from the date of acquisition. Upon reorganisation of companies and their combination, the goodwill which arose before, during the acquisition of companies, and other assets and liabilities recognised at the time of acquisition are transferred to the statement of financial position of the company which continues its activities after the reorganisation.

### 3.4. Intangible assets

The Company's intangible assets include computer software and fund's management rights acquired on business combination.

Intangible assets are initially stated at acquisition cost. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of assets can be measured reliably. Subsequently, intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses, if any. Intangible assets, excluding goodwill, are deemed to have a finite useful life. Intangible assets are amortised using the straight-line method over the estimated useful life.

#### *Computer software*

Costs associated with the acquisition of new computer software are capitalised and recognised as intangible assets, provided that such costs are not associated with computer hardware. Computer software is amortised over a period of 2 to 4 years.

Costs incurred in relation to restoration or maintenance of the expected economic benefits from operation of the existing software systems are recognised as expenses in the period during which such maintenance and support works have been carried out.

#### *Fund management rights*

Fund management rights represent the rights to manage assets of pension funds recognised on acquisition of management companies. Fund management rights acquired on business combination are capitalised at their fair value on the acquisition date and classified as intangible assets. Fund management rights are subsequently carried at cost less amortisation and accumulated impairment losses. Fund management rights are amortised over the period of 10 to 20 years.

### **3.5. Costs of obtaining contracts with customers**

The Company does not have its network of intermediaries; therefore, it uses the services of external intermediaries when distributing pillar II and III pension funds. Commission fees are paid to intermediaries for the conclusion of the agreement. Commission fees are paid only when the agreement is concluded and economic benefit is expected to be received in the future. As for pension funds, the Company assesses that each participant of the fund is its customer, because the Company directly communicates with each participant of the pension funds. Therefore, the Company considers that commissions paid to intermediaries for the conclusion of new agreements with pension funds' participants are costs of obtaining contracts with customers and capitalises and amortises them over the average probable period of the new customer's relationship with the Company, i.e. 10 years. Capitalised commission fees paid to intermediaries are recognised within non-current assets in the statement of financial position as costs of obtaining contracts with customers. The determination of the Company's customer is a significant judgement with more details disclosed in Note 3.23.

### **3.6. Investments in associates and subsidiaries**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor interest in a joint venture. Significant impact is an ability to take part in making financial and operating policy decisions but is not control or joint control over those policies generally accompanying a shareholding from 20 to 50 per cent.

Subsidiary is such company on which the Company can have a significant effect.

In these stand-alone financial statements the Company recognises investments in associates at acquisition cost. The acquisition cost is equal to the cost of the investment that comprises non-contingent and contingent consideration. Contingent consideration is recorded as financial liability measured at fair value. The Company has selected to recognise change in the fair value of contingent consideration related to investments in associates through profit or loss under IFRS 9.

### **3.7. Impairment of non-financial assets**

At the reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value in use. An asset's recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value, less estimated selling expenses, a respective valuation method is used. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

### **3.8. Investments and other financial assets**

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair value through profit or loss (either through OCI or through profit or loss) or financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income.

#### *Trade and other receivables*

The Company's trade and other receivables are classified within the category of financial assets measured at amortised cost, since according to the business model of these assets, these assets are held for the purpose of receiving contractual cash flows, which meet the requirement of solely payments of principal and interest. This category also includes the line item of cash and cash equivalents within financial assets. The Company reclassifies debt instruments only when the business model for managing such assets changes.

#### *Financial assets at fair value through profit or loss*

The Company's investments in equity securities are measured as financial assets at fair value through profit or loss. Since such assets are not held for trading at initial recognition, the Company has an irrevocable election to present equity instruments at fair value through profit or loss or other comprehensive income subsequent to initial recognition. At the Company, all investments in equity securities are measured at fair value through profit and loss.

Interest received or paid on investments is recognised as interest income or expense using the effective interest rate. Dividends received on investments are presented in profit or loss within 'other income' when the right to receive the payment of dividends is established.

Regular purchases and sales of financial assets are recognised on the settlement-date – the date on which the Company commits to purchase the asset. All regular way purchases and sales represent purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention.

#### *Fair value*

The fair value of investments traded in active financial markets is based on quoted closing market prices available at the date of the statement of financial position. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent market transactions, reference to the market value of similar instruments calculated using the discounted cash flow method and other valuation models.

### **3.9. Impairment of financial assets**

From 1 January 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company follows a three-stage model for impairment of financial assets measured at amortised cost other than trade receivables and contract assets:

- Stage 1 – balances for which the credit risk has not increased significantly since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (ECL) are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months;
- Stage 2 – comprises balances for which there has been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default (PD) as the weight;
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Loans granted and cash and cash equivalents are considered to be low credit risk when they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

The financial asset is considered as credit-impaired, if objective evidence of impairment exists at the reporting date. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, or the debtor's payments are past due more than 90 days.

Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

For trade receivables, contract assets and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Receivables are classified either as Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3;
- Stage 3 – comprises trade receivables which are overdue more than 90 days or individually identified as impaired.

The Company has the following two types of financial assets for which the new expected credit losses model established by IFRS 9 is applied:

- trade and other receivables, contract assets;
- cash and cash equivalents.

The Company has reviewed its impairment methodology according to IFRS 9 with respect to each group of these assets. The Company has not established significant expected credit losses; therefore, they were not recognised in these financial statements.

### 3.10. Financial liabilities

The Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires.

#### *Trade and other payables*

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Financial liabilities included in trade payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted. If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as at the date of the statement of financial position, that financial liability is classified as non-current.

#### *Financial liabilities measured at fair value*

Contingent liabilities related to investments in other companies are recognised as financial liabilities measured at fair value through profit or loss. Also refer to Note 3.6.

### 3.11. Cash and cash equivalents

Cash comprises cash on hand and cash at bank. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The maturity of such investments does not exceed three months and the risk of changes in their value is quite low.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits in current bank accounts, and other short-term highly liquid investments.

### 3.12. Share capital

The share capital is presented in the statement of financial position at the amount subscribed.

### 3.13. Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Operating lease – where the Company is a lessee*

Leases where the Company is a lessee are recognised by accounting for right-of-use assets and a respective lease liability when the underlying assets become available for use.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability, lease payments made at or before the commencement date (less any lease incentives received), initial direct costs incurred by the Company. The lease liability is measured at the net present value of the lease payments.

Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. It is the interest rate that the lessee would be required to pay for its debt obligations necessary to acquire right-of-use assets in a similar economic environment and on similar terms and guarantees, as specified in the lease agreement.

The Company incurs a possible future increase in variable lease payments related to an index specified in the lease agreement which is not included into the value of lease liability until it becomes effective. When lease payments are adjusted due to a change in an index, the lease liability is remeasured and adjusted also adjusting the value of the right-of-use assets.

Lease payments are apportioned between the settlement of lease liability and interest expenses. Interest expenses are recognised in profit or loss over the lease term retaining the constant interest rate for the remaining amount of lease liability in each period.

Right-of-use assets are depreciated over the lease term of an underlying asset.

### 3.14. Revenue recognition

#### *Income from asset management fees*

The Company manages customers' funds invested in the funds managed by the Company and earns management fees for this service. Irrespective of whether a separate participant (investor) of the fund or the entire fund is regarded as the Company's customer, income from management fees is recognised during the period in which the control of asset management services is transferred to a customer, i.e. when services are rendered. Asset management services are rendered as long as the customer retains investments in the funds managed by the Company. Income from management fees fluctuates because a management fee is usually calculated as an agreed percentage of the average fair value of assets managed during the period or of the nominal value of obligations assumed by investors to invest in the fund during the investment period.

#### *Income from fund distribution fees*

The Company earns from customers distribution fees for the distribution of certain funds. Distribution fees may be received either entirely for the sum invested in the fund or may be paid on the amounts invested in the fund over the agreed period. The Company estimates whether the distribution of a specific fund is a separate service provided to the customer (the performance obligation). If the distribution of the fund is a separate service provided to the customer, income thereof is recognised when the distribution of the fund is affected. If the distribution of the fund is not a separate service provided to the customer, but rather a part of the asset management services, the recognition of income from distribution fees is deferred and recognised over the average period of the contract with the customer.

