AKROPOLIS REAL ESTATE B.V.
AKROPOLIS GROUP UAB

Combined financial statements for
the years ended 31 December 2020 and 2019, prepared
according to the International Financial Reporting
Standards, as adopted by the European Union,
presented together with Independent Auditor's Report

AKROPOLIS

REAL ESTATE DEVELOPMENT & MANAGEMENT COMPANY

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GENERAL INFORMATION

Registration
Akropolis Real Estate B.V. is registered in the Netherlands as a limited liability company under the Laws of the Netherlands.
The Company's registration number is C 34297777.

Directors
Mr. Lukas Matijošius, Mr. Manfredas Dargužis

Bankers
AS SEB Pank
Tornimäe 2
15010 Tallinn
Estonia

Registration
Akropolis Group, UAB is registered in Lithuania as a limited liability company under the Companies Law of Lithuania.
The Company's registration number is 302533135.

Directors
Mr. Manfredas Dargužis

Bankers
Swedbank, AB
Konstitucijos pr. 20A,
Vilnius, 03502
LITHUANIA

Independent auditor's report

To the shareholder of Akropolis Real Estate B.V. and Akropolis Group, UAB

Our opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of Akropolis Real Estate B.V. and Akropolis Group, UAB (the "Companies") and their subsidiaries set out in note 1 to the combined financial statements (together - the "Combined Group") as at 31 December 2020 and 31 December 2019, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The accompanying combined financial statements of the Combined Group comprise:

- the combined statements of financial position as at 31 December 2020 and 31 December 2019;
- the combined statements of comprehensive income for the years then ended;
- the combined statements of changes in equity for the years then ended;
- the combined statements of cash flows for the years then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

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 combined financial statements section of our report.

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

Independence

We are independent of the Combined Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the combined financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Emphasis of Matter - Basis of accounting

We draw attention to the fact that, as described in note 1 to the combined financial statements, the businesses included in the combined financial statements were not in a form as a legal structure with a parent company during the periods presented in the combined financial statements. These combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the Combined Group had been formed as a legal structure with a parent company during the periods presented in the combined financial statements.

The combined financial statements are prepared specifically for inclusion in the Offering Memorandum and in the anticipation of the reorganisation as described in note 1 to the combined financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation of the combined financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Combined Group'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 Combined Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Combined Group.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 internal control of the Combined Group.
- 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 ability to continue as a going concern of the Combined Group. 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 combined 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 Combined Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Combined Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the audit of the combined financial statements. We remain solely responsible for our audit opinion.

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.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
26 March 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	2020 EUR'000	2019 EUR'000
ASSETS			
Non-current assets		**800 195**	**898 997**
Property, plant and equipment	5	983	1 116
Investment property	6	795 964	791 560
Intangible assets		234	236
Deferred tax assets	16	111	593
Right-of-use assets	7	335	369
Long-term loans granted	18	-	105 000
Long-term receivables	8	2 568	123
Current assets		**61 611**	**102 268**
Inventories		68	73
Trade, other receivables and other assets	8	3 566	3 684
Prepaid current income tax		-	175
Loans granted	19	-	44 617
Other financial assets	8	1 237	37
Cash and cash equivalents	9	56 740	53 682
TOTAL ASSETS		**861 806**	**1 001 265**
EQUITY AND LIABILITIES			
Parent Company Investment	10	140 153	272 253
Retained earnings/(accumulated losses)		340 526	344 701
Total equity		**480 679**	**616 954**
Non-current liabilities:		**326 008**	**315 646**
Bank borrowings	11	231 285	228 420
Lease liabilities	7	326	311
Deferred tax liabilities	16	83 819	81 518
Income tax liabilities		1 312	-
Other long term payables	12	9 266	5 397
Current liabilities:		**55 119**	**68 665**
Bank borrowings	11	36 162	53 448
Lease liabilities	7	64	69
Income tax liabilities		2 801	2 604
Trade and other payables	12	16 092	12 544
Total liabilities		**381 127**	**384 311**
TOTAL EQUITY AND LIABILITIES		**861 806**	**1 001 265**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2020 EUR'000	2019 EUR'000
Rental income		55 572	51 905
Service charge income		21 209	24 615
Service charge expenses	13	(20 467)	(22 442)
NET RENTAL INCOME		**56 314**	**54 078**
Administrative expenses	14	(3 515)	(4 433)
Other income, net		371	499
Profit on disposal of investment property		-	(8)
Valuation gain (loss) from investment property		1 378	11 816
Loss/gain on disposal of subsidiary		-	1 605
OPERATING PROFIT (LOSS)		**54 548**	**63 557**
Interest expense	11	(3 488)	(2 802)
Interest income		838	1 758
Other financial expenses		(156)	(456)
PROFIT (LOSS) BEFORE INCOME TAX		**51 742**	**62 057**
Income tax expense	15	(5 917)	(8 391)
NET PROFIT (LOSS)		**45 825**	**53 666**
TOTAL COMPREHENSIVE INCOME (LOSS)		**45 825**	**53 666**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

COMBINED STATEMENTS OF CHANGES IN EQUITY

The Combined Group	Notes	Parent company investment	Retained earnings	Total
		EUR'000	EUR'000	EUR'000
Balance at 31 December 2018		**277 404**	**292 036**	**569 440**
Transactions with owners:				
Reduction of authorised capital	**10**	(5 151)	(1)	(5 152)
Dividends paid		-	(1 000)	(1 000)
Total transactions with owners		**(5 151)**	**(1 001)**	**(6 152)**
Net profit		-	53 666	53 666
Total comprehensive income		**-**	**53 666**	**53 666**
Balance at 31 December 2019		**272 253**	**344 701**	**616 954**
Transactions with owners:				
Dividends paid		-	(50 000)	(50 000)
Reduction of authorised capital	**10**	(132 100)	-	(132 100)
Total transactions with owners		**(132 100)**	**(50 000)**	**(182 100)**
Net profit		-	45 825	45 825
Total comprehensive income		**-**	**45 825**	**45 825**
Balance at 31 December 2020		**140 153**	**340 526**	**480 679**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

COMBINED STATEMENTS OF CASH FLOWS

	Notes	2020 EUR'000	2019 EUR'000
OPERATING ACTIVITIES			
Net profit (loss)		45 825	53 666
Adjustments for:			
Income tax expense		5 917	8 391
Depreciation and amortization		779	632
Write off and loss on disposal of PPE	**5**	(4)	(28)
(Profit) from sale of subsidiary		-	(1 605)
Valuation gain (loss) from investment property	**5,6**	(1 378)	(11 816)
Interest expense	**11**	3 488	2 802
Interest income		(838)	(1 758)
Operating cash flows before movements in working capital		**53 789**	**50 284**
(Increase)/decrease in trade, other receivables and other assets, and long-term receivables		202	(468)
Increase in inventories		5	65
Increase (decrease) in payables		3 661	(2 029)
Cash generated from operations		**57 657**	**47 852**
Interest paid		(3 467)	(3 003)
Income tax paid		(1 750)	(5 946)
Net cash generated from operating activities		**52 441**	**38 903**
INVESTING ACTIVITIES			
Acquisition of PPE, investment property and intangible assets	**5,6**	(3 320)	(37 566)
Disposal of subsidiaries		-	14 565
Loans granted		-	(149 000)
Repayments of loans granted		149 000	46 400
Interest received		1 455	1 239
Net cash generated from (used in) investing activities		**147 135**	**(124 362)**
FINANCING ACTIVITIES			
Decrease of share capital		(132 100)	(5 152)
Dividends paid	**10**	(50 000)	(1 000)
Proceeds from borrowings		15 000	170 397
Repayments of borrowings		(29 419)	(60 941)
Net cash generated from (used in) financing activities		**(196 519)**	**103 304**
Net increase/(decrease) in cash and cash equivalents		**3 058**	**17 845**
Cash and cash equivalents at the beginning of the period		53 682	35 837
Cash and cash equivalents at the end of the year		**56 740**	**53 682**

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and signed on 26th March 2021.

Lukas Matijošius	**Manfredas Dargužis**	**Gabrielė Saponaitė**
CEO of Akropolis Real Estate B.V.	CEO of Akropolis Group, UAB	CFO of Akropolis Group, UAB

1. CORPORATE AND OTHER INFORMATION

Akropolis Group, UAB was incorporated on 30 July 2011 in Lithuania as a limited liability company under the Companies Law of Lithuania. Its registered office is Ozo St. 25, Vilnius, Lithuania.

Akropolis Real Estate B.V. was incorporated on 20 March 2008 in the Netherlands as a limited liability company under the Companies Law of Netherlands. Its registered office is Claude Debussylaan 7, 1082MC Amsterdam, The Netherlands.

These two legal entities are hereinafter referred to as the "Companies". Historically, the Shopping and entertainment Centre business of UAB "Vilniaus Prekyba", the sole shareholder of each of the Companies, was organised by separating (a) the operating and management functions, undertaken by Akropolis Group, UAB and its subsidiaries from (b) the special purpose entities holding the real estate property of the shopping centres within Akropolis Real Estate B.V. and its subsidiaries. However, the operating and management companies and the asset holding companies are dependent upon each other and closely related. In addition, the Companies were always managed as a single business. All key management are employees of Akropolis Group, UAB and its subsidiaries. The CEO of Akropolis Group, UAB is also a director of Akropolis Real Estate B.V.

