



INVL

INVL ASSET MANAGEMENT UAB

Separate financial statements for 2021 prepared according to International Financial Reporting Standards as adopted by the European Union, presented together with the independent auditor's report



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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 2021,
- 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 2021, 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 (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, 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 2021, the Company's revenue amounted to EUR 13,287 thousand (2020 – EUR 10,501 thousand), and comprised revenue from the following main services:</p> <ul style="list-style-type: none"> — fund and closed-end investment companies management, including a success fee; — management of securities portfolios of private individuals; and — distribution of investment and pension funds. <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 closed-end investment companies 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' and closed-end investment companies' rules to either the net assets value (NAV) of the managed fund and closed-end investment company, weighted average capitalisation or to the amount of the investors' commitment to invest into the fund and closed-end investment company. Success fees are generally calculated by applying the appropriate fee rate to the increase in the given fund's and closed-end investment company's unit value, as set out in the respective rules of the managed fund and closed-end investment company. 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.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> — 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; — We critically assessed the Company's revenue recognition policy for compliance with relevant provisions of the financial reporting standards; — We challenged the appropriateness of determination of performance obligations by reference to the rules of pension, investment funds and closed-end investment companies as well as the terms of the contracts with customers; — We assessed accuracy of NAV used in management fees estimation by tracing NAV to audited financial statements of the fund and closed-end investment company (where audit was finalised) or by verifying reasonableness of assets and liabilities that NAV is derived from; — We evaluated the existence and accuracy of the revenue recognized, as follows: <ul style="list-style-type: none"> • 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; • for fund and closed-end investment company management revenue – we traced the fee rates used to those prescribed in the funds' and closed-end investment companies' rules, and independently estimated annual revenue from fund and closed-end investment company management by applying those fee rates to the net asset values of respective months, weighted average capitalisation of respective quarters or to the amounts of the investors' commitment to invest into the fund and closed-end investment company, as considered appropriate; • for fund and closed-end investment company management revenue – we traced the revenue amounts to the payments received from the funds and closed-end investment company; • for success fee revenue – we assessed the appropriateness of the success fee

<p>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>calculation by reference to the funds' and closed-end investment company rules;</p> <ul style="list-style-type: none"> • 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 2021 and turnover for the year; • for revenue from distribution of investment and pension fund units as well as closed-end investment companies – for a sample of transactions, we traced the revenue amounts recognized to the fees prescribed in the relevant funds' and closed-end investment company's rules and payments received from participants; <p>— 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.</p>
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Valuation of unquoted investments carried at fair value	
See Note 3.8 "Investments and other financial assets", Note 11 "Financial assets at fair value through profit or loss", Note 24 "Fair value of financial instruments"	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021 the Company's investment portfolio amounted to EUR 6,126 thousand (31 December 2020: EUR 3,282 thousand), of which EUR 3,120 thousand (31 December 2020: EUR 1,315 thousand) relate to investments in units of investment fund that are not quoted in an active market.</p> <p>The fair value of investment units of funds is equal to the net assets value (NAV) of a relevant fund. NAV calculation methodology, approved by the board of the Management Company, is established by laws applicable to a relevant fund and rules of the fund.</p> <p>The main element of NAV is represented by the fair value of the fund's investments. The fair value is estimated by reference to the prices of financial instruments quoted in an active market or, where such prices from active markets are not available, determined based on valuation models, which often require unobservable inputs and significant management judgment.</p> <p>Due to the magnitude of related amounts and materiality of judgments to be made in respect of fair value of not quoted investments, we considered this area to be associated with a</p>	<p>For not quoted investments our audit procedures included, among others:</p> <ul style="list-style-type: none"> — evaluating the design and implementation of the selected key internal controls over determining the fair value of unquoted investments; — for unquoted investments in the funds where audit is not finalized, testing the relevance and reliability of key data and verifying reasonableness of assets and liabilities that NAV is derived from; — challenging the appropriateness of the valuation methods and models applied in measuring the fair value of the funds' investments against relevant regulatory and financial reporting requirements; — for part of the funds independently obtaining a confirmation from the Fund's custodian regarding value of NAV as at 31 December 2021; — evaluating the accuracy and completeness of the financial statement disclosures relating to the fair value determination of the investments against the relevant requirements of the financial reporting standards.



significant risk of a material misstatement and a key audit matter.

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

As at 31 December 2021: bonus costs: EUR 1 401 thousand (31 December 2020: EUR 624 thousand); share-based payment reserve: EUR 1 174 thousand (31 December 2020: EUR 796 thousand), deferred not recognized part of bonuses: EUR 194 thousand (31 December 2020: EUR 239 thousand).

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.

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 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.

How the matter was addressed in our audit

Our audit procedures included, among others:

- 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;
- 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;
- 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;
- We traced the number of share options granted in 2021 to the minutes of Management Board’s meetings and agreements with employees;
- 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;



	<ul style="list-style-type: none">• volatility – by reference to publicly available trading history on Invalda INVL AB shares;• stock price – by reference to publicly available trading history on Invalda INVL AB shares and share grant agreement. <p>— 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.</p>
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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.

In addition to services provided to the Company in the course of audit and disclosed in the separate financial statements, we have provided translation of the separate financial statements services to the Company.

On behalf of KPMG Baltics, UAB

Toma Jensen
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
31 March 2022

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 2021

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 2021 the total assets managed by the Company (including the assets managed on the basis of obligations to invest) amounted to EUR 1,367 million. INVL Asset Management provides services both to private and institutional customers, the number of which in Lithuania approximates 200 thousand.

Type of assets managed	Assets managed at 31 December 2021, EUR	Assets managed at 31 December 2020, EUR
Investment funds	53,948,074	52,015,450
Pillar II pension funds	795,014,425	603,073,004
Pillar III pension funds	80,833,996	54,665,746
Portfolios	99,821,863	87,283,475
Alternative assets*	336,725,894	273,068,706
	1,366,344,252	1,070,106,381

* 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 2021 and 31 December 2020 and assets managed by INVL Sustainable Timberland and Farmland Fund II and INVL Renewable Energy Fund I (subfund of INVL Alternative Assets Umbrella Fund I) included into the amount as at 31 December 2021 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 2021, the Company managed 1 special investment fund, 1 harmonised umbrella investment fund consisting of 3 subfunds, 13 pension funds, 73 portfolios of clients' financial instruments, 2 closed-end investment companies, 2 closed-end umbrella investment funds intended for informed investors, consisting of 7 and 1 subfunds, respectively, and 1 closed-end investment fund intended for professional investors. The Company also managed investment portfolios of the funds established in Luxembourg the INVL Emerging Europe Bond Fund and the INVL Alternative Assets Umbrella Fund as well as the INVL Sustainable Timberland and Farmland Fund II which is a subfund of SCSp SICAV-RAIF.

Registered office address:	Gynėjų St. 14, Vilnius. The Company has no branches or representative offices.
Shareholder:	The sole controlling shareholder – Invalda INVL AB (company code – 121304349, registered office address – Gynėjų St. 14, Vilnius).
Shares:	As at 31 December 2021, 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.
General Manager of the Company:	As at 31 December 2021, the position of the Company's General Manager was held by Laura Križinauskienė.
Board of the Company:	As at 31 December 2021, 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 2021

- **On 4 February 2021** benchmark indexes of supplementary voluntary accumulation pension funds INVL Extremo III 16+, INVL Medio III 47+, INVL Stabilo III 58+ / INVL Stabilus, INVL Apdairus, INVL Drąsus and the investment fund INVL Emerging Europe Bond Subfund were changed.
- **On 2 March** INVL Asset Management announced the Lithuanian Investment Index 1996-2020 which it has been calculating for the last 25 years.
- **On 12 April 2021** the INVL Sustainable Timberland and Farmland Fund II announced that Luminor grants a loan of EUR 8.2 million for development of the fund's activities.