#### *Income from a success fee*

The Company earns a variable fee, i.e. a success fee, when return from certain funds exceeds the established return limit. Depending on the fund's rules the Company acquires the right to a success fee immediately when return from the fund exceeds the established return limit or only at the end of the existence of the fund when the assets of the fund are distributed. A success fee is recognised by the Company as income when it acquires the right to receive a calculated success fee. If the Company cannot confirm that it is highly probable that expected income from a success fee will not be reversed in the future, then it does not recognise a success fee.

#### *Income from the management of customers' portfolio*

The Company earns management fee for the management of customers' portfolio. The commission fee is calculated from the value of managed portfolio. Income from commission fee for portfolio management is recognised over the service provision period.

#### *Interest income*

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

#### *Dividend income*

Dividend income is recognised when the right to receive dividend payment is established and is included in other income.

### 3.15. 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 Lithuanian 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 periods. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

#### *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 either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

### 3.16. Bonuses

After the end of the year, achievements of all of the Company's employees of the previous year are assessed and, if an incentive – a bonus is intended to be allocated, amounts of the part are calculated for each employee based on their performance for the previous year. Bonuses are awarded and paid following approval of the Company's audited annual financial statements. In accordance with the Company's practice, unless otherwise stated, the Company's employees have the possibility to choose the incentive method (bonus, transfer to the pillar III pension fund or acquisition of share options of the parent company Invalda INVL). The Company's employees who make decisions related to risk management, 60% of the bonus is paid once awarded and the remaining 40% part is paid in equal amounts in three years (in certain cases might be paid within five years) after the bonus has been awarded. The same principles are applied for alternative incentive measures. Based on the Company's internal procedures, if these employees leave the Company before the term of the bonus payment, the outstanding part of the bonus is not paid.

Payment plans of bonuses based on which employees can choose one of the incentive methods: share-based payment or payment in cash not linked to shares, are accounted for as a compound financial instruments linked to shares comprising debt and equity parts in accordance with International Financial Reporting Standard 2 (IFRS 2). The fair value of this financial instrument comprises the fair values of debt and equity parts. The fair value of the debt part is measured applying International Financial Reporting Standard 19 (IFRS 19) based on option value of cash payment. On initial recognition, the fair value of equity part is carried as a difference between the fair value of the whole compound financial instrument and the fair value of debt part considering that an employee must refuse to receive the payment in cash in order to receive the equity part. If on initial recognition the fair value of the compound instrument does not exceed the value of the debt part, the entire amount of compound instrument is accounted for as liability.

The Company carries separately the employee services based on each bonus compound financial instrument. For the debt part, the Company recognises costs for the services received and liability to pay for these services over the period of service provision. The bonus which has already been recognised as costs and which will be paid later than after one year is recognised as non-current liability.

For equity part, the Company recognises costs for received services and increase in equity share-based payments reserve on a proportionate basis over the period of service provision. When an employee refuses to receive payment in cash under this compound financial instrument, i.e. when he or she enters into a share option agreement, then the accumulated part of liability is transferred to equity and continues to be recognised as described above, based on the accounting requirements for equity-settled share-based payments transactions.

As described above, part of payment of bonus is deferred from one to three years (up to five years in certain cases) after the end of the reporting period and the employee must remain employed at the Company until the deferred part is paid. For both debt and equity parts, the Company recognises costs for received services proportionately over the period of service provision, which starts at the beginning of the year for which the bonus was allocated and ends on the date when the employee obtains a non-cancellable right to receive cash payments (coincides with the moment of payment) or receives share options.

The possibility to choose incentive in equity instruments is separately approved by the Board of the parent company; therefore, the grant-date of equity part is deferred until the approval of the possibility to receive share options instead of a bonus has been obtained.

On the grant-date of equity part, the fair value of the equity part is remeasured so that the equity-settled amounts recognised for the services rendered by employees correspond to the fair value of equity instruments established at the grant-date of equity part. Remeasurement at fair value is based on the following assumptions:

- including the impact of market performance vesting conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retention of employment relations with the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The effect of adjustment (if any) of initial estimates is recognised in profit or loss and equity is adjusted accordingly.

### 3.17. Income tax

Income tax charge is calculated on profit or loss for the year and considers deferred taxation. Income tax is calculated in accordance with the Lithuanian regulatory legislation on taxation.

Lithuanian companies are subject to a standard income tax rate of 15 per cent.

Tax losses can be carried forward for indefinite period of time against future taxable income, except for losses arising from the disposal of securities and/or derivative financial instruments which can be carried forward for the period of 5 years. Losses arising from the disposal of securities and/or derivative financial instruments can be covered using taxable income received from transactions of the same type.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. Deferred tax assets on lease liabilities and deferred tax liabilities on right-of-use assets are calculated separately.

Deferred tax assets are recognised in the statement of financial position to the extent the management believes it is probable that they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

### 3.18. Provisions

Provisions are recognised only when the Company has a legal obligation or irrevocable commitment as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects that the amount of provision will be compensated in part or in full, e.g. by insurance, compensation to be received is recorded as a separate asset, but only when it is virtually certain. Expenses related to provisions are recorded in the statement of comprehensive income, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

### 3.19. Contingencies

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

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

### 3.20. Subsequent events

Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events other than adjusting events are disclosed in the explanatory notes to the financial statements when such events are significant.

### 3.21. Critical accounting estimates used in the preparation of the financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by the EU, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to the measurement of fair value of financial assets, realisation of deferred tax assets, impairment indicators of non-financial assets and measurement of the recoverable amount of such assets, useful lives of intangible assets and assets from contracts with customers, effect of application of IFRS 16 and share-based plans.

Below are presented key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Fair value measurement of financial assets and liabilities*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques. More information on estimates is disclosed in Note 24.

#### *Realisation of deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be earned against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In assessing the realisation of deferred income tax assets the Company referred to the Company's 10-year taxable profit forecasts. Refer to Note 8 for more detailed information.

#### *Determining impairment indications of non-financial assets and measurement of recoverable amount*

At each reporting date, the Company assesses whether any indications of impairment of non-financial assets exist. Non-financial assets are reviewed for impairment whenever indications exist that the assets may not be recoverable. The values in use are determined by management with reference to estimated probable future cash flows from assets or cash generating units, using an appropriate discount rate, and estimating the present value of cash flows. The analysis of impairment of costs of obtaining contracts with customers is presented in Note 10.

#### *Useful life of assets*

The Company's significant accounting estimates related to useful lives are the amortisation periods of fund management rights and costs of obtaining contracts with customers. For fund management rights acquired on a business combination, the Company uses the amortisation period of 10 years, as the Company estimates that during this period it will receive substantially all benefits from these assets. If the useful life of funds' management rights were shorter by one year, the Company should recognise additional amortisation of EUR 19 thousand during 2020 and 2019. The amortisation period of costs for obtaining contracts with customers is 10 years based on the average probable duration of the customer's relationship with the Company. If this period were shorter by one year, the Company should recognise additional amortisation expenses of EUR 34 thousand (2019: EUR 30 thousand).



#### *Recognition and measurement of lease liability and right-of-use assets*

The Company leases premises in Vilnius, Kaunas and Klaipėda. When calculating lease liability and right-of-use assets, the Company applied an implicit interest rate for premises in Vilnius as it was able to measure the fair value of the leased assets at the beginning and at the end of the lease term, using the calculations of the fair value used by the lessor. As the Company couldn't reliably measure the fair value of leased premises in Kaunas and Klaipėda, to measure the lease liability related to leases of these premises, the Company applied the market interest rates announced by the Bank of Lithuania as the Company has no loans received and, as to the management's assessment, this rate is an appropriate estimate of the Company's potential borrowing rate (see Note 18 for more details). Had the Company measured its lease liability related to lease of premises in Vilnius using the market interest rate announced by the Bank of Lithuania, its liabilities and assets would have increased by EUR 197 thousand on initial recognition.