The purpose of the combined financial statements

These combined financial statements for Akropolis Real Estate B.V. and Akropolis Group, UAB, including all of their respective subsidiaries (together – the "Combined Group"), were prepared as of and for the years ended 31 December 2020 and 2019. The combined financial statements for the Combined Group have been prepared specifically for inclusion in the Prospectus for a bond offering (the "Transaction") and in the anticipation of the reorganisation as described below. Akropolis Group, UAB will be the Issuer whereas Aido Turtas, UAB, Ozo Turtas, UAB, Taikos Turtas, UAB and SIA "M257", subsidiaries of Akropolis Real Estate B.V., will be the Guarantors for the Transaction.

The Combined Group does not yet represent a group as defined in IFRS 10 'Consolidated financial statements' as the group will be formed after the completion of the reorganisation. The Combined Group is undergoing a change in corporate structure whereby Akropolis Real Estate B.V. and all of its subsidiaries will become subsidiaries of Akropolis Group, UAB (the "Reorganisation"). On 22 March 2021, before the combined financial statements were authorised for issue, UAB "Vilniaus Prekyba", the sole shareholder of Akropolis Group, UAB and Akropolis Real Estate B.V., adopted a decision to increase the share capital of Akropolis Group, UAB by non-monetary contribution of the shareholder, namely, the payment of the subscription price of the newly issued shares in Akropolis Group, UAB will be performed by transferring ownership of 100% of the shares in Akropolis Real Estate B.V. from UAB "Vilniaus Prekyba" to Akropolis Group, UAB. Shares in Akropolis Real Estate B.V. were transferred to the ownership of Akropolis Group, UAB by notarial deed on 24 March 2021. The Combined Group is currently performing necessary registrations and other formal actions to finalize the Reorganisation. The said actions are expected to be completed in early April 2021. The Reorganisation represents the critical step in the finalisation of the Transaction. The Transaction can only be finalised in its intended form subject to the completion of the Reorganisation.

The combined financial statements do not constitute statutory accounts of either of the Companies. IFRS does not prescribe how to prepare combined financial statements, however, the Conceptual Framework to IFRS envisages that the reporting entity might comprise two or more entities that are not all linked by a parent-subsidiary relationship. In this case the reporting entity's financial statements are referred to as 'combined financial statements'. The Conceptual Framework to IFRS provides some guidance to determine the boundary of the reporting entity. The combined financial statements of the Issuer for years ended 31 December 2019 and 2020 will not be considered pro forma financial information because of the following:

- Both of the Companies were controlled by UAB "Vilniaus Prekyba" for the whole period covered by the combined financial statements.
- No change in control occurred over any of these entities during the period covered by the combined financial statements.
- No business combinations occurred during the period covered by the combined financial statements.
- No pro forma adjustments are included in the combined financial statements.
- The combined financial statements include all notes and disclosures required by IFRS.
- Preparation of combined financial statements does not contradict with the IFRS Conceptual Framework and is often used by companies in merger or spin-off transactions to represent full financial information of the group before the restructuring or other changes in the legal structure.

Going forward, Akropolis Group, UAB will issue its first consolidated financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by EU") for the year ended 31 December 2021. The Reorganisation, expected to be completed in April 2021, with Akropolis Real Estate B.V. and all of its subsidiaries becoming subsidiaries of Akropolis Group, UAB, is a business combination under common control. The accounting for common control transactions is not prescribed by IFRS. One of the acceptable methods to account for such transactions, which is planned to be used by Akropolis Group, UAB, is to apply the predecessor values method (the historical carrying values from the combining businesses) in the consolidated financial statements of Akropolis Group, UAB for the year ended 31 December 2021, with the retrospective presentation approach. Under this approach, the consolidated financial statements of Akropolis Group, UAB will be presented as if the businesses have been combined from the beginning of the earliest period presented because they were under common control as of that date. Specifically, the consolidated financial statements of Akropolis Group, UAB for the year ended 31 December 2021 will include the comparative financial information for the year ended 31 December 2020 which will be the same as reflected in these combined financial statements. For these reasons management considers the Combined Group to be acceptable reporting entity as defined by the Conceptual Framework to IFRS.

The composition of the Combined Group

The details of subsidiaries owned by the Companies are provided in the table below. the Combined Group's key area of operations includes the development of real estate owned by the Combined Group and its lease to tenants based on agreements. the Combined Group consists of the Companies and their directly and indirectly controlled subsidiaries.

As at 31 December 2020 and 31 December 2019 the sole shareholder of both of the Companies, owning 100% of shares, was UAB "Vilniaus Prekyba", company code 302608755, address Ozo str. 25, Vilnius. The ultimate parent entity is Metodika B.V., address: Amstelveenseweg 500, 1081 KL, Amsterdam, Kingdom of the Netherlands, operating in the Kingdom of the Netherlands. The ultimate controlling party is Mr. Nerijus Numa.

A separate set of consolidated financial statements under IFRS as adopted by EU at the level of UAB "Vilniaus Prekyba", the immediate parent of each of the Companies, is available, which also includes other entities controlled by UAB "Vilniaus Prekyba" (other than sub-groups of Akropolis Real Estate B.V. and Akropolis Group UAB).

As at 31 December 2020 and 2019 the Combined Group had no branches and representative offices.

As at 31 December 2020 and 2019 the Combined Group had 114 and 95 employees, respectively.

As at 31 December 2020 and 2019, the Companies directly or indirectly controlled the following subsidiaries:

Name	Country	Registered office address	Principal activity	Managed	Subsidiary of as at 31.12.2020	Ownership (Effective)	
						31.12.2020	31.12.2019
OZO TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
TAIKOS TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
AIDO TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
M257, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Directly	Akropolis Real Estate B.V	100%	100%
AKROPOLE RIGA, SIA	Latvia	Maskavas iela 257, Riga	Real estate management and development	Directly	Akropolis Group, UAB	100%	100%
VINGIO TURTAS UAB	Lithuania	Ozo St. 25, Vilnius	Land plots under development	Directly	Akropolis Real Estate B.V	100%	100%
NARVA KVP, OU	Estonia	Mustamäe tee 45, Tallinn, 10619	Land plots for future developments	Directly	Akropolis Real Estate B.V	100%	100%
BIRULIŠKIŲ TURTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Land plots for future developments	Directly	Akropolis Real Estate B.V	100%	100%
NIKOLA MUSHANOV PROJEKTAS, UAB	Lithuania	Ozo St. 25, Vilnius	Land plot	Indirectly	Akropolis Real Estate B.V	100%	100%
AKROPOLIS SOFIA, EOOD	Bulgaria	Nikola Mushanov blv. 151, Sofia	Real estate management and development	Directly	Disposed		100%
NM151, OOD	Bulgaria	Nikola Mushanov blv. 151, Sofia	Land plot	Directly	Disposed		100%

Statement of compliance

These combined financial statements have been prepared in accordance with IFRS as adopted by EU. IFRS as adopted by EU do not contain explicit guidance on the preparation of the combined financial statements and therefore it was necessary for the management to apply additional policies and judgements. The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been applied consistently during all periods presented. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies

in line with the Combined Group's accounting policies. The combined financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments which are measured at fair value.

These combined financial statements have been prepared on a going concern basis, which assumes that the Companies will continue its operations for at least one year period. Covid-19 pandemic related effect is disclosed in Note 22.

These combined financial statements are a continuation of previously prepared combined financial statements with the most recent combined financial statements available as of and for the year ended 31 December 2016.

Basis of combination and consolidation

The Companies are sister entities under common control of UAB "Vilniaus Prekyba". There is no holding entity over the Combined Group which includes two sub-groups headed by Akropolis Real Estate B.V. and Akropolis Group UAB. Combination of these sub-groups is the only way to present the financial position and results of the sub-groups engaged in the real estate related activities. For the purpose of preparation of the consolidated financial statements of UAB "Vilniaus Prekyba", sub-group Akropolis Real Estate B.V. and sub-group Akropolis Group UAB prepared sub-consolidation which was used for the preparation of these combined financial statements.

The combined financial statements comprise the financial statements of the Companies and their subsidiaries as at 31 December 2020 and 2019 and for the years then ended. The sub-consolidation accounts of sub-group Akropolis Real Estate B.V. and of sub-group Akropolis Group UAB are combined by adding up the respective line items – assets, liabilities, parent company investment, income and expenses. The balances and transactions between the entities in each sub-holding and between the sub-holdings are eliminated. The combined financial statements are presented from the economic entity perspective, therefore, no amounts are attributed to the non-controlling interests (if any).

the Combined Group is not a separate legal entity and has no share capital and reserves in its own right. Any equity represents the parent's net investment in the Combined Group and is labelled as 'parent company investment' in the combined financial statements. Earnings per share are not presented because the combined financial statements do not have legal share capital and it is not possible to measure earnings per share.