- **On 27 April 2021** INVL Asset Management announced strategic changes implemented in several harmonised funds that it manages regarding the INVL Emerging Europe Bond Subfund becoming a feeder fund which invests up to 100% but no less than 85% of its net assets in the INVL Emerging Europe Bond Fund, a master investment subfund established together with partners in the Grand Duchy of Luxembourg, and narrowing the strategy of the INVL Russia ex-Government Equity Subfund by excluding investments in the shares of state-controlled companies. These changes were authorised by the Bank of Lithuania on 26 April 2021.
- **On 17 June 2021** an announcement was made that the INVL Sustainable Timberland and Farmland Fund II raised EUR 18.5 million via a second offering and reached a size of EUR 51 million.
- **On 30 June 2021** the updated rules of the INVL Umbrella Fund and the INVL Baltic Fund came into force. The main amendments concern the INVL Emerging Europe Bond Subfund becoming a financing fund, changes to the strategy of the INVL Russia ex-Government Equity Subfund (former title – INVL Russia TOP20 Subfund) and other minor amendments.
- **On 7 July 2021** an announcement was made that the financing investment subfund INVL Emerging Europe Bond Fund, which INVL Asset Management had established together with partners, was registered with Luxembourg's financial market regulator the Commission de Surveillance du Secteur Financier (CSSF).
- **On 20 July 2021** INVL Asset Management established the INVL Renewable Energy Fund I (REFI), which will invest in renewable energy assets in the European Union, mainly in Poland.
- **On 4 August 2021** an announcement was made that the INVL Renewable Energy Fund I raised EUR 18.5 million in just two weeks.
- **On 4 November 2021** an announcement was made that the INVL Renewable Energy Fund I raised additional EUR 16.14 million from investors to hold a second close at EUR 34.6 million.
- **On 11 November 2021** INVL Asset Management announced the launch of the INVL Partner Global Infrastructure Fund I which will invest in a fund of infrastructure assets established by a fund manager of global stature which has been in operation for 26 years.
- **On 25 November 2021** an announcement was made that the INVL Sustainable Timberland and Farmland Fund II has acquired nearly 164 hectares of farmland in Lithuania.
- **On 2 December 2021** an announcement was made that the INVL Sustainable Timberland and Farmland Fund II sold its forest portfolio, which consisted of 1.3 thousand hectares of forests in Lithuania, for EUR 7.5 million, and locked in a 27% average annual rate of return (IRR) for investors.
- **On 12 December 2021** the INVL Sustainable Timberland and Farmland Fund II announced acquisition of 744 ha of land in Latvia.

Significant events after the end of the financial year

- **On 18 January 2022** the Bank of Lithuania approved establishment of the INVL Alternative Investment Fund.
- **On 20 January 2022** INVL Asset Management announced establishment of the INVL Alternative Investment Fund aimed at retail investors, with investments starting at EUR 5 thousand.
- **On 9 February 2022** the INVL Baltic Sea Growth Fund announced acquisition of the Latvian cosmetics producer B2Y.
- **On 23 February 2022** INVL announced that it welcomed its 200,000th client in Lithuania.
- **On 1 March 2022** INVL Asset Management announced it was suspending the sale, redemption and exchange of units of the INVL Russia ex-Government Equity Subfund as well as calculation and announcement of the value of net assets.
- **On 17 March 2022** INVL Asset Management announced the Lithuanian Investment Index. The index's growth last year of 11% was the most since 2011. Since its calculation began in 1996, the index has risen more than ten-fold. From 1996 to 2021, it has had an average annual gain of 9.6%.
- **On 18 March 2022** INVL Baltic Real Estate announced its results for 2021. During 2021 it earned a consolidated net profit of EUR 3.4 million, and the value of property holdings increased by EUR 5.5 million during 2021 to EUR 29.6 million at year-end.

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 Company provides asset management services to both retail clients and Lithuanian and foreign professional and institutional investors. Most of the assets are attributed to pillar II pension funds which invest based on the life cycle strategy by broadly diversifying assets in global share and bond markets. The majority of alternative investments is concentrated in the Baltic countries.

Pension funds

The year 2021 marked the third 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.

2021 were especially successful for pension funds as share markets demonstrated strong growth. For example, the S&P 500 Index which features 500 leading U.S. publicly traded companies grew by as much as 38.2% (in EUR, including dividends) during the year. This was highly due to positive company results and rapid growth of company profits. Markets were also supported by the continuing quantitative easing policies as central banks continued to buy out government bonds throughout the year therefore money supply in the market remained high, and money was directed to other asset classes, including shares.

To summarize the results of pillar II pension funds, during 2021, INV L pension funds generated over 24.0%, harmonised funds over 9.5% and conservative funds approximately 1.3%.

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

Pillar II pension fund	Data for 2021		
	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, %
INV L Pension 1954–1960	1.29	1.19	11.82
INV L Pension 1961–1967	9.56	9.56	31.1
INV L Pension 1968–1974	18.94	19.16	51.2
INV L Pension 1975–1981	24.09	24.17	59.48
INV L Pension 1982–1988	24.13	24.17	58.81
INV L Pension 1989–1995	24.14	24.17	59.35
INV L Pension 1996–2002	24.04	24.17	59.39
INV L Pension Asset Preservation Fund	3.29	3.12	15.08

As at 31 December 2021, net assets of pillar II pension funds managed by the Company amounted to EUR 795 million, or 31.8% more than a year ago (EUR 603.1 million as at 31 December 2020).

At the end of 2021, the number of participants of pillar II pension funds managed by the Company was 169 thousand compared to 2020, 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 163 thousand as at 31 December 2020).

At the end of 2021, the total assets managed in the supplementary voluntary pension accumulation pension funds (pillar III) of the Company amounted to EUR 80.8 million, or 47.9% more than a year ago (EUR 54.7 million). The number of participants reached 26.3 thousand (22.3 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 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
INV L Pension 1954–1960	1.1182	1.104	25,611,635	27,605,257
INV L Pension 1961–1967	1.311	1.1966	110,086,054	95,303,632
INV L Pension 1968–1974	1.512	1.2712	168,866,658	132,634,105
INV L Pension 1975–1981	1.5948	1.2852	196,316,476	145,683,907
INV L Pension 1982–1988	1.5881	1.2794	180,070,137	128,924,981
INV L Pension 1989–1995	1.5935	1.2836	91,015,654	59,760,929
INV L Pension 1996–2002	1.5939	1.285	16,093,169	8,608,877
INV L Pension Asset Preservation Fund	1.1508	1.1141	6,954,642	4,551,316
Total pillar II pension funds:	-	-	795,014,425	603,073,004

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 2021		
		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	-1.8	-1.64	84.84
INVL MEDIO III 47+ Pension Fund	Medium risk	9.19	10.14	120.25
INVL Drąsus Pension Fund	Higher risk	24.53	33.24	58.29
INVL EXTREMO III 16+ Pension Fund	Higher risk	22.86	24.17	199.84
INVL Apdairus Pension Fund	Higher risk	8.56	12.02	45.79

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 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
INVL STABILO III 58+ Pension Fund	0.5353	0.5451	13,105,488	14,282,607
INVL MEDIO III 47+ Pension Fund	0.6379	0.5842	15,491,514	10,447,038
INVL Drąsus Pension Fund	0.4584	0.3681	7,037,186	4,774,657
INVL EXTREMO III 16+ Pension Fund	0.8684	0.7068	41,374,843	22,172,152
INVL Apdairus Pension Fund	0.4222	0.3889	3,824,965	2,989,292
Total for voluntary accumulation pension funds:	-	-	80,833,996	54,665,746

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 2021, while INVL Baltic Real Estate paid out EUR 967 thousand dividends for 2020, by allocating EUR 0.12 per share.