#### *Bonuses*

The Company's employees have the possibility to choose the incentive method (bonus, contribution to pension funds or acquisition of share options of the parent company Invalda INVL AB). As described in more details in Note 3.16, this arrangement with employees is accounted for as a compound financial instrument comprising debt and equity part. When determining the period of service provision and recognising costs proportionately over the set period of service provision, the Company uses an accounting estimate. Also, the equity part of bonus is paid through derivative financial instruments – share options. These instruments are stated at the fair value of the option at the time of granting the instrument. The fair value calculation method is a significant accounting estimate. The fair value of these instruments is accounted for using the Black-Scholes method for pricing of options. All main inputs, except for volatility, are observable market data (the price of shares of the parent company and risk-free interest rate). Share price volatility is calculated based on market data on historical change in share price. More details on calculation principles and inputs are provided in Note 16.

Future events may cause assumptions used in making estimates to change. The effect of such changes on estimates will be disclosed in the financial statements as they occur.

### **3.22. Significant judgements affecting the financial statements**

In applying the Company's accounting policies, management made the following judgements that had the major impact on the amounts recognised in these financial statements:

#### *Recognition of distribution fees related to managed funds*

The Company makes a judgement in determining whether the distribution of managed funds is a separate service, or a part of the asset management services.

The Company estimates that the distribution of alternative funds, funds for informed investors and investment funds is a separate service because each fund is a specialised fund and the Company provides to a person or undertaking investing in such a fund a separate identifiable distribution service which comprises the elements of the fund's selection, adaptation.

In terms of the distribution of pension funds, the Company estimates that distribution is not a separate service, but a part of asset management services, as pension funds are standardized retail investment products intended for a wide range of investors. As a result, income from pension funds' distribution fees is recognised over the average period of the contract with the customer, i.e. 10 years.

#### *Recognition of distribution fees related to managed funds*

The success fee accumulated in the funds managed by the Company is not recognised as income until the conditions for the payment of success fee to the Company are met. In the Company's assessment, until the payment conditions are met, a significant uncertainty related to the amount of the success fee and payment term exists.

#### *Funds' control*

In assessing whether it has control over managed funds, the Company makes judgement. The main aspects assessed by the Company include the volatility of general economic interest and rights held by the investors limiting the rights of the manager, including the right to replace the manager. The Company assessed the volatility of economic interest and rights held by investors for all of its funds and, considering the results, made a decision that it does not control any of the funds under management.

#### 4. Revenue from contracts with customers

Funds and portfolio management revenue by type:

	2020	2019
<i>Revenue recognised over time</i>	10,414,581	9,804,714
Management fee	8,843,410	8,454,154
Success fee	1,460,258	1,305,282
Distribution fee recognised over time (Note 18)	110,913	45,278
<i>Revenue recognised at a point in time</i>	7,276	5,180
Fee on payments	1	268
Distribution fee recognised at a point in time	6,533	4,912
Exit fee income	742	-
	<b>10,421,857</b>	<b>9,809,894</b>

Success fee income for 2020 included the success fee of EUR 1,382 thousand from the closed-end investment company INVL Baltic Real Estate (BRE). BRE is committed to pay a success fee to the management company. The size of the success fee depends on the return earned by BRE which is calculated with respect to the Company, as a whole, rather than an individual shareholder, and which is based on the internal return rate. The success fee amounts to 20% of the return in excess of the annual internal return rate of 8% (using the principle of the highest limit achieved). The Company recognises the success fee income only when it becomes receivable from BRE. In 2020, part of the calculated success fee of BRE became payable as internal rate of return for the period from 30 September 2019 until 31 March 2020, calculated on CEIC INVL Baltic Real Estate capitalisation basis, amounted to 55.09% and exceeded 8%.

In 2020, a success fee of EUR 73 thousand was earned by the investment fund INVL Russia Top 20 Subfund. The success fee of INVL Russia Top20 Subfund is calculated as 15% of the profit in excess of the highest limit achieved over the fund's life.

In 2020, the Company did not include the amounts of success fee which are accumulated in the funds managed by the Company and investment companies: BRE (EUR 1,556 thousand), INVL Technology (EUR 1,535 thousand) and INVL Baltic Forest Fund I (EUR 941 thousand), as the conditions for the payment of these amounts have not been met (see Note 3.22).

Success fee income for 2019 included the success fee of EUR 852 thousand for the results of the subfund INVL Baltic Forests Fund I after the sale of the assets managed by the subfund in December 2019. Under the rules of the subfund, when making payments to the fund's investors, first the investment amount and the minimum return of 6% is repaid to the fund's investors, and the excess of the subfund's profit above the minimum rate of return of 6% is allocated between the subfund's investors and management company at an 80/20 ratio. The Company recognised as success fee income 20% of the excess of generated profits, 80% of which was paid to investors.

In addition, in 2019 success fee income included EUR 238 thousand receivable success fee from the closed-end investment company INVL Baltic Real Estate (BRE). BRE is committed to pay a success fee to the management company. In 2019, part of the calculated success fee of BRE became payable as internal rate of return for the period from 30 September 2018 until 30 June 2019, calculated on a closed-end investment company INVL Baltic Real Estate capitalisation basis, amounted to 12.21% and exceeded 8%, and for the period from 30 June 2019 until 30 September 2019 – 11.01% and also exceeded 8%. In Quarter IV of 2019, the internal rate of return of BRE calculated on a capitalisation basis did not exceed 8%; therefore, the success fee for this period was not recognised.

In 2019, success fee was also earned by the investment funds managed by the Company: INVL Russia Top20 Subfund and Absolute Return Fund (already closed). The success fee earned from these investment funds amounted to EUR 199 thousand in 2019.

#### 5. Employee benefits

	2020	2019
Wages and salaries and related expenses	4,414,702	3,914,760
Expenses of bonuses to employees	546,639	635,971
Share-based payment expenses	76,870	107,432
Other expenses related to employees	80	190
	<b>5,038,291</b>	<b>4,658,353</b>

**6. Other income**

	2020	2019
Dividend income	79,012	168,126
Other income	-	3,145
	<b>79,012</b>	<b>171,271</b>

**7. Other expenses**

	2020	2019
Maintenance of motor vehicles	127,359	150,615
Maintenance and repair of premises	103,985	88,294
Taxes to the State	434,501	448,938
Professional services	204,706	157,421
Fees for operations with securities	333,527	305,626
Other expenses	263,342	487,418
	<b>1,467,420</b>	<b>1,638,312</b>

Presented below are all the services rendered by the audit firm to the Company and the Funds in 2020 and 2019.

	To the Company and pillar II pension funds in 2020	To the Company and pillar II pension funds in 2019
Audit of the Company's financial statements under agreements	13,777	13,850
Audit of the funds' financial statements under the agreements	22,032	21,600
Assurance and other related services	-	-
Tax consultation services	-	-
The Company's expenses related to other services	-	-
The funds' expenses related to other services	-	-
	<b>35,809</b>	<b>35,450</b>

**8. Income tax**

	2020	2019
<b>Components of income tax (expenses) income:</b>		
Income tax expenses for the current period	(112,508)	(119,969)
Adjustment to income tax of the previous year	(1,943)	-
Change in deferred income tax	114,451	(8,760)
<b>Income tax (expenses)/income recognised in profit or loss</b>	<b>-</b>	<b>(111,209)</b>

	2020	2019
<b>Deferred income tax assets</b>		
Tax losses carried forward for indefinite period related to operating activities	928,091	1,190,609
Social security on accrued vacation	934	2,711
Bonuses to employees	96,494	95,557
Lease liabilities	184,000	205,404
Revaluation of financial assets	-	-
Contractual obligations	180,990	117,705
Bad debts	1,131	1,131
<b>Deferred income tax assets</b>	<b>1,391,640</b>	<b>1,613,116</b>
Less: unrecognised deferred income tax assets arising from a part of tax losses	(493,348)	(770,629)
<b>Deferred income tax assets, net</b>	<b>898,292</b>	<b>842,488</b>

<b>Deferred income tax liability</b>		
Fund management rights and goodwill recognised for tax purposes	(11,418)	(17,421)
Costs of obtaining contracts with customers	(119,881)	(140,587)
Right-of-use assets	(171,869)	(199,067)
Revaluation of financial assets	(21,634)	(26,374)
Deferred income tax liability	(324,802)	(383,449)
<b>Deferred income tax, net</b>	<b>573,490</b>	<b>459,039</b>

Income tax at the rate of 15 per cent was used in the calculation of deferred income tax in 2020 and 2019.