Subsidiaries are consolidated within each sub-group and included in the combined financial statements from the date of acquisition, being the date on which the sub-group obtains control, and continue to be consolidated and included in the combined financial statements until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are consolidated and included in the combined financial statements from the date the sub-group gains control until the date the sub-group ceases to control the subsidiary.

Control is achieved when the sub-group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the sub-group controls an investee if, and only if, it has:

a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
b) Exposure, or rights, to variable returns from its involvement with the investee
c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the sub-Group has less than a majority of the voting or similar rights of an investee, the sub-group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee
b) Rights arising from other contractual arrangements
c) The sub-group's voting rights and potential voting rights

The sub-group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the sub-group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the Companies using consistent accounting policies. There are no any significant restrictions on the ability of the subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances, except credit agreements with the credit institutions, according to which advance written bank permission is required.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Presentation currency

These financial statements are presented in a common currency of the European Union – the euro.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Combined Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Combined Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Combined Group obtains complete information about facts and circumstances that existed as at the acquisition date – and is subject to a maximum of one year.

Revenue recognition

The Combined Group generates revenue mostly from lease of investment property, as disclosed in Note 1. In addition to lease, the Combined Group provides utility, repair and similar services, and other services relating to the activities of the shopping centres.

Rental income
Rental income is recognised in a manner that is described in section 'Leases' below. When a lease contract includes elements of service, the Combined Group assesses whether the individual elements of service are separate services promised to a customer in a contract (performance obligations), and revenue from such services is recognised as described below.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when a customer obtains control of service or good at the amount of consideration that the Combined Group expects to receive in exchange for that service or good. The Combined Group has determined that it acts as a principal when providing utility, repair and other services because:
- the Combined Group controls the specified good or service before that good or service is transferred to a customer;
- the Combined Group is responsible for fulfilling the promise to provide the services and is exposed to non-performance risk;
- the Combined Group has discretion, direct or indirect, in establishing the price for the specified good or service.

The Combined Group's management has also determined that generally the control of the specified services is transferred to a customer over time, and accordingly, the Combined Group satisfies the performance obligation and recognises revenue over time, because the customer simultaneously receives and consumes all of the benefits provided by the Combined Group as the Combined Group performs under a contract. Such revenue is recognised by measuring progress towards complete satisfaction of the performance obligation or by directly measuring the value of services transferred to a customer to date.

Revenue from unused *Akropolis* gift vouchers
The Company has signed the agreement with the suppliers on the distribution and administration of *Akropolis* gift vouchers. At the distribution locations of gift vouchers customers can acquire gift vouchers of different denominations which can be used instead of money to pay for goods at any store of the *Akropolis* shopping centres. Gift vouchers have a limited period of validity, i.e. they are valid for 12 months from the date of acquisition. Based on the Company's management judgement, unused gift vouchers that have already expired and that were acquired earlier than during the previous year are recognised as revenue earned by the Company. Such revenue is recognised using the agency accounting policies because:
- the Company does not assume the main responsibility for the services rendered;
- the Company has no discretion, direct or indirect, in establishing the prices.

Contract balances

Contract assets - accrued revenue
A contract asset is the right to consideration in exchange for the services provided to a customer. If the Combined Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised at an amount equal to the earned consideration that is conditional.

Trade receivables
A trade receivable represents the Combined Group's right to the earned consideration that is unconditional (i.e. consideration becomes payable, without any exceptions, upon the agreed deadline). See the accounting policy for financial assets.

Contract liabilities - advance amounts received
A contract liability is the obligation to provide services to a customer in exchange for consideration received (receivable) by the Combined Group from a customer. If a customer pays consideration before the Combined Group provides the services, a contract liability is recognised when the payment is received. A contract liability is recognised as revenue when the Combined Group satisfies the performance obligation contained in a contract.

In case of income from other activities received for unused *Akropolis* gift vouchers, a contract liability, i.e. funds received for the sale of gift vouchers that need to be transferred to the distributor of gift vouchers, is accounted for in the statement of financial position as other amounts payable.

In view of the Combined Group's business model, the management has not made any other significant accounting judgements, estimates or assumptions related to revenue from contracts with customers other than those described in this note, because there were no complex multicomponent goods or services, variable consideration, financing components, contract costs or amounts payable to customers.

Interest Income
Interest income is recognized on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend Income
Dividend income is recognized when the shareholders' rights to receive payment have been established.

Leases

Lease is recognised as finance lease when substantially all the risks and rewards of ownership of the assets are transferred under the lease terms and conditions. An operating lease is a lease other than a finance lease.

The Combined Group as a lessor

Operating lease
Rental income from operating lease is recognised on a straight-line basis over the lease period. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised over the lease term.

Discounts/temporary rent reductions are treated as the Combined Group's incentives used to retain the tenants under operating lease. The Combined Group recognises accumulated incentive costs on a straight-line basis as a reduction of rental income over the operating lease period.

Deposits from tenants
Liabilities for the deposits from tenants are initially recognised at fair value and subsequently measured at amortised cost, if material.

Depending on the lease contract term, the deposits from tenants are classified as either non-current or current. Advance amounts received under indefinite term contracts or contracts with validity term less than 12 months are classified as current liabilities, whereas advance amounts received under any other contracts are classified as non-current liabilities.

The Combined Group as a lessee

Leases previously accounted for as operating leases
The Combined Group adopted IFRS 16 from 1 January 2019. The Combined Group recognised right-of-use assets and lease liabilities for all leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use assets
The Combined Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

Lease liabilities
At the commencement date of the lease, the Combined Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur. In calculating the present value of lease payments, the Combined Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the variable lease payments that depend on an index or a rate or there is a change in the lease term.

Short-term leases and leases of low-value assets
The Combined Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The exemption is also applied to leases of office space and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Foreign currencies

Functional and presentation currency
The individual financial statements of each Combined Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in EUR, which is functional currency of all but Bulgarian Group companies.

At the reporting date, The Combined Group's all foreign subsidiaries conducted transactions mostly in euros.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Exchange differences arising on transactions in foreign currencies are included in the profit or loss in the statement of comprehensive income when incurred. Gains and losses resulting from the translation of monetary assets or liabilities denominated in foreign currencies are included in the statement of comprehensive income for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The Combined Group companies
On combination, the assets and liabilities of the Combined Group's foreign operations are translated into EUR at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized as income or as expenses in the period in which the operation is disposed of or control over a foreign operation is lost.

As at 31 December following rates for the principal foreign currencies were used:

	31 December 2020 (EUR)	31 December 2019 (EUR)
BGN	0.5113	0.5113

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Interest paid on borrowings related to investment property acquisition are presented under operating activities in statement of cash flows.

Income tax
Income tax expense represents the sum of the current tax and deferred income tax expenses.

Current income tax
Current year income tax expenses are calculated on current year profit, as adjusted for certain non-deductible expenses/non-taxable income. The tax rate used to calculate the income tax expenses is a tax rate effective at the date of preparation of the financial statements.

Effective corporate income tax rates that have been applied in calculation of current income tax:

	2020	2019
Lithuania	15%	15%
Latvia*	25%	25%
Estonia*	25%	25%
Bulgaria	10%	10%
Netherlands	20%	20%

*The taxation of corporate profits in Latvia and Estonia is postponed until those profits are distributed as dividends. All undistributed corporate profits are not taxed and effective corporate income tax is therefore 0%.

Deferred income tax
Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised on temporary tax differences, except to the extent the Combined Group is able to control the timing of the reversal of temporary differences associated with investments in subsidiaries, and it is probable that the reversal will not occur in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the Combined Group's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxing authority, and when the Combined Group intends to settle the amounts of current tax assets and current tax liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is included in profit or loss for the period, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case it is also recognised in other comprehensive income/equity, or it arose from initial recognition of the business combination.

In Lithuania, tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes the activities that have caused the occurrence of such losses, except when the company does not continue its activities due to the reasons that are beyond its control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce profit earned from the transactions of the same nature. With effect from 1 January 2014, based on the Law on Corporate Income Tax of the Republic of Lithuania, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

With effect from 1 January 2010, based on the Law on Corporate Income Tax of the Republic of Lithuania, a group entity may transfer tax losses (or a part thereof) calculated for the tax period to another group entity, which in turn has a right to deduct the transferred losses from the amount of taxable profit calculated for the tax period in respect of which the losses (or a part thereof) transferred by another group entity were calculated.

Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses. The acquisition cost includes replacement costs of a part of property, plant and equipment when incurred and when these costs meet the recognition criteria. When a significant part of property, plant and equipment needs to be replaced at the specific time intervals, the Combined Group depreciates such property separately based on its useful life. Accordingly, when major repairs are carried out, such repair costs are recognised in the statement of financial position as an improvement to property, plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss for the period when incurred.