The table below presents information on CEIC share prices and capitalisation as at 31 December 2021 and 31 December 2020.

Company	Share price at 31 December 2021	Share price at 31 December 2020	Assets managed at 31 December 2021*	Assets managed at 31 December 2020*
CEIC INVL Technology	2.74	2.08	33,360,380	25,324,668
CEIC INVL Baltic Real Estate	2.33	2.16	18,783,095	28,187,069
			52,143,475	53,511,737

* 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.

Sub-fund of the INVL Alternative Assets Umbrella Fund, a closed-ended composite investment fund for informed investors INVL Renewable Energy Fund I started its operations on 19 July 2021 after the rules of the fund were approved by the Bank of Lithuania.

Sub-fund of the INVL Alternative Assets Umbrella Fund II, a closed-ended composite investment fund for informed investors INVL Partner Global Infrastructure Fund I started its operations on 15 November 2021 after the rules of the fund were approved by the Bank of Lithuania.

Fund	Value of the unit at 31 December 2021, Eur*	Value of the unit at 31 December 2020, Eur*	Assets managed at 31 December 2021, Eur	Assets managed at 31 December 2020, Eur
Closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund I:			157,170,064	96,422,513
Subfund INVL Baltic Forests Fund I	286.2518	217.3688	125,637	3,762,407
Subfund INVL Special Opportunities Fund	434.0852	202.3365	12,501,974	6,154,841
Subfund INVL Baltic Sea Growth Capital Fund	141.2013 class A 140.6308 class B	99.9863 class A 100.4345 class B	45,306,000** class A 15,000,000 class B	45,306,000** class A 15,000,000 class B
INVL Partner Global Distressed Debt Fund I	101,8905 class A 101,9659 class B 102,5543 class C	81,4266 class A 81,4266 class B 81,4266 class C	3,686,453***	1,024,265***
INVL Sustainable Timberland and Farmland Fund II-Capital Fund	1125,0896 class A 1226,9550 B/11-2020 series 1252,6095 B/06-2021 series 0,0678 class P	989,3441	45,905,000**	25,175,000**
INVL Renewable Energy Fund I	97,1092 class A 99,0758 class B 99,0758 class C	-	33,375,000** class A 270,000 class B 1,000,000 class C	-
INVL Partner Global Infrastructure Fund I	-	-	-	-
Closed-end umbrella investment fund intended for informed investors INVL Alternative Assets Umbrella Fund II;			12,028,605	11,358,162
Subfund INVL Partner Energy and Infrastructure Fund	117,7607	111,1970	12,028,605	11,358,162
Closed-end private capital investment fund intended for professional investors INVL Baltic Sea Growth Fund (BSGF)	126,2388 class A 100,00 class B 135,5523 class C	89,2924 class A 100,00 class B 89,2924 class C	164,709,750	164,709,750**
Investment of INVL Baltic Sea Growth Capital Fund Subfund into INVL Baltic Sea Growth Fund			(60,306,000)	(60,306,000)
INVL Alternative Assets Umbrella Fund, SCSp SICAV-RAIF subfund INVL Sustainable Timberland and Farmland Fund II			51,685,000**	32,155,000**
INVL Sustainable Timberland and Farmland Fund II-Capital Fund investment into INVL Sustainable Timberland and Farmland Fund II			(40,705,000)	(25,175,000)
			284,582,419	219,164,425

* 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

Among the collective investment undertakings registered in Lithuania the investment funds managed by INVL Asset Management remain the most popular – 83.23% market participants have chosen the investment funds managed by the Company (according to data as at 31 December 2021, while as at 31 December 2020 it was 88.2%).

Based on the data of the Bank of Lithuania, net assets managed in the harmonised investment funds of INVL Asset Management account for 22.0% of market share of collective investment undertakings and assets managed amount to EUR 34.1 million.

It is worth mentioning that in June 2021 INVL Asset Management registered the financing investment subfund INVL Emerging Europe Bond Fund, which it had established together with partners, with Luxembourg's financial market regulator the Commission de Surveillance du Secteur Financier, and the INVL Emerging Europe Bond Subfund registered in Lithuania became a financing fund investing up to 100% of its net assets into the subfund INVL Emerging Europe Bond Fund. With this fund, assets managed by INVL Asset management in investment funds increased up to EUR 53.8 million (31 December 2020 – EUR 52.0 million).

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 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
INVL Global Emerging Markets Bond Subfund	121.611	122.6744	8,077,819	8,750,510
INVL Emerging Europe Bond Subfund	43.1685	43.4841	9,648,824	30,371,295
INVL Emerging Europe Bond Fund	class I: 98.12 class R: 98.44	-	29,415,728	-
Investment of the INVL Emerging Europe Bond Subfund into the INVL Emerging Europe Bond Fund	-	-	(9,529,104)	-
INVL Russia ex-Government Equity Subfund ¹	42.2203	35.2228	5,845,516	5,903,401
INVL Baltic Fund	49.531	36.8253	10,489,291	6,990,244
Total for investment funds:	-	-	53,948,074	52,015,450

¹ The title of the fund changed. Until 29/06/2021 the title of the fund was INVL Russia TOP20 Subfund.

Management of financial instruments portfolios

At the end of 2021, the Company managed financial instruments portfolios of 73 customers, while at the end of 2020 the Company managed financial instruments portfolios of 74 customers. The value of the portfolios under management increased by 14.4% during one year – from EUR 87.28 million to EUR 99.82 million.

The assets managed under management of portfolios increased due to higher prices of securities and 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 2022. 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

Apart from the fact that in 2021 the world and Lithuania continued to battle with the COVID-19 pandemic and strict quarantine measures were applied for most of the year, creation of an effective vaccine in the beginning of the year and successful vaccination of the society as well as economic stimulus policy continued in USA, Europe and other markets meant that the negative effect of the pandemic on the global economy was limited, and the securities markets had a positive reaction to the pandemic containment measures, and optimism for further growth of the global economy lead to a significant rise in securities prices during 2021.

Despite the challenges of the pandemic, the previous year was very 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 increased by 3% compared to 2020. 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 further significantly increase the pillar III pension funds' management income.

Regarding the area of harmonised investment funds, in July 2021 the Company invested the majority of assets of its biggest harmonised investment fund the INVL Emerging Europe Bond Subfund to the subfund INVL Emerging Europe Bond Fund, which it had established together with partners, and which it registered with the Luxembourg's financial market regulator the Commission de Surveillance du Secteur Financier (CSSF). This step will significantly facilitate distribution of this fund's units for investors of Western Europe.

The area of alternative fund management saw the successful second offering of the INVL Sustainable Timberland and Farmland Fund II in June 2021 after which the amount of investments attracted to this fund increased up to EUR 51 million, another offering was held in December which was moved to January 2022, and successful establishment of the INVL Renewable Energy Fund I which invests in renewable energy objects in the European Union and almost as much as EUR 35 million attracted in investments meant that income from alternative product management fees continued to grow significantly in 2021. During 2021 the INVL Sustainable Timberland and Farmland Fund II continued successful investments in forests and agricultural land in Lithuania and Latvia. In August 2021 the company Eco Baltia managed by the Company's biggest alternative fund INVL Baltic Sea Growth Fund acquired 85% shares of Ecoservice, a leading environmental management company in Lithuania, and significantly increased its business share of waste collection and recycling in the Baltic States. Also, In Medica, another company managed by INVL Baltic Sea Growth Fund, significantly expanded its network in Lithuania by acquiring new clinics.