The movement of deferred income tax is presented in the table below:

	2020	2019
<b>Deferred income tax assets at the beginning of the period</b>	<b>459,039</b>	<b>480,250</b>
Change in deferred income tax recognised in profit or loss	114,451	8,760
Sold tax losses	-	(29,970)
<b>Deferred income tax assets at the end of the period</b>	<b>573,490</b>	<b>459,039</b>

In 2020, the Company took over tax losses for EUR 64,068 from the parent company Invalda INVL AB.

Deferred income tax assets amounting to EUR 571,361 (31 December 2019: EUR 459,039) were recognised as at 31 December 2020 considering the long-term performance forecasts for 2021–2025. The recognised amount represents the probable recoverable amount for which the Company projects to earn taxable profit in the future. It is based on assumptions about the profitability of the Company relating to the forecast growth of the Funds and customer portfolios, management fees, future return of the funds, and the number of customers.

Income tax expenses can be reconciled to the theoretical amount of income tax using the income tax rate as follows:

	2020	2019
Profit (loss) before income tax	1,832,404	2,296,755
Income tax calculated at a rate of 15%	(274,861)	(344,514)
Expenses not deductible for tax purposes	(41,193)	(73,965)
Income not subject to tax	29,917	130,148
Support	10,800	16,200
Change in not recognised income tax from part of tax losses	277,281	160,923
Adjustment to income tax of the previous year	(1,943)	-
<b>Income tax change recognised in profit or loss</b>	-	<b>(111,209)</b>

### 9. Property, plant, and equipment

2020	Computer hardware and office equipment	Furniture	Total
<b>Acquisition cost</b>			
Balance at the beginning of the year	310,964	149,555	460,519
Additions	15,937	2,737	18,674
Disposals (write-offs)			
Balance at the end of the year	326,901	152,292	479,193
<b>Accumulated depreciation</b>			
Balance at the beginning of the year	207,259	30,318	237,577
Charge for the year	48,957	23,140	72,097
Disposals (write-offs)			
Balance at the end of the year	256,216	53,458	309,674
<b>Carrying amount at the end of the year</b>	<b>70,685</b>	<b>98,834</b>	<b>169,519</b>

2019	Computer hardware and office equipment	Furniture	Total
<b>Acquisition cost</b>			
Balance at the beginning of the year	278,548	98,893	377,441
Additions	32,416	50,661	83,077
Disposals (write-offs)			
Balance at the end of the year	310,964	149,554	460,518
<b>Accumulated depreciation</b>			
Balance at the beginning of the year	158,214	14,404	172,618
Charge for the year	49,045	15,914	64,959
Disposals (write-offs)			
Balance at the end of the year	207,259	30,318	237,577
<b>Carrying amount at the end of the year</b>	<b>103,705</b>	<b>119,236</b>	<b>222,941</b>

Depreciation expenses of property, plant and equipment are included in operating expenses in profit or loss.

**10 Intangible assets and costs of obtaining contracts with customers**

2020	Software	Goodwill	Fund management rights	Total
<b>Acquisition cost</b>				
Balance at the beginning of the year	155,890	58,422	2,270,137	2,484,449
Additions	132,413			132,413
Balance at the end of the year	288,303	58,422	2,270,137	2,616,862
<b>Accumulated amortisation</b>				
Balance at the beginning of the year	155,887	-	717,733	873,620
Charge for the year	1,672	-	175,285	176,957
Balance at the end of the year	157,559	-	893,018	1,050,577
<b>Carrying amount at the end of the year</b>	<b>130,744</b>	<b>58,422</b>	<b>1,377,119</b>	<b>1,566,285</b>
2019	Software	Goodwill	Fund management rights	Total
<b>Acquisition cost</b>				
Balance at the beginning of the year	155,890	58,422	2,270,137	2,484,449
Additions	-	-	-	-
Balance at the end of the year	155,890	58,422	2,270,137	2,484,449
<b>Accumulated amortisation</b>				
Balance at the beginning of the year	155,508	-	542,448	697,956
Charge for the year	379	-	175,285	175,664
Balance at the end of the year	155,887	-	717,733	873,620
<b>Carrying amount at the end of the year</b>	<b>3</b>	<b>58,422</b>	<b>1,552,404</b>	<b>1,610,829</b>

In 2015, MP Pension Funds Baltic UAB was merged to INVL Asset Management UAB by way of reorganisation. During the reorganisation, the management of the assets in the amount of EUR 3,300 thousand was transferred to INVL Asset Management UAB. Intangible assets relating to the fund management right and amounting to EUR 2,207 thousand during the reorganisation were accounted for accordingly:

Acquired fund management rights	Carrying amount 31/12/2020	End of amortisation period
MP Stabilo II	10,891	31/12/2028
MP Medio II	424,273	31/12/2028
MP Extremo II	882,179	31/12/2028
MP Medio III	5,848	30/09/2025
MP Extremo III	10,321	30/09/2025
Swedbank Supplementary Pension Fund	43,607	02/11/2027
	<b>1,377,119</b>	

When preparing its financial statements, the Company assesses the existence of any indications of impairment of these assets and, should such indications be identified, carries out an impairment test to determine the recoverable amount of these assets. No such indications were identified with respect to pillar II fund management rights.

**Costs of obtaining contracts with customers**

Costs of obtaining contracts with customers comprise the capitalised amount of commission fees paid to the intermediaries for the distribution of pension funds, which, under IFRS 15, are treated as contract acquisition costs recognised as assets and amortised over the period set forth in the accounting policies. See more in Note 3.4.

During 2020, EUR 212,755 of commission fee for distribution of pillar II pension funds and EUR 177,197 of commission fee for distribution of pillar III pension funds was capitalised and recognised as non-current assets (2019: EUR 550,511 and EUR 379,169 respectively). In addition, during 2020, EUR 36 thousand of commission fee for an acquired agreement on the management of investment direction was capitalised and recognised as non-current assets (2019: EUR 0).

The movement in costs of obtaining contracts with customers in 2020 and 2019 is presented in the table below:

**2020**

Balance as at 1 January	2,331,004
Costs of obtaining contracts with customers incurred over the period	425,967
Amortisation of costs of obtaining contracts with customers recognised as expenses over the period	(310,013)
<b>Costs of obtaining contracts as at 31 December 2020</b>	<b>2,446,958</b>
Pillar II pension funds agreements	<b>1,678,008</b>
Pillar III pension funds agreements	<b>768,949</b>

**2019**

Balance as at 1 January	1,645,797
Costs of obtaining contracts with customers incurred over the period	929,679
Amortisation of costs of obtaining contracts with customers recognised as expenses over the period	(244,472)
<b>Costs of obtaining contracts as at 31 December 2019</b>	<b>2,331,004</b>
Pillar II pension funds agreements	1,741,004
Pillar III pension funds agreements	589,513

In 2020 and 2019, no impairment of costs of obtaining contracts with pillar II pension funds customers was identified. In 2020 and 2019, indications of impairment of costs of obtaining contracts with pillar III pension funds customers were identified; therefore, the impairment test was performed. Capitalised costs of obtaining contracts with pillar III pension funds customers were attributed to a separate cash-generating unit.

The recoverable amount of cash generating unit in 2020 and 2019 was determined with reference to the value in use estimates using the cash flow projections based on financial forecasts for the period of 10 years, using the assumptions approved by management regarding long-term customer attraction, growth of costs, market growth, growth of managed assets and other assumptions. The values of the main assumptions applied are disclosed in the table below.

<b>Assumption</b>	<b>2020</b>	<b>2019</b>
Customer/asset loss ratio	2% (customers)/5.5% (assets)	2% (customers)/4% (assets)
Perpetual market growth rate	4%	2%
Pre-tax discount rate	12.68%	7.63%
Weighted rate of customer service and attraction costs	4%	4%

As at 31 December 2020 and 2019, no impairment of costs of obtaining capitalized contracts with pillar III pension funds customers was identified during the impairment test.