Depreciation is calculated each month on a straight-line basis over the entire useful life of the asset using the average estimated useful lives of property, plant and equipment, as follows:

Buildings	20 years
Equipment and other assets	3 – 6 years

All items of assets with the useful life longer than one year are capitalised. Gains or losses on disposal or write-off of property, plant and equipment are determined by reference to the proceeds from disposal less the carrying amount of the asset concerned, and the result is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation and property under construction which will be held to earn rentals and/or for capital appreciation. Property held under an operating lease is classified as investment property when the definition of an investment property is met. Investment property comprises principally retail property and offices that are not occupied substantially for use by, or in the operations of, the Combined Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Such property is initially measured at cost including any transaction costs and then is carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Fair value of investment property is reviewed at each reporting date, gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income for the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. Repair costs related to investment property reported at fair value are recognised as expenses in the period in which they are incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with view to sale. For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Combined Group as an owner occupied property becomes an investment property, the Combined Group accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use.

For evaluation of the Combined Group's property, the following methods were used: the operating income (income capitalisation or discounted cash flow) approach for evaluation of income-generating investment property and the sales comparison approach for evaluation of investment property under construction and vacant land plots.

The operating income (income capitalisation or discounted cash flow) approach is normally applied to establish the value of income-generating properties to be acquired by an investor. This approach also relies on market data that are used to determine the current economical volumes of rent rates and expenses that form the basis of the estimated net income. Depending on the purpose of the property, the specifics of its operation and the character of cash flow as well as the typical expectations of buyers and sellers on the market, the appraiser may adopt the capitalisation approach to value. Under the direct capitalisation approach, the value of assets is calculated by dividing the net income (profit) by a capitalisation rate. When the discounted cash flow approach is applied, the value of the property is calculated by summing up the present values of future cash flows, discounted at a discount rate. Both the direct capitalisation and the discounted cash flow approach are used to determine the market value. Using the operating income (income capitalisation or discounted cash flow) approach to value, first of all, one must consider the overall income, from which the respective amounts are subtracted considering the losses for vacancies and levies, expenses and provisions. The resulting net income is capitalised or discounted at a specific rate, which is proportional to the risks related to the title to the property. According to the direct capitalisation approach, the income and expenses on one year are stabilized and the earned net operating revenues are capitalised according to a coefficient or a return rate proportional to the risk related to the ownership of the property under valuation. When capitalising the revenue under this method, account shall be taken of the competitive return offered by the alternative instruments of investment into immovable or other property. The underlying assumption of the method is based on the assumption that the forecast cash flow will be generated for a

unlimited period of time, however, this statement normally does not apply in case of compound investment into real estate. Group's income-generating properties for financial statements preparation purposes were valued using the discounted cash flow method.

Investment property under construction and vacant land plots are valued using sales comparison approach. Sales comparison approach relies on search for recent sales transactions involving comparable property and analysis of data related to the subject property. This approach is based on the price paid in actual market transactions over comparable properties to derive the market price of the subject property. This property valuation approach relies on data on fully comparable sales transactions concluded over a relatively long period of time that reflect the market conditions related to the subject property. Applying the sales comparison approach to value, the data interrelation allows determining the value of the subject property considering certain adjustments in view of the physical and economical characteristics of the property.

In 2020 the valuation of the investment property was carried out by independent property appraiser CPB Real Estate Services SIA (CBRE Baltics). The valuations have been prepared in accordance with the RICS 2020 Valuation – Professional Standards global, Lithuanian Valuation Law as well as International Valuation Standards IVS 2020 and European Valuation Standards EVS 2020. In 2019 the valuation of the investment property was carried out by independent property appraisers Kinnisvaraekspert, OU (DTZ Baltic) and Ober Haus Vertešanas Serviss SIA (Ober Haus). The valuation results were reflected in the financial statements as at 31 December 2020 and 2019 (Note 6).

Income-generating investment properties	2020	2019
Exit yields	7.0 - 7.8%	7.0 - 7.8%
Discount rates	8.4 – 8.7%	8.0 - 9.4%

Significant increase (decrease) in the discount rate and/or exit yield would lead to a significant decrease (increase) in the fair value of investment property.

Impairment of property, plant and equipment and intangible assets except for goodwill

At each reporting date the Combined Group reviews the net book amount of its property, plant and equipment and intangible assets to assess whether there is an indication that an asset may be impaired. If any such indication exists, the Combined Group estimates the asset's recoverable amount to assess impairment, if any. When the fair value of the asset cannot be estimated, the Combined Group calculates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. 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.

When the calculated recoverable amount of an asset (or cash-generating unit) is lower than its net book amount, the net book amount is written down to the fair value of the asset (or cash-generating unit). Impairment losses are recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the net book amount of the asset (cash-generating unit) is increased to the re-estimated recoverable amount to the extent that such increase does not exceed the net book amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Any increase in the value of assets is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of costs or net realisable value. Costs are determined using FIFO method.

Cash and cash equivalents

Group's cash and cash equivalents in the statement of financial position and the statement of cash flows consist of cash in hand, demand deposits and short-term bank deposits with a maturity at inception date of three months or less. The cash and cash equivalents are measured at amortised cost and the carrying amount approximates their fair value.

Financial assets

Initial recognition and measurement
On initial recognition, financial assets are grouped into the following categories: those subsequently measured at amortised cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Combined Group's business model for managing the financial assets. Except for trade receivables that do not contain a significant financing component, the Combined Group initially recognises financial assets at fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed individually for each financial instrument.

The Combined Group's business model for managing financial assets indicates how the Combined Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Combined Group commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Combined Group measures its financial assets:

a) at amortised cost (debt financial instruments);
b) at fair value through other comprehensive income, when accumulated gain or loss is transferred to profit or loss upon derecognition (debt financial instruments); As at 31 December 2020 and 2019, the Combined Group had no such financial instruments;
c) at fair value through other comprehensive income, when accumulated gain or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Combined Group had no such financial instruments;
d) at fair value through profit or loss. As at 31 December 2020 and 2019, the Combined Group had no such financial instruments.

Financial assets measured at amortised cost (debt financial instruments)

The Combined Group classifies its financial assets as measured at amortised cost only if both of the following criteria are met:

a) the financial asset is held within a business model whose objective is to collect the contractual cash flows; and
b) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or identified as impaired.

The Combined Group's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets from contracts with customers (if any).

Impairment of financial assets
According to IFRS 9, the Combined Group recognises expected credit losses (ECLs) for all debt financial instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Combined Group expects to receive, discounted at the original effective interest rate.

(a) Assessment of impairment of trade receivables

For trade receivables and contract assets, the Combined Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The expected loss rates are based on the historical information about the delayed payments by customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include: (1) changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics), (2) external market indicators, (3) customers' base.

Trade receivables are written off when they meet both of the following criteria are met: (1) receivables are past due more than a year and (2) the recovery is impossible.

(b) Assessment of impairment of loans granted

The Combined Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Combined Group follows a three-stage model for impairment for financial assets other than trade receivables and contract assets:

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

The financial assets are considered as credit-impaired, if objective evidence of impairment exist at the reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization.

Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indicators 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 derecognized when they are assessed as uncollectible.

Financial liabilities

Initial recognition and measurement
On initial recognition, financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss, borrowings, and amounts payable. All financial liabilities are initially recognised at fair value, less directly attributable transactions costs in case of borrowings and amounts payable. The Combined Group's financial liabilities include trade and other payables, borrowings, including lease liabilities.

Subsequent measurement of borrowings and other amounts payable
After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses, as well as interest expenses, are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. The amortised cost is calculated by reference to the discount or premium on acquisition, as well as costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and recognised as net amount in the statement of financial position when there is an enforceable right to offset the reported amounts and when there is an intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Combined Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Combined Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Combined Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Combined Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Combined Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Provisions

Provisions are recognized when the Combined Group has a present obligation (legal and constructive) as a result of a past event, 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. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Combined Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Effective interest method

The effective interest rate method is used to calculate the amortised cost of financial assets or financial liabilities and allocate interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Combined Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Combined Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Combined Group's finance department includes a team that organizes process of the valuations of land and buildings required for financial reporting purposes, including levels 2 and 3 fair values. On an annual basis, the Combined Group engages external, independent and qualified valuators to determine the fair value of the Combined Group's land and buildings. As at 31 December 2020, the fair values of the land and buildings have been determined by the independent appraisers CBRE Baltic.

The external valuations of the level 3 land and buildings have been performed using an income approach whilst partially using unobservable inputs. The external valuator, in discussion with the Combined Group's internal valuation team, has determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and real estate market in the corresponding national economy. The external valuations of the level 2 land and construction in progress have been performed using a sales comparison approach, using the data from similar properties traded on the sales market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Combined Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Combined Group's management performs the valuations at each reporting date. For the purpose of fair value disclosures, the Combined Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Related parties

A party is related to an entity if:

a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the entity that gives it significant influence over the entity; or has joint control over the entity;
b) the party is an associate of the entity;
c) the party is a joint venture in which the entity is a venturer;
d) the party is a member of the key management personnel of the entity or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Events after the reporting period

Subsequent events that provide additional information about the Combined Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

Rounding

Due to rounding the numbers in these consolidated financial statements may not sum up.

Critical accounting estimates and judgements

In applying the accounting policies, management needs to make estimates, exercise professional judgement and use assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the related assumptions are based on past experience and other directly related factors. The actual results may differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both current and future periods. The areas of these financial statements that involve the use of accounting estimates are fair values of investment property (Note 6).