In March 2021 UTIB INVL Baltic Real Estate (BRE), managed by the Company, completed the IV stage of its share buyout during which it bought out shares for EUR 8.4 million from shareholders.

Assets managed by the Company continued to increase significantly in 2021 and exceeded EUR 1.36 billion: it increased by EUR 295 million (27%) from EUR 1,070 million to EUR 1,365 million.

Successful activities of the Company during the previous year meant that the Company's revenue amounted to EUR 13.2 million and were higher by EUR 2.8 million or 27% compared to 2020. During the previous year, the Company generated profit of EUR 4.7 million, which was EUR 2.9 million (158%) more than in 2020. The significant increase in profit mainly resulted from the high profit from the Company's own portfolio, which amounted to EUR 2.7 million (in 2020 this profit amounted to EUR 0.1 million). The assets accounted for in the Company's statement of financial position as at 31 December 2021 amounted to EUR 18.8 million and were higher by EUR 4.3 million compared to the assets accounted for as at 31 December 2020.

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

Items	31 December 2021 (in EUR)	31 December 2020 (in EUR)	Change
Commission, management and service income	13,205,678	10,421,857	27%
Profit/(loss) before tax	4,978,413	1,832,404	172%
Net profit/(loss)	4,729,558	1,832,404	158%
Assets	18,780,738	14,438,203	30%
Shareholders' equity	13,562,051	10,098,483	34%
Book value per share	0.72	0.54	33%
Indicators	At 31 December 2021	At 31 December 2020	
Net profit margin	36%	18%	*
Return on assets (ROA)	25%	13%	*
Return on equity (ROE)	35%	18%	*

In 2021, the Company paid EUR 1,644,000 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 2021, the number of the Company's actually working employees (excluding employees on parental leave) was 134 (31 December 2020: 106). 95% 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 or equivalent licence. 21% of employees, i.e. 28 employees of the Company, have the financial broker or equivalent 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 37 (3) 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 the CEIC, except for members of the Supervisory Board of the CEIC for whom separate remuneration policies of a CEIC Supervisory Board member are applied as prepared by the CEIC.

The remuneration policy is submitted for approval to the Company's Board, to the CEIC general meetings of shareholders (for the latter – 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, and 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. For all other employees the amount of a monthly service pay is set by the decision 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 employees' 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). The abovementioned deferral is also applied when an employee is awarded other incentive measures than a bonus.

In 2021, no employment termination benefits were paid out to three risk-assuming employees (in 2020 a termination benefit of EUR 4,896 was paid out to three risk-assuming employees).

Bonus of 2021 will be allocated in 2022, following the approval of the financial statements for 2021.

The distribution of remuneration and incentives allocated and paid in 2021 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	332,772	30,058	112,888	52,777
Risk-assuming employees, except for the Board members and management personnel	41	2,947,021	205,248	231,057	237,829
Employees	118	2,024,380	20,522	22,200	2,132
Total:	163	5,304,173	255,828	366,145	292,738

* 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 2017–2021, 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 2021. 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 2021. The part of variable remuneration (bonus) calculated for the year 2021 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 2022 the Company plans to strengthen the channel of product sales agents, optimize customer attraction channel and servicing processes. As in 2021, 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 INVL Baltic Sea Growth Fund, the Company will continue to invest the funds raised by extending the portfolio of the companies managed by this fund. In 2022, the Company plans to establish one fund, investing into a third-party product attractive to customers.

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 Križin auskienė – General Manager of the Management Company

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

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; MBL A/S (code 12825242, Glammestervej 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 40103435432), Chairman of the Supervisory Board; SIA Eco Baltia vide (Ropažu nov., Stopiņu pag., Rumbula, Getliņu iela 5, Latvia 40003309841), Member of the Supervisory Board; UAB Eco service (Minsko pl. 26A, LT-13278, Vilnius, Lietuva 123044722), Chairman of the 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 MAIB SA (MAIB) (code 1002600003778, Constantin Tănase St. 9/1, Kişiniov, 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.

General Manager



Laura Krizinauskiene

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	2021	2020
Revenue from contracts with customers	4	13,205,678	10,421,857
Other income	6	103,071	79,012
Net change in fair value of financial instruments measured at fair value through profit or loss	11	2,661,632	88,839
Employee benefits	5, 3. 15, 3. 16	6,427,910	5,038,291
Fees on fund distribution and portfolio management		833,090	577,502
Amortisation of costs for obtaining contracts with customers	10	361,403	310,013
IT maintenance expenses		611,689	329,546
Depreciation and amortisation	9, 10	257,023	249,054
Rent of premises and utility services		378,142	331,320
Advertising and other sales promotion expenses		289,070	343,582
Impairment, write-downs and provisions		-	-
Other expenses	7	1,748,018	1,467,420
Interest expenses (IFRS 16)	18	65,315	110,576
Operating profit (loss)		4,998,721	1,832,404
Profit/(loss) before tax for the reporting period		4,998,721	1,832,404
Income tax (expenses) / income	8	(248,642)	-
Net profit (loss) for the reporting period attributable to the Company's shareholders		4,750,079	1,832,404
Other comprehensive income		-	-
Total comprehensive income (expenses) for the year attributable to the Company's shareholders		4,750,079	1,832,404

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:

General Manager

Laura Križinauskienė

31 March 2022

Chief Accountant

Dovilė Lukoševičienė

31 March 2022

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	9	176,889	169,519
Right-of-use assets	18	1,090,560	1,145,793
Intangible assets	10	1,564,201	1,566,285
Costs of obtaining contracts with customers	10	2,540,434	2,446,958
Investments in subsidiaries/associates	20	279,977	279,977
Financial assets at fair value through profit or loss	11	6,126,078	3,282,441
Deferred income tax assets	8	491,706	573,490
Total non-current assets		12,269,845	9,464,463
Current assets			
Trade and other receivables	12	2,873,335	936,234
Assets from contracts with customers	12	1,266,422	194,055
Prepayments and deferred costs	13	173,303	35,044
Cash and cash equivalents	14	2,215,031	3,808,407
Total current assets		6,528,091	4,973,740
TOTAL ASSETS		18,797,936	14,438,203

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	15	5,452,000	5,452,000
Reserves	16	1,375,367	905,737
Retained earnings/(loss)		6,755,205	3,740,746
Total equity		13,582,572	10,098,483
Amounts payable and liabilities			
Amounts payable after one year and non-current liabilities			
Non-current portion of contract liabilities	19	1,326,275	1,068,389
Non-current portion of lease liabilities	18	900,012	1,004,240
Trade and other payables	17	94,365	96,715
Total amounts payable after one year and non-current liabilities		2,320,652	2,169,344
Amounts payable within one year and current liabilities			
Current portion of contract liabilities	19	184,426	138,214
Current portion of lease liabilities	18	303,633	222,429
Payable income tax		163,598	112,508
Trade and other payables	17	2,243,055	1,697,225
Total amounts payable within one year and current liabilities		2,894,712	2,170,376
TOTAL EQUITY AND LIABILITIES		18,797,936	14,438,203

General Manager

Laura Križinauskienė  31 March 2022

Chief Accountant

Dovilė Lukoševičienė  31 March 2022

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Reserves				Total
	Share capital	Reserve for share-based payments	Legal reserve	Retained earnings (loss) restated	
Balance at 31 December 2019	5,452,000	611,492	-	3,517,619	9,581,111
Net profit/(loss) for the year (restated)	-	-	-	1,832,404	1,832,404
Share-based payments (Note 16)	-	184,968	-	-	184,968
Dividends paid	-	-	-	(1,500,000)	(1,500,000)
Transfer of retained earnings to legal reserve	-	-	109,277	(109,277)	-
Balance at 31 December 2020	5,452,000	796,460	109,277	3,740,746	10,098,483
Net profit/(loss) for the year	-	-	-	4,750,079	4,750,079
Share-based payments (Note 16)	-	378,010	-	-	378,010
Dividends paid	-	-	-	(1,644,000)	(1,644,000)
Transfer of retained earnings to legal reserve	-	-	91,620	(91,620)	-
Balance at 31 December 2021	5,452,000	1,174,470	200,897	6,755,205	13,582,572