## 11. Financial assets at fair value through profit or loss

Available-for-sale financial assets at fair value through profit or loss.

The Company's available-for-sale financial assets include as follows:

	2020	2019
Equity securities (investment into AB Šiaulių bankas shares)	1,967,100	1,998,700
Units of collective investment undertakings, whereof:	1,315,341	722,086
Funds managed by INVL Asset Management	851,501	329,606
Closed-end investment undertakings managed by INVL Asset Management	463,840	392,480
	<b>3,282,441</b>	<b>2,720,786</b>

In 2019, the Company reclassified its available-for-sale financial assets to non-current assets, as these assets are not held for trading and it is probable that the Company will not sell them during the upcoming financial year.

In 2020, the Company invested into its newly established funds: into INVL Sustainable Timberland and Farmland Fund II established in Luxembourg, the Company invested EUR 451 thousand (the total amount of the Company's obligation to invest is EUR 1,200 thousand), and into the investing subfund INVL Partner Global Distressed Debt Fund I established in Lithuania, the Company invested EUR 21 thousand (the total amount of the Company's obligation to invest is EUR 205 thousand).

In 2019, the subfund of INVL Baltic Forest Fund I redeemed part of its units held by the management company for EUR 1,384 thousand after the closure of the Absolute Return Fund. Its units were sold for EUR 102 thousand and the units of INVL Emerging Europe ex Russia TOP20 Subfund were sold for EUR 102 thousand. No new financial assets were acquired by the Company in 2019.

Net change in the fair value of financial instruments measured at fair value through profit or loss:

	2020	2019
Realised gain on disposal of financial assets measured at fair value through profit or loss	-	514,936
Unrealised gain (loss) on revaluation of securities	88,839	424,359
Unrealised gain (loss) on change in the fair value of financial liabilities measured at fair value	-	(27,000)
	<b>88,839</b>	<b>912,295</b>

## 12. Trade and other receivables

Trade and other receivables include as follows:

	At 31 December 2020	At 31 December 2019
Trade receivables, gross	916,417	1,714,595
Other receivables, gross	27,356	30,920
Taxes receivable, gross	-	-
Assets from contracts with customers	194,055	58,714
<b>Trade and other receivables, gross</b>	<b>1,137,828</b>	<b>1,804,229</b>
Less: provision for impairment of trade and other receivables	(7,540)	(7,540)
<b>Trade and other receivables, net</b>	<b>1,130,288</b>	<b>1,796,689</b>

The majority of receivables in 2020 was receivable management fees. The majority of trade receivables in 2019 was EUR 932 thousand success and management fee receivable from INVL Baltic Forest Fund I (see Note 4).

Expected credit losses were not recognised as they were immaterial.

Receivable from funds managed by the Company represent the major portion of the Company's receivables. The credit quality of these receivables is high.



The ageing analysis of trade receivables is as follows:

**Trade receivable past due but not impaired**

	Less than 30 days	30 to 90 days	90 to 180 days	More than 180 days	Total
2019	-	-	-	-	-
2020	-	-	-	-	-

**13. Prepayments and deferred costs**

	At 31 December 2020	At 31 December 2019
Deferred costs	13,806	48,368
Prepayments	21,238	24,619
	<b>35,044</b>	<b>72,987</b>

**14. Cash and cash equivalents**

	At 31 December 2020	At 31 December 2019
Cash balances in bank accounts		
Cash denominated in EUR	3,808,407	2,778,301
Impairment of cash balances in bank accounts	-	-
<b>Total cash and cash equivalents</b>	<b>3,808,407</b>	<b>2,778,301</b>

The Company had no term deposits as at 31 December 2020 and 2019.

**15. Share capital**

The management of the Company is constantly monitoring that the ratio of the shareholder's equity would not be less than 50% of its authorised share capital as required by the Lithuanian Law on Companies. As at 31 December 2020 and 2019, the Company complied with this requirement set in the Lithuanian Law on Companies in respect of the Company's shareholders' equity. See Note 21 for the capital adequacy ratio.

During 2020 and 2019, the Company did not increase its share capital.

The Company plans to allocate the retained earnings as at 31 December 2020 as follows: EUR 91,620 to legal reserve and EUR 1,644,000 as dividends. The draft profit allocation will be approved together with these annual financial statements by the shareholders' meeting.

**16. Reserves**

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5% of net profit calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10% of the authorised share capital. This reserve can be used only to cover losses.

Based on the variable bonus arrangements described in Part 3.16 of the Significant accounting policies, in May 2020 and in May 2019 the Company made an agreement with employees who chose to receive incentive in equity instruments (share options) on option conditions related to acquisition of shares of the Company's controlling shareholder INVL Invalda AB.

The movement in the number of share options based on effective option contracts is presented in the table below:

	2020	2019
The number of share options to which the Company's employees are entitled at the beginning of the period	57,016	33,377
Acquired rights to share options during the period	84,887	23,639
Implemented share options	-	-
Annulled options as a result of employment agreement termination	(918)	-
<b>The number of share options to which the Company's employees are entitled at the end of the period</b>	<b>140,985</b>	<b>57,016</b>
<b>The number of options based on signed contracts to which employees are not yet entitled</b>	<b>114,170</b>	<b>28,069</b>

The main terms and conditions of these transactions are as follows:

- The right to acquire the shares becomes effective after three years after the conclusion of share option contracts; consummation on an earlier date is not allowed;
- The right to acquire a part of the shares becomes effective on future dates: 30 April of 2021, 2022 and 2023 (granted options in 2019: 30 April of 2020, 2021 and 2022 respectively), provided the employment contract of the employee does not terminate by that date;
- Share acquisition price – EUR 1;
- Upon reaching the time-limit for the employee to acquire the shares, the right to acquire the shares shall be realised by selling own shares held by the controlling shareholder to the employee, or by offering the employee an option to subscribe to newly issued shares;
- The employee shall not transfer the rights acquired under the contract.

The value of share-based payments in equity is recognised in share-based payments reserve. Share-based payments expenses are recognised proportionately to the time worked by employees during the vesting period, considering the fair value of share options. Vesting period is considered to start at the beginning of the year for which options are granted and is considered to end when an employee obtains a non-cancellable right to share options. Based on the rules of payment of the deferred bonus to employees making decisions related to risk management, employees obtain the right to 60% of share options immediately after the granting, and the remaining 40% proportionately after one, two or three years following the option grant-date. When an employee chooses share options, part of its bonus liability is transferred to equity share-based payments reserve (see the movement below).

Movement of the recognised share-based payments reserve is disclosed in the table below:

	2020	2019
Amount of share-based payments reserve at the beginning of the period	611,492	384,499
Transfer of bonuses to share-based payments reserve (Note 17)	108,098	119,561
Share-based payments expenses (Note 5)	76,870	107,432
<b>Amount of share-based payments reserve at the end of the period</b>	<b>796,460</b>	<b>611,492</b>

Allocated part of share-based payments which has not yet been recognised in the item of share-based payments reserve is disclosed in Note 22.

Key inputs used in determining the fair value of options using the Black-Scholes method are disclosed in the table below:

	2020	2019
Option grant-date	25/05/2020	06/05/219
Share price on the option grant-date	EUR 6.75	EUR 5.65
Risk-free interest rate, %	-0.675	-0.566
Share volatility calculated using historical share price fluctuations	30.74%	30.90%
Expected dividend rate	0%	0%
Calculated fair value of share options at the grant-date	5.73	4.63

## 17. Trade and other payables

Trade payables are non-interest bearing and are normally settled within the term of 14 to 30 days.

Amounts payable within one year:

	At 31 December 2020	At 31 December 2019
Trade receivables	207,204	358,321
Amounts payable for non-current assets	20,010	14,767
Employment-related liabilities	453,862	260,040
Liabilities related to bonuses to employees	643,292	656,699
Other payables	339,687	295,932
Gross taxes payable	11,885	28,003
Provisions	100,000	100,000
Financial liabilities measured at fair value through profit or loss	18,000	36,000
<b>Total trade and other payables</b>	<b>1,793,940</b>	<b>1,749,762</b>

Trade payables comprise commission fees payable to intermediaries for pension accumulation contracts concluded, fee payable to the depository and other amounts payable for services received.