3. ADOPTION OF NEW AND/OR AMENDED IFRS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Combined Group as of 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The adoption of these amendments had no significant impact on the Combined Group's financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The adoption of these amendments had no impact on the Combined Group's financial statements.

Standards approved but not yet effective

The Combined Group has not adopted the following newly approved but not yet effective standards:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The adoption of the standard is not expected to have a significant impact on the Combined Group.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. These amendments have not yet been adopted by the EU. The Combined Group has not yet assessed the impact of the adoption of these amendments.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been adopted by the EU. The adoption of the standard is not expected to have a significant impact on the Combined Group.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Combined Group is currently assessing the impact of these amendments on its financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Combined Group is currently assessing the impact of these amendments on its financial statements.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments. The Combined Group is currently assessing the impact of these amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Combined Group is currently assessing the impact of these amendments on its financial statements

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform. The Combined Group is currently assessing the impact of these amendments on its financial statements

The Combined Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU. Other new standards and amendments that have not yet been endorsed by the EU are not relevant for the Combined Group.

4. SEGMENT INFORMATION

The CEO of Akropolis Group, UAB and the Board of Directors of the Akropolis Group, UAB, acting in accordance with their authorizations established in the Articles of Association, are the Chief Operating Decision Maker in the Combined Group. Segments are defined based on how the Board monitors operating results of the Combined Group's business units for the purpose of making decisions about resource allocation and performance assessment. The Combined Group's operations are organised and monitored by the Board by four segments, which represent each revenue generating investment property:

- Ozo Turtas, UAB (Vilniaus Akropolis)
- Taikos Turtas, UAB (Klaipėdos Akropolis)
- Aido Turtas, UAB (Šiaulių Akropolis)
- M257, SIA (Akropole Riga)

Country and asset performance is evaluated based on revenue, EBITDA and net profit. EBITDA is one of the key indicators for the Chief Operating Decision Maker in financing, investment and other decision making. EBITDA is a non-IFRS measure, which is calculated by adjusting net profit by adding back costs and eliminating income from income tax expenses, depreciation and amortisation, finance income and costs, impairment and write-off of property, plant and equipment, investment properties and intangible assets, gain or loss from revaluation of investment property and profit from disposal of subsidiaries. Same measure was applied for both years. The Chief Operating Decision Maker does not analyse assets and liabilities by segments.

Accounting policies used for segments are the same as the accounting policies used in the preparation of the consolidated financial statements. "Adjustments" column reflects eliminations of intercompany transactions upon consolidation, together with the results of all other Group companies that are deemed insignificant to show as a separated segment. This also includes land revaluation (other than revenue generating investment properties) effect of EUR 5 137 thousand as of 31 December 2020 (EUR 352 thousand as of 31 December 2019). IFRS 16 lease modification adjustments are reflected in "Lease incentive impact" column:

Year ended 31 December 2020 (EUR'000)	**Vilniaus Akropolis, Lithuania**	**Klaipėdos Akropolis, Lithuania**	**Šiaulių Akropolis, Lithuania**	**Akropole Riga, Latvia**	**Adjust-ments**	**Total before IFRS16**	**Lease incentive impact**	**The Combined Group**
Gross Leasable Area (GLA)	**94 783**	**60 643**	**36 048**	**70 874**				
Revenue	**27 702**	**18 898**	**9 246**	**17 622**	**31**	**73 499**	**3 729**	**77 229**
Rent income	20 106	13 437	6 047	12 279	(26)	51 843	3 729	55 572
Additional fees income	6 966	5 103	3 014	4 777	(197)	19 664	-	19 664
Other income	630	358	185	565	254	1 992	-	1 992
Property operating expenses	(7 482)	(5 582)	(3 483)	(6 580)	(261)	(23 388)	-	(23 435)
EBITDA	**20 220**	**13 317**	**5 763**	**11 042**	**(230)**	**50 112**	**3 729**	**53 841**
NET PROFIT (LOSS)	**21 002**	**11 270**	**1 750**	**5 528**	**6 275**	**45 825**	**-**	**45 825**

Year ended 31 December 2019 (EUR'000)	**Vilniaus Akropolis, Lithuania**	**Klaipėdos Akropolis, Lithuania**	**Šiaulių Akropolis, Lithuania**	**Akropole Riga, Latvia**	**Adjust-ments**	**Total before IFRS16**	**Lease incentive impact**	**The Combined Group**
Gross Leasable Area (GLA)	**94 783**	**60 643**	**36 048**	**70 874**				
Revenue	**29 612**	**21 156**	**10 188**	**15 401**	**658**	**77 014**	**-**	**77 014**
Rent income	21 017	14 783	6 558	9 789	(243)	51 905	-	51 905
Additional fees income	7 790	5 922	3 405	3 761	(86)	20 792	-	20 792
Other income	805	450	225	1 851	987	4 317	-	4 317
Property operating expenses	(8 168)	(5 766)	(3 645)	(7 730)	(1 186)	(26 495)	-	(26 495)
EBITDA	**21 444**	**15 389**	**6 543**	**7 671**	**(527)**	**50 520**	**-**	**50 520**
NET PROFIT (LOSS)	**18 151**	**15 961**	**5 789**	**13 263**	**502**	**53 666**	**-**	**53 666**

Tables below present reconciliation of EBITDA to the net profit for the years ended 31 December 2020 and 31 December 2019:

Year ended 31 December 2020 (EUR'000)	**Vilniaus Akropolis, Lithuania**	**Klaipėdos Akropolis, Lithuania**	**Šiaulių Akropolis, Lithuania**	**Akropole Riga, Latvia**	**Adjust-ments**	**Lease incentive impact**	**The Combined Group**
EBITDA	**20 220**	**13 317**	**5 763**	**11 042**	**(230)**	**3 729**	**53 841**
Valuation gain (loss) from investment property	6 567	285	(3 521)	(3 775)	5 551	(3 729)	1 378
Interest income	691	73	33	-	41	-	838
Depreciation and amortization	(249)	(100)	(22)	(97)	(311)	-	(779)
Interest expense	(2 383)	(275)	(146)	(676)	(8)	-	(3 488)
Income tax expense	(3 700)	(1 992)	(304)	(906)	985	-	(5 917)
Other	(144)	(38)	(53)	(60)	247	-	(48)
NET PROFIT (LOSS)	**21 002**	**11 270**	**1 750**	**5 528**	**6 275**	**-**	**45 825**

Year ended 31 December 2019 (EUR'000)	**Vilniaus Akropolis, Lithuania**	**Klaipėdos Akropolis, Lithuania**	**Šiaulių Akropolis, Lithuania**	**Akropole Riga, Latvia**	**Adjust-ments**	**Lease incentive impact**	**The Combined Group**
EBITDA	**21 444**	**15 389**	**6 543**	**7 671**	**(527)**	**-**	**50 520**
Valuation gain (loss) from investment property	682	3 438	289	6 426	981	-	11 816
Interest income	1 461	190	89	-	18	-	1 758
Depreciation and amortization	(158)	(65)	(21)	(64)	(325)	-	(633)
Interest expense	(1 786)	(225)	(90)	(694)	(7)	-	(2 802)
Income tax expense	(3 093)	(2 797)	(1 020)	-	(1 481)	-	(8 391)
Other	(399)	31	(1)	(76)	1 843	-	1 398
NET PROFIT (LOSS)	**18 151**	**15 961**	**5 789**	**13 263**	**502**	**-**	**53 666**

5. PROPERTY, PLANT AND EQUIPMENT

As at 31 December the property, plant and equipment consisted of the following:

	Property, plant and equipment
	EUR'000
Carrying amount as of 31 December 2018	471
Additions	995
Reclassifications (to) from investment property	(7)
Disposals and write offs	(28)
Depreciation	(315)
Carrying amount as of 31 December 2019	**1 116**
At 31 December 2019	
Acquisition cost	5 148
Accumulated depreciation and impairment	(4 032)
Carrying amount as of 31 December 2019	**1 116**
Carrying amount as of 31 December 2019	1 116
Additions	282
Reclassifications (to) from investment property	13
Disposals and write offs	(4)
Depreciation	(423)
Carrying amount as of 31 December 2020	**983**
At 31 December 2020	
Acquisition cost	5 160
Accumulated depreciation and impairment	(4 177)
Carrying amount as of 31 December 2020	**983**

As at 31 December 2020 and 2019 property, plant and equipment (hereafter - PPE) consists majorly of equipment, tools and instruments.

As at 31 December 2020 the property, plant and equipment of the revenue generating investment properties under the Combined Group with the carrying amount of EUR 912 thousand (as at 2019 – EUR 1.045 thousand) was pledged to bank under loan agreements (note 11).