General Manager

Laura Križinauskienė

31 March 2022

Chief Accountant

Dovilė Lukoševičienė

31 March 2022

SEPARATE STATEMENT OF CASH FLOWS

	Note	2021	2020
Cash flows from operating activities			
Net profit/(loss) for the year		4,750,079	1,832,404
Adjustments for non-cash items:			
Depreciation and amortisation	9,10, 18	518,580	491,235
Dividend income	6	(103,071)	(79,012)
Interest expense		65,315	110,576
Current year income tax expense/(income)	8	248,642	-
Unrealised/(gain) loss from financial instruments measured at fair value	11	(2,462,121)	(88,839)
Realised/(gain) loss from financial instruments measured at fair value	11	(199,512)	-
Share-based payments expenses	16	97,779	76,870
Expenses of bonuses	17	1,302,916	546,639
(Profit) loss from amendments to lease agreements		-	(189)
Amortisation of costs of obtaining contracts with customers	10	361,403	310,013
		4,580,010	3,199,697
Changes in working capital:			
(Increase)/decrease in trade and other receivables	12	(3,009,470)	666,397
(Increase)/decrease in other current assets	12	(138,259)	37,943
Increase/(decrease) in trade and other payables	17	(464,458)	(399,608)
Increase/(decrease) in contract liabilities	19	304,099	421,907
Income tax paid		(115,767)	(37,620)
Sale/(acquisition) of tax losses	8	-	(64,068)
Net cash flows from/(used in) operating activities		1,156,155	3,824,648
Cash flows from investing activities			
(Acquisition) of property, plant and equipment	9	(277,055)	(145,842)
Dividends received	6	103,071	79,012
Costs for obtaining contracts with customers		(454,881)	(425,967)
Investments in subsidiaries	20	-	(15,000)
Proceeds on disposal of financial assets		328,594	-
Acquisition of financial assets		(510,599)	(472,816)
Settlement of financial liability related to acquisition of subsidiary	17	-	-
Net cash flows from/(used in) investing activities		(810,870)	(980,613)
Cash flows from financing activities			
Increase of share capital		-	-
Payments of lease liabilities	18	(229,346)	(203,353)
Interest payments	18	(65,315)	(110,576)
Dividends paid		(1,644,000)	(1,500,000)
Net cash flows from/(used in) financing activities		(1,938,661)	(1,813,929)
Net increase (decrease) in cash flows		(1,593,376)	1,030,106
Cash and cash equivalents at the beginning of the period		3,808,407	2,778,301
Cash and cash equivalents at the end of the period	14	2,215,031	3,808,407

General Manager

Laura Križinauskienė

31 March 2022

Chief Accountant

Dovilė Lukoševičienė

31 March 2022

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 2021, 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 2021, the Company had 134 (31 December 2020: 106) employees.

The Company's activities are regulated by the Lithuanian Law on Collective Investment Undertakings and the Law on Managers of Alternative Collective Investment Undertakings of the Republic of Lithuania.

On 9 January 2004, the Securities Commission of the Republic of Lithuania issued an operating license No. VJK – 005 to INVL Asset Management UAB of a management company operating in accordance with the Law on Collective Investment Undertakings, which was later supplemented. The licence issued permits 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 portfolios of financial instruments of other entities;
- manage 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;
- manage collective investment undertakings established in accordance with the Law on Collective Investment Undertakings Intended for Informed Investors.

On 02/10/2017 the Bank of Lithuania granted the Company the licence (No 3) of a management company operating in accordance with the Law on Managers of Alternative Collective Investment Undertakings of the Republic of Lithuania. Under the licence the Company is authorised to engage in the following activities:

- manage portfolios of collective investment undertakings intended for informed investors, including collective investment undertakings intended for professional investors;
- manage portfolios of financial instruments of other entities;
- manage additional voluntary pension accumulation pension funds;
- safe-keep and handle investment units or shares of collective investment undertakings;
- manage pension funds accumulated from a part of state social security contributions;
- consult on issues relating to investment into financial instruments;
- accept and transmit orders for financial instruments;
- manage occupational pension funds.

As at 31 December 2021, the Company managed 1 special investment fund, 1 harmonised umbrella investment fund consisting of 3 subfunds, 13 pension funds, 73 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 7 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 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 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 2022. 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 2021 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 consideration 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/lt/lt/investuotojams/ataskaitos>.

Standards endorsed by the EU that are not yet effective and that have not been early adopted

There are no new or revised standards or interpretations that are not yet effective that would be expected to have a material impact to the Company.

Standards not yet adopted by the EU

The Company is currently assessing the impact of the amendments described below, which are not yet endorsed by the EU for adoption, on its financial statements:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023 once adopted by the EU).

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023 once adopted by the EU).

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

Other amendments to existing standards and new standards, which are not yet adopted by the EU, are not relevant to the Company.

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).

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 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.

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 influence 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.

A subsidiary is a company over which the Company has control.

In these stand-alone financial statements the Company recognises investments in associates and subsidiaries 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 an 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,

the discounted cash flow 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

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost.

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

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

Trade receivables, other receivables, contract assets 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's receivables are from the funds managed and related parties, and are paid over a month from the balance sheet date or later, if such a decision is made by the Company's shareholder for cash flow management purposes. Accordingly, the expected credit losses for the receivables of the 2nd stage are recognised only if considered significant. The Company does not account for expected credit losses for cash and cash equivalents as the Company's cash is held at banks of high creditworthiness and the Company assesses that expected credit losses for such financial assets would be insignificant.

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, except for liabilities for contingent consideration. 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 consideration liabilities related to investments in other companies are recognised as financial liabilities measured at fair value through profit or loss.

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 insignificant.

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.

The Company as 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 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 earns 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 earns 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 determined for each employee based on the performance of the Company, the respective department and employee of the Company for the previous year. Bonuses are awarded and paid following approval of the Company's audited annual financial statements. However, an exception came into effect as of 2021 providing that in the absence of an approved set of the Company's financial statements, the Company's management can decide on payment of Bonuses and the total amount of Bonuses in cash for employees whose main activity in the Company is participation in the taking of investment decisions on asset management of alternative collective investment undertakings (hereinafter – ACIU) based on the life cycle of ACIU. 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 Accounting Standard 19 (IAS 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 consideration 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 2021 and 2020. 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 was shorter by one year, the Company should recognise additional amortisation expenses of EUR 39 thousand (2020: EUR 34 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, for premises in Vilnius, Kaunas and Klaipėda 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).

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 success 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:

	2021	2020
<i>Revenue recognised over time</i>	13,202,007	10,414,581
Management fee	10,274,367	8,843,410
Success fee	2,769,620	1,460,258
Distribution fee recognised over time (Note 19)	158,020	110,913
<i>Revenue recognised at a point in time</i>	3,671	7,276
Fee on payments	-	1
Distribution fee recognised at a point in time	3,611	6,533
Exit fee income	60	742
	13,205,678	10,421,857

Success fee income for 2021 included the success fee of EUR 1,516 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).

In 2021, success fee income also included EUR 1,218 thousand success fee of the Baltic Forests Fund as at the end of the year following disposal of the assets managed by this fund and payment of the majority of the funds to investors the success fee payment conditions were met.