Non-current trade and other payables in the statement of financial position comprise the following: non-current portion of bonuses of EUR 96,715 (2019 – financial liability at fair value through profit or loss of EUR 18,000 and the non-current portion of variable remuneration of EUR 70,527).

Bonus liabilities are accrued for the period for which the employee earned a bonus. For employees for which the payment of bonus is deferred, liabilities are accrued proportionately over the period from the beginning of year for which the bonus is allocated until the expected date of payment of bonus. The part of bonus liability chosen by employees to be obtained in share options is transferred to share-based payments reserve when share options are allocated to employees (see Note 16).

The table below presents the movement of bonus liabilities during the year:

	2020	2019
Bonus liability at the beginning of the period	656,699	410,683
Adjustment to bonuses of the previous year	(12,205)	-
Transfer of bonuses to share-based payments reserve (Note 16)	(108,098)	(119,561)
Payment of bonuses	(451,948)	(270,388)
Accrual of bonuses of the financial year	568,079	635,965
Reversal of bonuses due to employees leaving the company	(9,235)	-
<b>Bonus liability at the end of the period</b>	<b>643,292</b>	<b>656,699</b>

The Provisions item includes the estimated amount of potential payable fine which is now under litigation with the Bank of Lithuania.

Financial liabilities measured at fair value through profit or loss comprise contingent liabilities related to the acquisition of Mundus UAB. Their movement is presented below:

Balance of financial liabilities measured at fair value through profit or loss at the beginning of the period	2020
Contingent liabilities arising on acquisition of an associate (Note 19), at the beginning of the period	36,000
Liability settlement	(18,000)
Change in fair value of contingent liabilities (Note 11)	-
<b>Financial liabilities measured at fair value through profit or loss at the end of the period</b>	<b>18,000</b>
Non-current portion	-
Current portion	18,000

## 18. Right-of-use assets and lease liabilities

The Company leases premises in Vilnius, Kaunas and Klaipėda, and parking spaces in Vilnius. The main information on lease agreements

Lease location	Leased assets	Agreement duration	Indexation	Lease liabilities determined using a discount
Vilnius	Premises, parking	30 November 2025	Yes, HICP*	10.31
Kaunas	Premises	31 March 2025	Yes, HICP	3.85
Klaipėda	Premises	31 August 2023	Yes, HICP	3.40

\*harmonised index of consumer prices

To measure the value of lease liabilities in Vilnius, the Company used its internal interest rate set in the lease agreement and comprising 10.31%, and to measure the value of lease liabilities in Kaunas and Klaipėda, the Company used the average fixed rate from 1 year announced by the Bank of Lithuania for non-financial companies.

By the agreement of parties, the lease term may be extended. When calculating the lease liability, the Company did not consider the potential extension of the lease agreements.

In addition, the Company leases cars. The lease agreements for cars may be terminated upon an advance notice of 30 days; therefore, these leases are treated as short-term leases and related lease liabilities are not capitalised.

The table below discloses the movement of right-of-use assets and lease liabilities during 2020.

	2020	2019
Right-of-use assets at 1 January	1,327,120	1,281,495
Depreciation	(242,180)	(206,793)
Additionally recognised assets due to change in leased area and term	43,420	184,329
Recalculation of asset value due to indexation	17,433	68,089
<b>Right-of-use assets as at 31 December</b>	<b>1,145,793</b>	<b>1,327,120</b>
Lease liabilities at 1 January		
Calculated interest	1,369,359	1,281,495
Lease payments	110,576	102,561
Additionally recognised liabilities due to increase in leased area	(313,929)	(267,115)
Recalculation of liability value due to indexation	43,230	184,329
Lease liabilities at 31 December	17,433	68,089
<b>Right-of-use assets at 1 January</b>	<b>1,226,669</b>	<b>1,369,359</b>

## 19. Contractual obligations

The requirements of IFRS 15 Revenue from Contracts with Customers also apply to the recognition of income from the distribution fee of pillar III pension funds of INVL Asset Management. The Company treats this income as part of the asset management service. Therefore, the distribution fee is recognised as income over the average life of customers – 10 years.

The movement of contractual obligations in 2020 is presented in the table below:

	2020
<b>Contractual obligations at 31 December 2020</b>	<b>1,206,603</b>
Non-current portion	1,068,389
Current portion	138,214
<b>Contractual obligations at 31 December 2019</b>	<b>784,697</b>
Non-current portion	699,532
Current portion	85,165

## 20. Investments in subsidiaries

The Company manages 51% of UAB Mundus shares, the company engaged in the management of private debt products. In 2020, the Company invested EUR 15,000 into 100% of the share capital of INVL LUX GP 1 S.à r.l., the company established in Luxembourg. This company is the General Partner of the Company's umbrella fund INVL ALTERNATIVE ASSETS UMBRELLA FUND, SCSp SICAV-RAIF established in Luxembourg.

Key performance results of the subsidiary UAB Mundus (unaudited):

	2020	2019
Income from commissions, management and client services	423,673	444,594
Net profit	154,889	154,890
Assets of customers managed by the right of trust	22,143,212	22,414,235

## 21. Management of financial risks and capital

In the ordinary course of business, the Company is exposed to various risks. The main risks inherent to the Company's operations are those related to credit risk, operational risk, liquidity risk, and market risk. Risk management policies established by the Company with respect to the mentioned risks are summarised in the paragraphs below.

*Maximum exposure to credit risk*

The table below shows the maximum exposure to credit risk arising from different financial instruments. Significant credit risk concentration is related to amounts receivable from related parties (Note 23).

	At 31 December 2020	At 31 December 2019
Items of the statement of financial position		
Cash at bank (Note 14)	3,808,407	2,778,301
Amounts receivable (Note 12)	1,130,289	1,796,689
<b>Total credit exposure</b>	<b>4,938,696</b>	<b>4,574,990</b>

*Financial assets by credit risk*

The Company's financial assets exposed to credit risk comprise only trade receivables, assets from contracts with customers, and cash at bank. Low credit risk funds held at banks are those which are held at banks with a BBB- and higher credit rating as set by S&Ps or an equivalent investment rating as set by other rating agencies. Where the bank's rating is lower than the investment rating, funds are classified as exposed to a higher credit risk. Trade receivables and assets from contracts with customers are deemed as exposed to a low credit risk when amounts receivable comprise amounts receivable from the pension, investment or alternative funds managed by the Company, or, in the case of other amounts receivable, when they are past due for a shorter period than 30 days. If they are past due for a longer period than 30 days, such amounts receivable are classified as exposed to a higher risk. In the case of existence of impairment indications, amounts receivable are classified as impaired assets.

At 31 December 2020	Low risk (1-3) Stage 1	Higher risk (4-5) Stage 2	Impaired assets	Total
<b>Category of assets</b>				
Cash at bank	3,808,407	-	-	3,808,407
Amounts receivable	1,130,288	-	-	1,130,288
<b>Total</b>	<b>4,938,695</b>			<b>4,938,695</b>

At 31 December 2019	Low risk (1-3) Stage 1	Higher risk (4-5) Stage 2	Impaired assets	Total
<b>Category of assets</b>				
Cash at bank	2,778,301	-	-	2,778,301
Amounts receivable	1,796,689	-	-	1,796,689
<b>Total</b>	<b>4,574,990</b>			<b>4,574,990</b>

*Operational risk*

Operational risk is defined as an exposure to potential direct and indirect losses that may occur from inadequate or unimplemented internal control processes, errors and/or illegal actions of employees and IT system disruptions or external events.

Operational risk is managed by the internal control function implemented at the Company, by establishing procedures limiting potential exposure to risks, by obtaining insurance for the Company's property, plant and equipment, by assessing the level of acceptance of services provided, by implementing the functions on product and service pricing management and reallocation of internal resources, analysing internal processes and procedures and identifying risk points and evaluating the adequacy of their control.

*Liquidity risk*

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities or other funding sources to meet its commitments at a given date in accordance with its plans.