6. INVESTMENT PROPERTY

As at 31 December the investment property consisted of the following:

	Land	Buildings	Total
	EUR'000	EUR'000	EUR'000
At 31 December 2018	59 059	697 080	756 139
Additions	2 003	34 568	36 571
Disposal of subsidiary	(12 832)	(141)	(12 973)
Reclassifications (to) from PPE	-	7	7
Fair value gain	647	11 169	11 816
Market value per external valuation report	**48 876**	**742 684**	**791 560**
Lease incentive impact	-	-	-
Fair value as at 31 December 2019	**48 876**	**742 684**	**791 560**
Other acquisitions of property			
Additions	-	3 038	3 038
Reclassifications (to) from PPE	110	(123)	(13)
Fair value gain	6 257	6 982	13 239
Fair value loss	(1 120)	(7 011)	(8 131)
Market value per external valuation report	**54 123**	**745 571**	**799 693**
Lease incentive impact	-	(3 729)	(3 729)
Fair value as at 31 December 2020	**54 123**	**741 841**	**795 964**

As at 31 December 2020 and 2019 investment property consists of four operating commercial properties, three land plots and a property under construction held for capital appreciation or future rental income. The Combined Group's investment properties are measured at fair value.

As at 31 December 2020 the investment property of the revenue generating investment properties under the Combined Group with the carrying amount of EUR 770.088 thousand (31 December 2019 – EUR 768.055 thousand) was pledged to banks under loan agreements (note 11).

Fair value hierarchy
To provide an indication about the reliability of the inputs used in determining fair value, the Combined Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

There were no transfers between Levels 1, 2 or 3 during 2020 and 2019.

31 December 2020	**Level 1 (EUR'000)**	**Level 2 (EUR'000)**	**Level 3 (EUR'000)**	**Total (EUR'000)**
Shopping centre Vilniaus Akropolis	-	-	309 000	309 000
Shopping centre Klaipėdos Akropolis	-	-	196 000	196 000
Shopping centre Siaulių Akropolis	-	-	74 000	74 000
Shopping centre Riga Akropole	-	-	192 000	192 000
Land plot Vilnius	-	25 000	-	25 000
Land plot Kaunas	-	3 300	-	3 300
Land plot Šiauliai	-	320	-	320
Land plot Narva	-	1 000	-	1 000
Market value per external valuation report	**-**	**29 620**	**771 000**	**800 620**
Lease incentive impact	-	-	(3 729)	(3 729)
PPE elimination	-	-	(927)	(927)
Total	**-**	**29 620**	**766 344**	**795 964**

31 December 2019	Level 1 (EUR'000)	Level 2 (EUR'000)	Level 3 (EUR'000)	Total (EUR'000)
Shopping centre Vilniaus Akropolis	-	-	300 600	300 600
Shopping centre Klaipėdos Akropolis	-	-	195 500	195 500
Shopping centre Šiaulių Akropolis	-	-	77 500	77 500
Shopping centre Riga Akropole	-	-	195 500	195 500
Land plot Vilnius	-	17 900	-	17 900
Land plot Kaunas	-	3 070	-	3 070
Land plot Šiauliai	-	430	-	430
Land plot Narva	-	2 120	-	2 120
Market value per external valuation report	**-**	**23 520**	**769 100**	**792 620**
Lease incentive impact	-	-	-	-
PPE elimination	-	-	(1 060)	(1 060)
Total	**-**	**23 520**	**768 040**	**791 560**

For all Level 3 investment properties valued EUR 771 000 thousand as at 31 December 2020 (as at 31 December 2019: EUR 769 100 thousand), the valuation was determined using discounted cash flow (DCF) projections based on significant unobservable inputs. These inputs include:

- **Future rental cash inflows** based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- **Discount rates** reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- **Estimated vacancy rates** based on current and expected future market conditions after expiry of any current lease;
- **Maintenance costs** including necessary investments to maintain functionality of the property for its expected useful life;
- **Capitalisation rates** based on actual location, size and quality of the properties and taking into account market data at the valuation date; and
- **Terminal value** taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Sensitivity analysis

Presented below is the sensitivity analysis of the Level 3 fair value hierarchy investments market value and a value of associated PPE per external valuation report for changes in the exit yield and discount rate.

31 December 2020, EUR'000		Change in exit yield		
		-0,25%	0,00%	+0,25%
	-0,25%	798 500	783 200	770 000
Change in discount rate	0,00%	784 200	771 000	757 800
	+0,25%	771 000	757 800	745 600

31 December 2019, EUR'000		Change in exit yield		
		-0,25%	0,00%	+0,25%
	-0,25%	796 200	780 700	766 100
Change in discount rate	0,00%	784 200	769 100	754 800
	+0,25%	772 600	757 700	743 800

All the rental income earned as well as all direct operating expenses incurred by the Combined Group were attributable to the investment property. 20% of income is expected to be generated from related parties, as this is the current combined ratio in all four operating commercial properties as of 31 December 2020 (Note 18). Future minimum undiscounted rentals receivable under operating leases as at 31 December are, as follows:

	2020 (EUR'000)	2019 (EUR'000)
Within 1 year	51 083	54 319
Within 2 years	46 430	45 203
Within 3 years	41 331	41 330
Within 4 years	29 952	37 333
Within 5 years	21 311	27 238
After 5 years	84 826	91 755
Total	**274 933**	**297 178**

7. RIGHT-OF-USE ASSETS

The Companies have adopted new requirements of IFRS 16 from 1 January 2019 on a modified retrospective basis, therefore comparatives for the 2018 year have not been restated. In the previous periods separate Combined Group companies recognised assets and liabilities related to finance lease under IAS 17 Leases. The Combined Group leases a land plot and vehicles under operating lease contracts. Based on the management estimates, a term of 10 years has been established for the lease of land. Following the adoption of the provisions of IFRS 16, expenses for the lease of land is recognised in the balance sheet as right-of-use assets and lease liabilities. Payments for the lease of low-value office equipment are recognised as expenses on a straight-line basis over the lease term. As at 31 December 2018 and before, assets leased under operating leases in the Combined Group's activities were not capitalised, lease payments were recognised as lease expenses in the statement of comprehensive income on a straight-line basis over the lease term, whereas liabilities recognised as amounts payable were accounted for in the statement of financial position.

The statement of financial position shows the following amounts relating to leases:

Right of use assets	2020 (EUR'000)	2019 (EUR'000)
Land	221	314
Vehicles	114	56
Total	**335**	**369**

Lease liabilities	2020 (EUR'000)	2019 (EUR'000)
Current	64	69
Non-current	326	311
Total	**390**	**380**
Impact on equity as of 31 December	**(55)**	**(11)**

As at 31 December 2020, the statement of comprehensive income includes depreciation of right of use assets in the amount of EUR 83 thousand (as at 31 December 2019 – EUR 104 thousand).

8. TRADE, OTHER RECEIVABLES AND OTHER ASSETS

As at 31 December trade, other receivables and other assets consisted of the following:

	2020 EUR'000	2019 EUR'000
Trade accounts receivable	2 952	2 218
Trade accounts receivable from related parties (note 18)	424	295
Less: allowance for trade receivables impairment	(116)	-
Trade accounts receivable, net	**3 260**	**2 512**
VAT receivable	116	633
Taxes paid in advance	-	284
Prepayments	107	112
Deferred expenses, accrued income and other accounts	83	142
Total	**3 566**	**3 684**

Trade receivables of the Combined Group comprise of rent and service charge receivables that are non-interest bearing and are typically due within 30 days.

During 2020, the Combined Group provided tenants with EUR 5.3 million rental discounts, of which EUR 1.5 mln. was recognized in the statement of comprehensive income. Included within receivables, are lease incentive receivables of EUR 3.7 million (there were no such lease incentive receivables in 2019), split between long-term (EUR 2.5 million) and short-term (EUR 1.2 million) receivables.

The movement of allowance of trade receivables during the period was as follows:

	2020 EUR'000	2019 EUR'000
Allowances at the beginning of the period	-	(222)
Additions	116	-
Write-offs charged against the allowance accounts	-	222
Allowances as at 31 December	**116**	**-**

As at 31 December 2020, expected credit losses of EUR 116 thousand were recognised in relation to rent receivables. The main cause of the expected credit losses is the increased credit risk from local independent customers and global covid-19 pandemic. As at 31 December 2019, management estimates that ECL were insignificant and was therefore not accounted for.

Balances in the provision for impairment of receivables as at 31 December 2020 were, as follows:

	Not due	< 31 days	31–90 days	91–180 days	180-365 days	>365 days	Total
Expected credit loss rate	0,05%	0,05%	0,05%	49,54%	51,75%	76,65%	**3,43%**
Carrying amount (EUR'000)	1 255	1 346	554	126	85	10	**3 376**
Expected credit loss (EUR'000)	1	1	0	62	44	8	**116**
Net amount (EUR'000)	**1 255**	**1 345**	**553**	**64**	**41**	**2**	**3 260**

While loans granted are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial, as there were no cases of non-recovery or late payments of loans granted. As at 31 December 2019, all loans with the value of EUR 149 million were granted to the sole shareholder and subsequently repaid in 2020 (note 18).

Ageing of trade receivables amounts past due but not impaired:

	2020 EUR'000	2019 EUR'000
Not past due	1 255	2 003
Past due less than 30 days	1 345	290
Past due 31-60 days	436	19
Past due 61-90 days	118	79
Past due 91 days and more	107	121
Total	**3 260**	**2 512**

See note 19 on credit risk of trade receivables, which explains how the Combined Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

As at 31 December 2020 trade and other receivables with the carrying amount of EUR 1,753 thousand (31 December 2019 – EUR 1.910 thousand) were pledged to banks under loan agreements (note 11).

9. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents consisted of the following:

	2020 EUR'000	2019 EUR'000
Cash at bank	56 716	53 603
Cash on hand	4	21
Cash in transit	20	58
Total	**56 740**	**53 682**

As at 31 December 2020 cash in certain bank accounts and future cash inflows into these accounts with the carrying amount of EUR 27.874 thousand (31 December 2019 – EUR 25.372 thousand) were pledged to banks under loan agreements (note 11). Credit risk exposure is provided in note 19.

10. PARENT COMPANY INVESTMENT

As at 31 December 2020 and 2019 the parent company investment of the Combined Group comprised of ordinary registered shares of Akropolis Real Estate B.V, Akropolis Group UAB.

Akropolis Real Estate B.V	**2020**	**2019**
Number of shares (in thousands)	145 948	283 552
Par value of one share, EUR	0,96	0,96
Share capital (EUR'000)	**140 110**	**272 210**
Akropolis Group UAB	**2020**	**2019**
Number of shares (in thousands)	148	148
Par value of one share, EUR	0,29	0,29
Share capital (EUR'000)	**43**	**43**
Parent company investment (EUR'000)	**140 153**	**272 253**

In 2020 the authorised share capital of parent company Akropolis Real Estate B.V was decreased by annulling 137,604 thousand ordinary registered shares with a par value of EUR 0.96 that have voting rights in the general meeting of the Company and by disbursing funds to the shareholder in cash.

In 2019 the authorised share capital of parent company Akropolis Group, UAB was decreased by annulling 20,690 thousand ordinary registered shares with a par value of EUR 0.29 that have voting rights in the general meeting of the Company and by disbursing funds to the shareholder in cash.

In 2020, dividends paid to the shareholder by Akropolis Real Estate B.V amounted to EUR 50 million. In 2019, dividends paid to the shareholder by Akropolis Group UAB amounted to EUR 1 million.

11. BORROWINGS

In 2020 and 2019 all borrowings consisted only of bank loans.

As at 31 December 2020 and 2019 the Combined Group's bank loans were secured by the following collaterals:

- As at 31 December 2020 the Combined Group's property, plant and equipment with the carrying amount of EUR 912 thousand (EUR 1.045 thousand as at 31 December 2019) (note 5);
- As at 31 December 2020 the Combined Group's investment property with the carrying amount of EUR 770.088 thousand (EUR 768.055 thousand as at 31 December 2019) (note 6);
- As at 31 December 2020 the Combined Group's 2020 trade and other receivables with the carrying amount of EUR 1.753 thousand (EUR 1.910 thousand as at 31 December 2019) (note 8);
- As at 31 December 2020 the Combined Group's 2020 cash in certain bank accounts and future cash inflows into these accounts with the carrying amount of EUR 27.874 thousand (EUR 25.372 thousand as at 31 December 2019) (note 9);
- As at 31 December 2020 the Combined Group's 2020 other assets with the carrying amount of EUR 79 thousand (EUR 153 thousand as at 31 December 2019).

As at 31 December 2020 and 2019 all Combined Group's bank loans and other borrowings were denominated in Euros.

As at 31 December 2020 and 2019, the Combined Group's bank borrowings had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions. The Combined Group complied with the covenants (performance indicators) specified in the loan agreements as at 31 December 2020 and 2019. The Combined group's borrowings were as follows as at 31 December:

	2020 EUR'000	2019 EUR'000
At the beginning of the year	**281 868**	**172 404**
Proceeds from borrowings	15 000	170 397
Repayments of borrowings	(29 419)	(60 941)
Interest charged	3 465	3 011
Interest paid	(3 467)	(3 003)
At the end of the year	**267 447**	**281 868**

The Combined Group's net debt was as follows as at 31 December:

	2020 EUR'000	2019 EUR'000
Non-current borrowings	231 285	228 420
Current borrowings	36 162	53 448
(Less) Cash and cash equivalents	(56 740)	(53 682)
Net borrowings	**210 707**	**228 186**

12. TRADE AND OTHER PAYABLES

As at 31 December trade and other payables consisted of the following:

	2020 (EUR '000)	2019 (EUR '000)
Non-current advance amounts received	5 856	5 326
Other non-current amounts payable	3 409	71
Non-current amounts payable	**9 266**	**5 397**
Current advance amounts received	1 661	1 634
Trade payables	3 141	2 409
VAT payable	2 836	1 134
Real estate tax payable	189	369
Advance amounts received from, and trade and other amounts payable to related parties (Note 18)	88	95
Other amounts payable and accrued expenses	8 177	6 903
Current amounts payable	**16 092**	**12 544**
Total	**25 358**	**17 941**

Other payables and accrued expenses of the Combined Group as at 31 December 2020 and 2019 mainly comprise liability for gift vouchers issued.

Advance amounts paid by customers under the lease contracts are refunded upon expiry of validity of the contract. Classification into current and non-current depends on the validity term of the contract. As at 31 December 2020, non-current portion of advance amounts received was EUR 5.9 million and it was recorded within non-current advance amounts received (31 December 2019: EUR 5.3 million).

Trade payables are interest free and usually payments are due within 20 days. The same term is set for related parties' liabilities payments. Other payables are interest free and approximately due within 20 days.

13. SERVICE CHARGE EXPENSES

For the year ended 31 December service charge expenses by nature were as follows:

	2020 EUR'000	2019 EUR'000
Expenses of directly and indirectly sold utilities	**9 844**	**9 569**
Other indirect service charge expenses:		
Advertising and marketing expenses	3 976	5 027
Taxes (excluding income tax)	1 076	945
Employee costs (remuneration and related taxes)	976	1 448
Buildings repair and maintenance expenses	2 240	3 292
Depreciation and amortization	651	491
Transportation expenses	21	25
Professional fees	114	133
Telecommunication expenses	20	19
Other expenses	1 549	1 493
Total other indirect service charge expenses	**10 623**	**12 873**
Total	**20 467**	**22 442**

14. ADMINISTRATIVE EXPENSES

For the year ended 31 December general and administrative expenses by nature were as follows:

	2020 EUR'000	2019 EUR'000
Employee costs (remuneration and related taxes)	2 750	2 903
Advertising and marketing expenses	-	3
Professional fees	265	462
Allowance for receivable amounts (note 6)	128	148
Utilities	26	41
Low value short-term rent	49	48
Transportation expenses	12	18
Taxes (excluding income tax)	39	83
Depreciation and amortization	128	142
Telecommunication expenses	20	29
Other expenses	98	556
Total	**3 515**	**4 433**

Information about Directors remuneration is disclosed in note 18.

15. INCOME TAX EXPENSE

The following table presents calculation of income tax expense using local tax rate of 15% effective in reporting period:

	2020 EUR'000	2019 EUR'000
Profit (loss) before income tax	51 742	62 057
Income tax at the 15 % tax rate applicable to the Combined Group in Lithuania	7 761	9 309
Effect of income tax rate difference between countries	(965)	2
Tax effect of non-taxable income	(35)	(76)
Tax effect of non-deductible expenses	75	21
Utilisation of previously unrecognised tax losses	(3)	(82)
Reversal of Corporate Income Tax accrual	(1 094)	-
Effect of sale of investment property	-	(802)
Other	178	19
Income tax expense	**5 917**	**8 391**
Effective income tax rate	11,44%	13,52%

For the period ended 31 December income tax expense consisted of the following:

	2020 EUR'000	2019 EUR'000
Current income tax expense	3 134	7 196
Deferred income tax expense	2 783	1 195
Income tax expense	**5 917**	**8 391**

16. DEFERRED TAX (ASSET) LIABILITIES

For the year ended 31 December the changes in deferred tax liabilities were as follows:

	Depreciation and amortization	Revaluation of investment	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2018	32 023	47 730	670	80 423
Recognized in profit or loss	1 144	621	(670)	1 095
At 31 December 2019	**33 167**	**48 351**	**-**	**81 518**
Recognized in profit or loss	1 288	1 013	-	2 301
At 31 December 2020	**34 455**	**49 364**	**-**	**83 819**

For the year ended 31 December the changes in deferred tax asset were as follows:

	Provisions for vacation	Impairment of PPE	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2018	(200)	(492)	(1)	(693)
Recognized in profit or loss	50	50	-	100
At 31 December 2019	**(150)**	**(442)**	**(1)**	**(593)**
Recognized in profit or loss	-	442	40	482
At 31 December 2020	**(150)**	**-**	**39**	**(111)**

As at 31 December the balance of the deferred tax consisted of:

	2020 EUR'000	2019 EUR'000
Deferred tax asset	111	593
Deferred tax liability	(83 819)	(81 518)
Deferred tax liability, net	**(83 708)**	**(80 925)**

17. COMMITMENTS AND CONTINGENCIES

The Combined Group is currently involved in legal proceedings (two cases) related to the 2005-11-04 acquisition by Vingio Turtas, UAB of state-owned land that is the site of Akropolis Vingis. The validity of part of the state-owned land sale and purchase agreement (Agreement) is challenged due to an alleged breach of the claimants' rights of property restitution.