In 2021, the Company did not include the amounts of success fee which are accumulated in the investment companies managed by the Company: BRE (EUR 218 thousand) and INVL Technology (EUR 2,338 thousand) as the conditions for the payment of these amounts have not been met (see Note 3.22).

In 2021 the Company accounted for EUR 138 thousand revenue amount (2020 – EUR 85 thousand) which at the beginning of the period was accounted for as contract liabilities (see Note 19).

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 CEC 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 ex-Government Equity Subfund. The success fee of INVL Russia ex-Government Equity 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).

5. Employee benefits

	2021	2020
Wages and salaries and related expenses	5,024,472	4,414,702
Expenses of bonuses to employees	1,302,916	546,639
Share-based payment expenses	97,780	76,870
Other expenses related to employees	2,742	80
	6,427,910	5,038,291

6. Other income

	2021	2020
Dividend income	103,071	79,012
Other income	-	-
	103,071	79,012

7. Other expenses

	2021	2020
Maintenance of motor vehicles	1,26,976	127,359
Maintenance and repair of premises	79,836	103,985
Taxes to the State	485,231	434,501
Professional services	319,476	204,706
Fees for operations with securities	429,123	333,527
Other expenses	307,376	263,342
	1,748,018	1,467,420

Presented below are all the services rendered by the audit firm to the Company and the Funds in 2021 and 2020.

	To the Company and pillar II pension funds in 2021	To the Company and pillar II pension funds in 2020
Audit of the Company's financial statements under agreements	14,060	13,777
Audit of the funds' financial statements under the agreements	22,472	22,032
Assurance and other related services	-	-
Tax consultation services	-	-
The Company's expenses related to other services	350	-
The funds' expenses related to other services	-	-
	36,882	35,809

8. Income tax

	2021	2020
Components of income tax (expenses) Income:		
Income tax expenses for the current period	(166,857)	(112,508)
Adjustment to income tax of the previous year	-	(1,943)
Change in deferred income tax	(81,785)	114,451
Income tax (expenses)/Income recognised in profit or loss	(248,642)	-

	2021	2020
Deferred income tax assets		
Tax losses carried forward for indefinite period related to operating activities	538,757	928,091
Social security on accrued vacation	1,139	934
Bonuses to employees	158,427	96,494
Lease liabilities	180,547	184,000
Revaluation of financial assets	-	-
Contract liabilities	226,605	180,990
Bad debts	1,131	1,131
Deferred income tax assets	1,106,606	1,391,640
Less: unrecognised deferred income tax assets arising from a part of tax losses	(169,264)	(493,348)
Deferred income tax assets, net	937,342	898,292
Deferred income tax liability		
Fund management rights and goodwill recognised for tax purposes	(5,416)	(11,418)
Costs of obtaining contracts with customers	(99,175)	(119,881)
Right-of-use assets	(163,584)	(171,869)
Revaluation of financial assets	(177,461)	(21,634)
Deferred income tax liability	(445,636)	(324,802)
Deferred income tax, net	491,706	573,490

Income tax at the rate of 15 per cent was used in the calculation of deferred income tax in 2021 and 2020.

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

	2021	2020
Deferred income tax assets at the beginning of the period	573,490	459,039
Change in deferred income tax recognised in profit or loss	(81,785)	114,451
Sold tax losses	-	-
Deferred income tax assets at the end of the period	491,705	573,490

In 2021, the Company took over tax losses for EUR 34,500 from the parent company Invalda INVL AB.

Deferred income tax assets amounting to EUR 491,557 (31 December 2020: EUR 573,490) were recognised as at 31 December 2021 considering the long-term performance forecasts for 2022–2026. 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.

13. Prepayments and deferred costs

	At 31 December 2021	At 31 December 2020
Deferred costs	39,166	13,806
Prepayments	134,137	21,238
	173,303	35,044

14. Cash and cash equivalents

	At 31 December 2021	At 31 December 2020
Cash balances in bank accounts		
Cash denominated in EUR	2,215,031	3,808,407
Impairment of cash balances in bank accounts	-	-
Total cash and cash equivalents	2,215,031	3,808,407

The Company had no term deposits as at 31 December 2021 and 2020.

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 2021 and 2020, 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 2021 and 2020, the Company did not increase its share capital.

The Company plans to allocate the retained earnings as at 31 December 2021 as follows: EUR 237,600 to legal reserve and EUR 2,000,000 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 2021 and in May 2020 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:

	2021	2020
The number of share options to which the Company's employees are entitled at the beginning of the period	244,779	164,468
Acquired rights to share options during the period	42,119	170,987
Change in accruals	-	(24,560)
Exercised share options	(40,228)	(65,198)
Annulled options as a result of employment agreement termination	(970)	(918)
The number of issued options at the end of the period	245,700	244,779
The number of share options to which the Company's employees are entitled at the end of the period	105,116	95,778
The number of options based on signed contracts to which employees are not yet entitled	140,584	149,001

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 2022, 2023 and 2024 (granted options in 2020: 30 April of 2021, 2022 and 2023 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:

	2021	2020
Amount of share-based payments reserve at the beginning of the period	796,460	611,492
Transfer of bonuses to share-based payments reserve (Note 17)	280,230	108,098
Share-based payments expenses (Note 5)	97,780	76,870
Amount of share-based payments reserve at the end of the period	1,174,470	796,460

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:

	2021	2020
Option grant-date	10/05/2021	25/05/2020
Share price on the option grant-date	EUR 9.40	EUR 6.75
Risk-free interest rate, %	-0.692	-0.675
Share volatility calculated using historical share price fluctuations	30.03%	30.74%
Expected dividend rate	0%	0%
Calculated fair value of share options at the grant-date	8.38	5.73

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 2021	At 31 December 2020
Trade receivables	432,044	207,204
Amounts payable for non-current assets	5,262	20,010
Employment-related liabilities	580,700	453,862
Liabilities related to bonuses to employees	1,056,180	643,292
Other payables	257,214	339,687
Gross taxes payable	6,019	11,885
Provisions (Note 22)	-	100,000
Financial liabilities measured at fair value through profit or loss	-	18,000
Total trade and other payables	2,337,419	1,793,940

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 84,430 (2020 – non-current portion of bonuses of EUR 96,715).

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:

	2021	2020
Bonus liability at the beginning of the period	643,292	656,699
Adjustment to bonuses of the previous year	(17,252)	(12,205)
Transfer of bonuses to share-based payments reserve (Note 16)	(280,230)	(108,098)
Payment of bonuses	(592,546)	(451,948)
Accrual of bonuses of the financial year	1,309,015	568,079
Reversal of bonuses due to employees leaving the company	(6,099)	(9,235)
Bonus liability at the end of the period	1,056,180	643,292

In 2021 the Provisions item does not include the estimated amount of potential fine payable to the Bank of Lithuania (EUR 100 thousand in 2020) as it was paid in 2021 (Note 22).

As at 31 December 2021 there are no financial liabilities measured at fair value through profit or loss.

Balance of financial liabilities measured at fair value through profit or loss at the beginning of the period	2021
Contingent consideration 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 consideration liabilities (Note 11)	-
Financial liabilities measured at fair value through profit or loss at the end of the period	-
Non-current portion	-
Current portion	-

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	31 December 2025	Yes, HICP*	2.07
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 the average market interest rate equal to 2.07% in accordance with the average fixed rate from 1 year announced by the Bank of Lithuania in June for non-financial companies (in 2020 the internal interest rate set in the lease agreement following adoption of IFRS 16 and comprising 10.31% was used), 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.

Based on lease agreements for premises concluded as at 31 December 2021 but not yet in force as at the balance sheet date, the Company's future lease payment liabilities in 1 year amount to EUR 107 thousand, and in 2-4 years – to EUR 352 thousand.