Liquidity risk is managed by the internal control function implemented at the Company, by establishing procedures limiting potential exposure to risks and preparing business continuity plans, by obtaining insurance for the Company's property, plant and equipment, by assessing the level of acceptance of services provided, by implementing the functions on product and service pricing management and reallocation of internal resources, analysing internal processes and procedures and identifying risk points and evaluating the adequacy of their control. For the purpose of assessing liquidity risk, the Company calculates the liquid assets to current liabilities ratio, which exceeds the set target level of 100% with a margin.

When calculating liquid assets, the Company's investments into managed funds and equity securities are considered liquid assets only if these investments are listed or the fund's manager has committed to redeem fund units on investor's demand. Based on this principle, the amount considered as liquid assets as at 31 December 2019 was revised and adjusted.

	At 31 December 2020	At 31 December 2019
<b>Liquid assets</b>		
Cash at bank (Note 14)	3,808,407	2,778,301
Amounts receivable	1,130,288	1,796,689
Liquid financial assets (Note 11)	2,553,614	2,510,538
<b>Total liquid assets</b>	<b>7,492,309</b>	<b>7,085,528</b>
Current liabilities	2,311,681	2,049,822
<b>Liquidity ratio, %</b>	<b>324</b>	<b>346</b>

The table below shows undiscounted future payments:

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>31 December 2020</b>						
Other amounts payable	226,585	268,827	52,452	18,000	-	565,864
Lease liabilities	26,652	53,305	239,870	1,182,651	-	1,502,478
<b>Total</b>	<b>253,237</b>	<b>322,132</b>	<b>292,322</b>	<b>1,200,651</b>	<b>-</b>	<b>2,068,342</b>
<b>31 December 2019</b>						
Other amounts payable	484,625	107,943	92,282	18,000	-	702,850
Lease liabilities	26,103	52,205	234,923	1,197,934	233,796	1,744,961
<b>Total</b>	<b>510,728</b>	<b>160,148</b>	<b>327,205</b>	<b>1,215,934</b>	<b>233,796</b>	<b>2,447,811</b>

#### Market risk

Market risk is defined as the risk that the Company will suffer losses due to the volatility of financial instruments resulting from changes of market variables (foreign currency rate, market interest rate, prices of securities). The Company has made investments into products under its own management (a closed-end investment company, collective investment undertakings, and collective investment undertakings intended for informed investors) and equity securities, and aims to gain a profit from these investments in the long-term (Note 11). As at 31 December 2020, the Company's investments mainly comprised investments into the banking sector (60%) (2019 – 73%) of all investments) and IT sector (14%) (2019 – 14%). In 2020, the significant amount of investments were also made to forestry sector (22%). If as at 31 December 2020 the value of investments in quoted equity securities and closed-end investment companies shares decreased by 20%, and the value of investments into units of managed funds decreased by 10%, the Company would incur losses of EUR 573 thousand. The Company manages the risk of short-term fluctuations by limiting the gross amount of the investments. Before investing additional funds, the Company assesses the current and future capital adequacy and liquidity ratios, and only then decides on increasing or reducing its investments.

#### Foreign exchange risk

The Company is not exposed to a significant currency risk because its assets and liabilities are denominated in euros.

#### Interest rate risk

As at 31 December 2020 and 2019, the Company had no loans granted or received; therefore, potential exposure to interest rate risk arising from different repricing dates of assets and liabilities was insignificant. Given the above, the Company had no financial instruments designated to control the risk of interest rate fluctuations.

#### Internal control

The management must ensure the implementation of appropriate organisational measures, procedures and information systems supporting its business processes, which, as a whole, must ensure the adequacy on the internal control system in place. The following key internal control components are to be noted: checking primary system data on completed operations against operation data in the accounting system, separation of functions, daily accounting, market assessment, limits and control thereof, other control measures.

*Disclosure of capital adequacy ratio (unaudited)*

	At 31 December 2020	At 31 December 2019
Aggregate amount of capital requirement	1,664,784	1,351,790
Liquid equity	2,080,182	1,710,212
<b>Capital adequacy ratio</b>	<b>1.25</b>	<b>1.27</b>

In accordance with the capital adequacy requirements approved by the Bank of Lithuania, the capital adequacy ratio cannot be lower than 1. In the calculation of the capital adequacy ratio above, profit for 2020 was not included; if the profit for 2020 were included, the Company's capital adequacy ratio would equal to 2.37. The Company's profit will be included into capital base immediately after it has been approved by the Company's shareholders.

Compliance with the capital adequacy ratio is monitored by the Company's management on a daily basis. The Company is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2020 and 2019, the Company complied with the latter requirements (Note 15).

**22. Off-balance sheet commitments and contingencies***Litigations*

The Bank of Lithuania, having carried out a targeted planned inspection of the Company from 18 November 2018 until 7 December 2018, adopted a resolution on 14 May 2019 imposing a fine of EUR 140,000 based on two identified breaches ("the Resolution"). On 17 June 2019 the Company filed a claim to Vilnius Regional Administration Court requesting the annulment of the Resolution regarding four breaches stated by the Bank of Lithuania, including the two for which the fine was imposed. On 11 February 2020 the Vilnius Regional Administration Court adopted a decision partially upholding the Company's claim and annulled one of the breaches stated by the Bank of Lithuania and the related fine of EUR 40,000. In other part, the Resolution of the Bank of Lithuania remained unchanged. Both the Company and the Bank of Lithuania lodged an appeal against the decision of the Vilnius Regional Administration Court with the Supreme Administrative Court of Lithuania and currently the case is being heard at the court of appeal. Considering the current circumstances, the Company measured the potential expected size of the fine and in these financial statements recognised a provision amounting to EUR 100 thousand (see Note 17).

The Tax Authorities have not performed full-scope tax investigations at the Company. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. The management of the Company is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

As at 31 December 2020, the Company managed EUR 1,087 million of the customers' assets (31 December 2019: EUR 917 million). EUR 190 million from the managed assets as at 31 December 2020 is calculated on the basis of investors liabilities as management fee for these assets is calculated from the liabilities of investors (2019: EUR 142 million). The customers had invested the assets into pillar II, pillar III pension funds, investment funds, portfolios, closed-end investment companies and alternative collective investment undertakings managed by the Company. More details are presented in the Company's annual management report.

Specification of variable remuneration part not recognised as costs (for more details, see Notes 16 and 17 and part 3.16 of Significant accounting policies):

	At 31 December 2020	At 31 December 2019
Allocated for payment in share options	105,457	37,381
Allocated for payment in cash or contributions into pension funds	25,289	26,500
Calculated for the year but not yet allocated	108,454	106,001

**23. Related-party transactions**

The parties are deemed to be related when one party has a power to exercise control over the other party or make significant influence on its financial and operation decisions. The Company's income earned from related parties comprises income from management and success fee, and expenses incurred in relation to related parties comprise expenses for portfolio management and funds' distribution, lease, IT maintenance and other expenses.

Transactions conducted by the Company with related parties in 2020 and balances arising from these transactions as at 31 December 2020 were as follows:

2020	Amounts payable, EUR	Amounts receivable, EUR	Revenue, EUR	Expenses (compensation for expenses), EUR
CEIC INVL Baltic Real Estate	-	27,359	1,701,228	179,047
CEIC INVL Technology	1,389	124,134	471,422	1,389
UAB Novian Technologies (BAIP)	5,854	-	-	78,468
Funds managed by INVL Asset Management UAB	-	876,719****	7,976,165	(223,803)**
UAB FMĮ Finasta	124,694	5,075	73,223	503,917
IPAS INVL Asset Management	878	-	-	3,440
UAB Acena	1,510	-	-	32,762
VŠĮ Iniciatyvos fondas***	-	53	-	(1,250)
UAB FINtime	1,634	-	-	6,850
AB Invalda INVL	-	-	-	177,975
UAB Inservis	4,112	-	-	3,614
UAB Proprietas	-	-	350	20,637
UAB INVL Baltic Farmland	-	-	63	-
	<b>140,071</b>	<b>1,033,340</b>	<b>10,222,451</b>	<b>783,046</b>

\* In 2020, under IFRS 15 Revenue from Contracts with Customers, the recognised part of received distribution fee from pillar III pension funds is EUR 110,913, the deferred part in 2020 is EUR 532,820.

\*\* Compensated operating expenses to the Company from managed funds.

\*\*\* For the year 2020, support granted of EUR 28,000 is not included in the table.

\*\*\*\* Amounts receivable also include accrued receivables.

Transactions conducted by the Company with related parties in 2019 and balances arising from these transactions as at 31 December 2019 were as follows:

2019	Amounts payable, EUR	Amounts receivable, EUR	Revenue, EUR	Expenses (compensation for expenses), EUR
AB INVL Baltic Real Estate	-	27,301	568,995	194,195
CEIC INVL Technology	-	100,827	394,413	-
UAB BAIP	31,938	-	-	121,269
UAB NRD CS	484	-	-	619
Funds managed by INVL Asset Management UAB	-	1,548,604	9,129,065*	(128,026)**
UAB FMĮ Finasta	114,550	5,321	-	310,966
IPAS INVL Asset Management	856	-	-	3,389
UAB Acena	4,658	-	-	31,529
VŠĮ Iniciatyvos fondas***	-	301	-	(1,879)
UAB FINtime	604	-	-	6,000
AB Invalda INVL	13,864	-	-	50,258
UAB Proprietas	-	-	-	3,160
UAB INVL Farmland Management	3,124	-	-	29,504
	<b>170,078</b>	<b>1,682,354</b>	<b>10,092,473</b>	<b>620,984</b>

\* In 2019, under IFRS 15 Revenue from Contracts with Customers, the recognised part of received distribution fee from pillar III pension funds is EUR 45,278, the deferred part in 2019 is EUR 633,523.

\*\* Compensated operating expenses to the Company from managed funds.

\*\*\* For the year 2019, support granted of EUR 50,000 is not included in the table.



The Company has acquired the funds under its management, information whereof is disclosed in Note 11.

#### *Terms and conditions of transactions with related parties*

Year-end balances are not covered with insurance, do not bear interest (except for loans) and settlements are made in cash. There were no guarantees given or received in respect of the related-party payables and receivables. In 2020 and 2019, the Company did not make any provision for doubtful debts relating to amounts owed by related parties. The assessment of doubtful debts is reviewed each financial year by examining the financial position of the related party and the market in which the related party operates.

#### *Remuneration of management and other benefits*

The management remuneration comprises short-term and long-term benefits. In 2020, remuneration of the Company's management totalled EUR 393,782, social security contributions – EUR 5,962, and the allocated variable long-term remuneration comprised cash payments and share-based payments in the amount of EUR 85,678; social security contributions – EUR 1,108 (2019: EUR 376,869; social security contributions – EUR 6,450; allocated variable long-term remuneration – EUR 112,000; social security contributions – EUR 446). In 2020 and 2019, the Company's management included its General Manager and Members of the Board.

## 24. Fair value of financial instruments

The fair values of financial instruments are presented below:

	At 31 December 2020		At 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<i>Financial assets measured at fair value</i>				
Financial assets at fair value through profit or loss	3,282,411	3,282,411	2,720,786	2,720,786
<b>Total financial assets</b>	<b>3,282,411</b>	<b>3,282,411</b>	<b>2,720,786</b>	<b>2,720,786</b>
<b>Financial liabilities</b>				
Financial liabilities measured at fair value	18,000	18,000	36,000	36,000
<b>Total liabilities</b>	<b>18,000</b>	<b>18,000</b>	<b>36,000</b>	<b>36,000</b>

In these financial statements, financial instruments carried at fair value are presented at three fair value levels as follows:

**Level 1.** The fair value of financial assets traded in active markets is based on a quoted price at the reporting date and is determined using the market method. The market is active if prices are continuously observable in the Bloomberg terminal (BGN – Bloomberg Generic) and these prices reflect actually conducted transactions and transactions conducted in the market on a continuous basis under market conditions. The bid price of the Company's assets is used. This method is applied for measuring the Company's investments into quoted equity securities and closed-end investment companies managed by the Company the shares of which are quoted.

**Level 2.** The fair value of financial assets is determined by market method. Inputs that have a significant impact on the fair value determined are observable in the market either directly or indirectly. The price of collective investment undertakings is based on the announced net asset value (NAV) of the funds at which units of the funds would be redeemed. NAV is determined using the carrying amounts method on the basis of market prices of the securities held with the funds, with reference to Bloomberg, Nasdaq and other sources that provide most reliable estimates of the market price of the securities at the reporting date. Other NAV-comprising elements of assets and liabilities (cash, payable management and custodian fees, other amounts receivable and payable) are measured at carrying amounts which correspond to their fair values. NAV is measured based on the NAV calculation methodology approved by the Company. This method is applied for measuring the Company's investments into collective investment undertakings that invest solely into quoted securities.

**Level 3.** Fair value of financial assets is determined by such valuation methods which use inputs not based on market data and making significant impact on the fair value determined. These valuation methods are used for the establishment of the fair value of units of alternative investment funds and financial liabilities measured at fair value.

The Company's investments into managed alternative funds are measured based on funds' NAV established as at the reporting date using the method of carrying amounts. The value of the assets to which the fund invests is determined using the market (if the fund's assets have been acquired recently and no significant changes occurred in the assets prices until the reporting date) or income (based on the discounted value of expected cash inflows from the assets managed by the funds) method. Other elements of assets and liabilities comprising NAV (cash, payable management and custodian fees, other amounts receivable and payable) are measured at carrying amounts which approximate their fair values.

The Company's financial liabilities measured at fair value are accounted for based on the expected future cash flows, which will be necessary to cover the financial liability, discounted using the market interest rate, if the effect of discounting is significant. As the effect of discounting is insignificant, the financial liabilities carried at fair value as at 31 December 2020 and 2019 were not discounted.

Change in fair value is accounted for in profit or loss under the item "Net change in fair value of financial instruments measured at fair value through profit or loss."

No movements of financial instruments between the different levels were observed in 2020 and 2019.

At 31 December 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Collective investment undertakings	-	122,674	728,827	851,501
Closed-end investment companies	463,840	-	-	463,840
Equity securities	1,967,100	-	-	1,967,100
	<b>2,430,940</b>	<b>122,674</b>	<b>728,827</b>	<b>3,282,441</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Contingent liabilities related to acquisition of the subsidiary			18,000	18,000
			<b>18,000</b>	<b>18,000</b>

At 31 December 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Collective investment undertakings	-	119,358	210,248	329,606
Closed-end investment companies	392,480	-	-	392,480
Equity securities	1,998,700	-	-	1,998,700
	<b>2,391,180</b>	<b>119,358</b>	<b>210,248</b>	<b>2,720,786</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Contingent liabilities related to acquisition of the subsidiary	-	-	36,000	36,000
	-	-	<b>36,000</b>	<b>36,000</b>

Movement of financial assets attributed to Level 3:

	2020	2019
Opening balance	210,248	1,169,871
Acquisition of financial instruments	472,601	-
Revaluation of financial instruments	45,977	423,931
Sale of financial instruments	-	(1,383,554)
Closing balance	728,827	210,248

The movement of Level 3 financial liabilities is disclosed in Note 17.

As at 31 December 2020, for the determination of the value of the investment into newly established INVL Sustainable Timberland and Farmland Fund II was based on the estimated NAV, which was determined using the acquisition value of the assets acquired by the fund, as the time period from the date of acquisition until the reporting date was short. The value of the investment into INVL Partner Global Distressed Debt Fund I was determined based on the amount invested, which approximated the fund's NAV. When determining the value of the investment into INVL Baltic Forests Fund I subfund, a 10-discounted cash flow model was used, applying a 10-year estimated cash flow from forest management. The main assumptions and sensitivity of forest assessment model are disclosed below:

Item	Value used in the model	Expected change	Change in value of biological assets, EUR thousand
Discount rate, %	6.99%	+/- 1pp	-19/+21
Annual forest growth m3/ha	6.00	+/- 1m3/ha	+9/-9
Wood price EUR/m3	42.37 (timber harvesting) 35.62 (thinning)	+/- 10%	+47/-42

## 25. Subsequent events

No significant subsequent events have occurred at the Company. The COVID-19 pandemic, which started in 2020, had no significant negative effect on the Company's activities and results. The pandemic is not expected to have a significant effect on the result for 2021.