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 2021.

	2021	2020
Right-of-use assets at 1 January	1,145,793	1,327,120
Depreciation	(261,556)	(242,180)
Additionally recognised assets due to change in leased area and term	173,107	43,420
Recalculation of asset value due to indexation	33,215	17,433
Right-of-use assets as at 31 December	1,090,560	1,145,793
Lease liabilities at 1 January	1,226,670	1,369,359
Calculated interest	65,315	110,576
Lease payments	(294,662)	(313,929)
Additionally recognised liabilities due to increase in leased area	173,107	43,230
Recalculation of liability value due to indexation	33,215	17,433
Lease liabilities at 31 December	1,203,645	1,226,669

19. Contract liabilities

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.

Significant changes in the contract asset and the contract liability balances during 2021:

	2021
Contract liabilities at 31 December 2021	1,510,702
Non-current portion	1,326,276
Current portion	184,426
Contract liabilities at 31 December 2020	1,206,604
Non-current portion	1,068,390
Current portion	138,214

20. Investments in subsidiaries

In 2021 and 2020 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.

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 2021	At 31 December 2020
Items of the statement of financial position		
Cash at bank (Note 14)	2,215,031	3,808,407
Amounts receivable (Note 12)	4,139,757	1,130,289
Total credit exposure	6,354,788	4,938,696

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

	2021	2020
Profit (loss) before income tax	4,998,721	1,832,404
Income tax calculated at a rate of 15%	(749,808)	(274,861)
Expenses not deductible for tax purposes	(83,896)	(41,193)
Income not subject to tax	258,878	29,917
Support	2,100	10,800
Change in not recognised income tax from part of tax losses	324,084	277,281
Adjustment to income tax of the previous year	-	(1,943)
Income tax change recognised in profit or loss	(248,642)	-

9. Property, plant, and equipment

2021	Computer hardware and office equipment	Furniture	Total
Acquisition cost			
Balance at the beginning of the year	326,901	152,292	479,193
Additions	78,323	-	78,323
Disposals (write-offs)			
Balance at the end of the year	405,224	152,292	557,516
Accumulated depreciation			
Balance at the beginning of the year	256,216	53,458	309,674
Charge for the year	47,474	23,479	70,953
Disposals (write-offs)			
Balance at the end of the year	303,691	76,937	380,627
Carrying amount at the end of the year	101,533	75,355	176,889

2020	Computer hardware and office equipment	Furniture	Total
Acquisition cost			
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
Accumulated depreciation			
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
Carrying amount at the end of the year	70,685	98,834	169,519

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

2021	Software	Goodwill	Fund management rights	Total
Acquisition cost				
Balance at the beginning of the year	288,303	58,422	2,270,137	2,616,862
Additions	183,986			183,986
Balance at the end of the year	472,289	58,422	2,270,137	2,800,848
Accumulated amortisation				
Balance at the beginning of the year	157,559	-	893,018	1,050,577
Charge for the year	10,786	-	175,284	186,070
Balance at the end of the year	168,345	-	1,068,302	1,236,647
Carrying amount at the end of the year	303,944	58,422	1,201,835	1,564,201

2020	Software	Goodwill	Fund management rights	Total
Acquisition cost				
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
Accumulated amortisation				
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
Carrying amount at the end of the year	130,744	58,422	1,377,119	1,566,285

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 31/12/2021	End of amortisation period
MP Stabilo II	9,530	31/12/2028
MP Medio II	371,238	31/12/2028
MP Extremo II	771,906	31/12/2028
MP Medio III	4,289	30/09/2025
MP Extremo III	7,569	30/09/2025
Swedbank Supplementary Pension Fund	37,303	02/11/2027
	1,201,835	

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 3.5.

During 2021, EUR 249,926 of commission fee for distribution of pillar II pension funds and EUR 204,954 of commission fee for distribution of pillar III pension funds was capitalised and recognised as non-current assets (2020: EUR 212,755 and EUR 177,197 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.

The movement in costs of obtaining contracts with customers in 2021 and 2020 is presented in the table below:

2021	
Balance as at 1 January	2,446,957
Costs of obtaining contracts with customers incurred over the period	454,880
Amortisation of costs of obtaining contracts with customers recognised as expenses over the period	(361,403)
Costs of obtaining contracts as at 31 December 2021	2,540,434
Pillar II pension funds agreements	1,618,522
Pillar III pension funds agreements	898,912
Agreements on the management of investment direction	23,000
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)
Costs of obtaining contracts as at 31 December 2020	2,446,957
Pillar II pension funds agreements	1,643,008
Pillar III pension funds agreements	768,949
Agreements on the management of investment direction	35,000

In 2021 and 2020, no impairment of costs of obtaining contracts with pillar II pension funds customers was identified. In 2021 and 2020, 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 2021 and 2020 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. Management used 10-year forecasts taking into consideration the weighted average life expectancy of the Company's clients based on which recoverability of new clients is calculated. The values of the main assumptions applied are disclosed in the table below.

Assumption	2021	2020
Customer/asset loss ratio	2% (customers)/5.5% (assets)	2% (customers)/5.5% (assets)
Perpetual market growth rate	0%	4%
Pre-tax discount rate	11.21%	12.68%
Weighted rate of customer service and attraction costs	4%	4%

As at 31 December 2021 and 2020, 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

The Company's financial assets at fair value through profit or loss include as follows:

	2021	2020
Equity securities (0,7% investment into AB Šiaulių bankas shares)	3,005,950	1,967,100
Units of collective investment undertakings, whereof:	3,120,128	1,315,341
Funds managed by INVL Asset Management, including funds for the investment portfolio of which INVL Asset Management is responsible	2,509,108	851,501
Closed-end investment undertakings managed by INVL Asset Management	611,020	463,840
	6,126,078	3,282,441

In 2021 the Company invested EUR 54 thousand into the INVL Partner Global Distressed Debt Fund I. Also, EUR 160 thousand into the INVL Renewable Energy Fund I and EUR 296 thousand into the INVL Sustainable Timberland and the Farmland Fund II-Capital Fund. In December 2021 the Company sold investment units of the subfund INVL Baltic Forests Fund I for EUR 329 thousand. As at 31 December 2021 the remaining liability amount to INVL Partner Global Distressed Debt Fund I was EUR 142 thousand, INVL Renewable Energy Fund I – EUR 840 thousand, and INVL Sustainable Timberland and Farmland Fund II-Capital Fund – EUR 453 thousand.

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).

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

	2021	2020
Realised gain on disposal of financial assets measured at fair value through profit or loss	199,512	-
Unrealised gain (loss) on revaluation of securities	2,462,121	88,839
Unrealised gain (loss) on change in the fair value of financial liabilities measured at fair value	-	-
	2,661,632	88,839

12. Trade and other receivables

Trade and other receivables include as follows:

	At 31 December 2021	At 31 December 2020
Trade receivables, gross	2,870,902	916,417
Other receivables, gross	9,973	27,356
Taxes receivable, gross	-	-
Assets from contracts with customers	1,266,422	194,055
Trade and other receivables, gross	4,147,297	1,137,828
Less: provision for impairment of trade and other receivables	(7,540)	(7,540)
Trade and other receivables, net	4,139,757	1,130,288

The majority of receivables in 2021 was the success fee receivable from the closed-end investment company INVL Baltic Real Estate, and the majority of assets from contracts with clients comprised the success fee calculated from the subfund INVL Baltic Forests Fund I. In 2020 the majority of trade receivables was management fees receivable.

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.

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. As at 31 December 2021 and 2020 all of the Company's cash at bank and amounts receivable were of low risk.

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.

At 31 December 2021

At 31 December 2020

Liquid assets

Cash at bank (Note 14)	2,215,031	3,808,407
Amounts receivable	4,139,757	1,130,288
Liquid financial assets (Note 11)	3,738,581	2,553,614
Total liquid assets	10,093,369	7,492,309

Current liabilities	2,894,712	2,170,376
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Liquidity ratio, %	349	345
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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
31 December 2021						
Other amounts payable	467,025	154,261	73,942	-	-	695,228
Lease liabilities	27,083	54,780	246,512	930,408	-	1,258,783
Total	494,108	209,041	320,454	930,408	-	1,954,011
31 December 2020						
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
Total	253,237	322,132	292,322	1,200,651	-	2,068,342

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 2021, the Company's investments mainly comprised investments into the banking sector (49%) (2020 – 60%) of all investments) and the forestry sector (35%) (2020 – 22%). If as at 31 December 2021 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 974 thousand (2020 – 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 2021 and 2020, 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 2021	At 31 December 2020
Aggregate amount of capital requirement	2,071,616	1,664,764
Liquid equity	2,682,947	2,080,182
Capital adequacy ratio	1.30	1.25

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 2021 was not included; if the profit for 2021 were included, the Company's capital adequacy ratio (unaudited) would equal to 3.58. 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 2021 and 2020, the Company complied with the latter requirements (Note 15).

22. Provisions, 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. Both the Company and the Bank of Lithuania used the right to appeal the ruling of the Court of First Instance. Considering the current circumstances, the Company measured the potential expected size of the fine and as at 31 December 2020 and recognised a provision amounting to EUR 100 thousand (see Note 17). On 12/07/2021 the Supreme Administrative Court of Lithuania issued a judgement under which the appeals of the Company and the Bank of Lithuania were rejected and the decision of Vilnius Regional Administration Court of 11/02/2020 was upheld. Thereby the final amount of the fine imposed on the Company was reduced to EUR 100 thousand. As at 31 December 2021 the provision was reversed as the fine was paid.

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 2021, the Company managed EUR 1,365 billion of the customers' assets (31 December 2020: EUR 1,070 billion).

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

	At 31 December 2021	At 31 December 2020
Allocated for payment in share options	74,257	105,457
Allocated for payment in cash or contributions into pension funds	41,518	25,289
Calculated for the year but not yet allocated	78,239	108,454

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. INVL Asset Management funds are not considered related parties with the Company as the Company does not have control or significant impact in them.

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

2021	Amounts payable, EUR	Amounts receivable, EUR	Revenue, EUR	Expenses (compensation for expenses), EUR
CEIC INVL Baltic Real Estate	-	1,532,711	1,725,288	(7,272)
CEIC INVL Technology	-	164,763	602,547	-
UAB Novian Technologies	13,737	-	-	148,796
UAB NRD CS	3,751	-	-	18,000
UAB FM Finasta	208,875	18,825	-	655,170
IPAS INVL Asset Management	873	-	-	3,593
UAB FINtime	1,634	-	-	16,200
AB Invalda INVL	-	3,187	-	173,916
UAB Mundus	-	-	45	-
UAB Inservis	-	-	-	21
AB INVL Baltic Farmland	-	2,054	-	(1,745)
UAB Novian Systems	2,352	-	-	29,427
UAB Proprietas	-	-	125	150
	231,222	1,721,540	2,328,005	1,036,256

* In 2021, support granted of EUR 7,000 is not included in the table.

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
UAB FM 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	-
	140,071	156,621	2,246,286	965,575

* 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.

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 2021 and 2020, 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 2021, remuneration of the Company's management totalled EUR 286,422, social security contributions – EUR 5,070, and the awarded bonuses comprised cash payments and share-based payments in the amount of EUR 142,946; social security contributions – EUR 2,530 (2020: EUR 393,782; social security contributions – EUR 5,962; awarded bonuses – EUR 85,678; social security contributions – EUR 1,008). In 2021 and 2020, the Company's management included its General Manager and Members of the Board.

24. Fair value of financial instruments

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 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 were not discounted. As at 31 December 2021 the Company did not have financial instruments measured at fair value.

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 2021 and 2020.

At 31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Collective investment undertakings	-	121,611	2,387,497	2,509,108
Closed-end investment companies	611,020	-	-	611,020
Equity securities	3,005,950	-	-	3,005,950
	3,616,970	121,611	2,387,497	6,126,078
Financial liabilities at fair value through profit or loss				
Contingent consideration liabilities related to acquisition of the subsidiary	-	-	-	-
	-	-	-	-

At 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
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
	2,430,940	122,674	728,827	3,282,441
Financial liabilities at fair value through profit or loss				
Contingent consideration liabilities related to acquisition of the subsidiary			18,000	18,000
			18,000	18,000

Movement of financial assets attributed to Level 3:

	2021	2020
Opening balance	728,827	210,248
Acquisition of financial instruments	510,599	472,601
Revaluation of financial instruments	1,476,666	45,977
Sale of financial instruments	(328,594)	-
Closing balance	2,387,497	728,827

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

As at 31 December 2021, the values of the Company's investments into funds were based on the estimated NAV of the funds, determined by the managers of the funds. The sensitivity analysis for the value, which as at 31 December 2021 amounted to EUR 2,129 thousand (1.5

investment units managed), of the investment into INVL Sustainable Timberland and Farmland Fund II, is presented in the table below based on the information received from the fund's managers and asset valutors: The value of the investment into this fund was measured based on the fund's NAV. When determining the fund's NAV investments into forests were evaluated by an independent asset valuator using the discounted cash flow method by applying 100 years of planned cash flow from forest management, and investments into agricultural land were also evaluated using the discounted cash flow method by applying 100 years of planned cash flow from land lease activities. The main assumptions for the measurement models of forest and agricultural land and their sensitivity is presented in the table below:

Item	Value used in the model	Expected change	Change in the value of the Company's investments
Discount rate, %	5.25% -LT 5.00% - LV	+/- 1pp	-1,386/2,472
Annual inflation rate	2.75% - 1-10 year land lease revenue LT 4% - 1-10 year land lease revenue LV 2.00% all other revenue and expenses	+/- 1pp	2,518/-1,389

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. Investment into the INVL Baltic Forests Fund I subfund was based on the estimated NAV as approved by the depository. When determining the value of the investment into the 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 2022.

In January 2022 the Company granted a loan of EUR 2.2 million to a related company, out of which EUR 0.7 million was repaid until the signing date of the financial statements.

On 24 February 2022 Russia began its military invasion of Ukraine. The Company has no investments in Russian, Belarusian or Ukrainian markets, and the only fund managed by the Company to be directly affected by the war is the INVL Russia ex-Government Equity Subfund the asset value and liquidity of which decreased sharply at the beginning of the war, and on 1 March 2021 the Company made the decision to suspend the sale, redemption and exchange of the fund's units until 1 June 2022. As at 31 December 2021 the assets managed by the subfund amounted only to ~0.4% of the total assets managed by the Company; therefore, the direct impact of decrease in the fund's asset value and suspension of its activities is insignificant for the Company.

In the products we manage we do not have direct share investments in the Russian, Belarusian and Ukrainian share markets, and funds of developing countries' share market index held in pension funds and exchange-traded funds sold or wrote-down investments into Russia when index suppliers removed Russia from the list of investment-worthy markets.

Funds managed in the bonds section do not have direct investments into state or company bonds of the Russian Federation or Belarus; however, a small portion of assets (~0.1% of the total assets managed by the Company) is directed into bonds of one Ukrainian agricultural company. Capital markets already reflect the current situation; therefore, the price of the said securities is measured conservatively but uncertainty remains.