The National Land Service has adopted decisions favourable to Vingio Turtas, UAB. These decisions are currently being challenged in first instance administrative proceedings. The first instance civil case directly challenging the validity of part of the Agreement is suspended pending a decision in the administrative proceedings.

The Combined Group does not agree with the claimants' case and considers the possibility of satisfaction of the claims as low. The legal proceedings do not affect the Combined Group's rights over the Vingis site and development of Akropolis Vingis. In the event that the claimants were to prove successful, the Vingis site could be materially reduced in size, however, implementation of any potential award would be a highly complicated legal issue.

As at 31 December 2019, the Combined Group had no significant contingent liabilities.

18. RELATED PARTY TRANSACTIONS

During the year ended 31 December the related party transactions were as follows:

	2020 (EUR '000)	2019 (EUR '000)
Sales to:		
Shareholders	77	108
Affiliated companies	15 106	13 627
Total	**15 183**	**13 735**
Purchases from:		
Shareholders	85	183
Affiliated companies	798	772
Total	**882**	**955**
Interest income from:		
Shareholders	838	1 758
Total	**838**	**1 758**
Loans granted to:		
Shareholders	-	149 000
Total	**-**	**149 000**
Prepayments to and amounts receivable from:		
Shareholders	1	4
Affiliated companies	423	294
Lease incentives to affiliated companies	198	-
Total	**622**	**298**
Advance amounts received from and amounts payable to:		
Shareholders	6	18
Affiliated companies	143	114
Total	**149**	**132**

Sales to related parties mostly comprise of rent income and other services. Purchases from related parties include utility, consultations and other general and administrative expenses.

Terms and conditions of transactions with related parties
Average term of rent agreements with related parties operating in shopping centres is 12 years, while average term of rent agreements with related parties operating in office buildings is 7 years or open-ended contracts. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Terms and conditions of outstanding balances
The average term of all loans granted to shareholders were 1 year. All loans granted had a variable interest rate (linked to EURIBOR) with a minimum of 0%, plus a margin meeting market conditions.

Key management compensation
The Combined Group treats directors, head of departments' and members of the management boards as the key management (the "Directors").

For the years ended 31 December 2020 and 2019 the remuneration of the Combined Group's Directors was EUR 1.481 thousand and EUR 1.405 thousand, respectively.

19. FINANCIAL RISK MANAGEMENT

Credit risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Combined Group. The Combined Group's credit risk is attributable to its loans granted and trade and other receivables. The Combined Group assesses the credit quality of the debtors and customers, taking into account their financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful loans and receivables estimated on prior experience and present economic situation. The Combined Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

The credit risk of liquid funds (cash and time deposits) in banks is limited because the Combined Group's counterparties are banks with investment grade credit ratings of Baa3 and above assigned by Moody's, an international credit-rating agency.

Foreign currency exchange risk. There are no significant portions of foreign currency exchange risk for the Combined Group as the majority of its transactions are carried out in the Euro. At present the Combined Group companies do not use derivative financial instruments to hedge its risks associated with foreign currency fluctuations.

Interest rate risk. The Combined Group's cash flows are exposed to interest rate fluctuations.

The Combined Group's bank borrowings bear variable interest rates linked to variable base rate. Trade and other payables are interest-free and have settlement dates within one year.

The Combined Group's cash flow and fair value interest rate risk is periodically monitored by the management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Combined Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions. The Combined Group does not use any derivative financial instruments to manage the interest rate risk.

The Combined Group estimates that with an increase/decrease of variable interest rates of 100 basis points, applied to exposed amounts as at 31 December 2020 and 2019 and with all other variables held constant, would result in an increase/decrease of the Combined Group's interest expenses and a decrease/increase of profit before income tax by respectively EUR 2 819 thousand and EUR 2 674 thousand.

Liquidity risk. Liquidity risk is managed according to the principles of prudence. The Combined Group manages its cash flows and liquidity based on projected cash flows over periods of six months. According to the management, liquidity ratios for the Combined Group are sufficient and prevalent for this type of business activity. Moreover, cash provided from operating activities are sufficient for future operations and liquidity.

The Combined Group's current assets exceeded its current liabilities, what demonstrates the Combined Group's ability to meet the creditor's demands. Meanwhile, the Combined Group's generated cash flow is sufficient to cover its current liabilities, a significant proportion of which is a financial debt to credit institutions repaid on a monthly basis, as well as deposits from tenants, which are due for repayment only after termination of lease agreements under certain terms and conditions.

The table below summarises the maturity profile of the Combined Group's financial liabilities based on contractual undiscounted payments (including interest payments):

31 December 2020	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	10 022	28 521	105 139	131 799	-	275 482
Lease liabilities	35	31	65	150	131	411
Trade and other payables	3 706	711	4 438	-	-	8 854
Total	**13 762**	**29 263**	**109 642**	**131 949**	**131**	**284 746**

31 December 2019	**Less than 6 months (EUR'000)**	**6-12 months (EUR'000)**	**Between 1-2 years (EUR'000)**	**Between 2-5 years (EUR'000)**	**Over 5 years (EUR'000)**	**Total (EUR'000)**
Bank borrowings	10 622	45 008	12 594	221 660	-	289 884
Lease liabilities	35	56	67	176	164	498
Trade and other payables	2 409	-	-	-	-	2 409
Total	**13 067**	**45 064**	**12 661**	**221 836**	**164**	**292 791**

20. CAPITAL MANAGEMENT

The Combined Group manages its issued share capital, share premium, foreign currency translation reserve and retained earnings as capital. As at December 31 the amounts of the components of capital were:

	2020 EUR'000	2019 EUR'000
Equity	480 679	616 954

The primary objective of the Combined Group's capital management is to ensure that each of the Companies complies with the externally imposed capital requirements and meets the respective capital ratios in order to preserve its business and maximise return to the shareholders. The Combined Group has an adequate capital level to further maintain its business development.

The Combined Group manages its capital structure and makes adjustments thereto in light of changes in economic conditions and risk characteristics of its activities. To maintain or adjust the capital structure, the Combined Group may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares. No changes were made concerning the purpose, policies or processes of capital management during the periods ended 31 December 2020 and 2019.

According to Law on companies of Republic of Lithuania the equity of limited liability company cannot be less than half of the share capital. Akropolis Group UAB has satisfied minimum equity requirement as of 31 December 2020.

21. FINANCIAL INSTRUMENTS

As at 31 December carrying values of financial instruments were as follows:

	2020 EUR'000	2019 EUR'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	60 223	101 957
Financial assets at fair value through profit or loss	-	-
Financial liabilities		
Interest-bearing loans and borrowings	267 447	281 868
Other non-current payables	9 266	5 397
Trade and other current payables	16 092	12 544

According to the management's best estimate, the carrying amount of receivables, cash and cash equivalents and trade and other current payables approximates its fair value due to short maturity terms.

Non-current payables are accounted for in the financial statements at the amortized cost (calculated by applying the effective interest rate which is close to the market interest rate), therefore their carrying amount approximates the fair value.

22. EFFECT OF COVID-19

Due to COVID-19 pandemic, the Combined Group experienced inevitable influence on its financial performance.

Below is the timeline of the most significant periods to the Combined Group during 2020, related to Lithuanian government measures fighting the global pandemic.

- March 16 - April 22: Partial close down - only the most necessary business were allowed, i.e. the activities of restaurants, cafes, bars, nightclubs and other places of entertainment were prohibited, except when food could be taken away, as well as the activities of physical shops, shopping and / or entertainment centres were prohibited, except shops selling food, veterinary, pharmacy, optical goods and orthopaedic technical devices;
- April 23 - May 17: entertainment and restaurant businesses were restricted; physical shops / some beauty service providers were able to work (subject to some additional safety requirements). Restaurants were able to work only in open spaces;
- November 7 - December 15: entertainment and restaurant (except take away) businesses were restricted. Shops / service providers (including those in shopping and / or entertainment centres) were able to work with some additional safety requirements;
- Since December 16: Partial close down - only the most necessary business are allowed, i.e. shops (including those in shopping and / or entertainment centres) were not allowed to work, except shops which main activity is selling food, veterinary, optical goods and orthopaedic technical devices (subject to some additional safety requirements). Activities of beauty services were prohibited, also activities of other services that require contact with the client for longer than 15 minutes (subject to some additional safety requirements).

Furthermore, below is the timeline of the most significant periods to the Combined Group during 2020, related to Latvian government measures fighting the global pandemic.

- March 12 - June 10: A state of emergency was declared, during which companies with the economic activity of entertainment (including sports services) were temporarily or partially temporarily forbidden or restrictions were imposed on their activities; (b) restrictions were imposed on the activities of caterers; (c) restrictions on the economic activities of certain traders were imposed by limiting their duration and / or prohibiting them from working on weekends and public holidays;
- 26 October - 09 November: forbidden the provision of economic services and events related to children's entertainment;;
- Since 9 November: A state of emergency has been declared, during which the economic activity of entertainment (including sports services) companies has been temporarily or partially temporarily forbidden or restrictions have been imposed on their activities; (b) restrictions were imposed in the economic activity of mass caterers (catering only on take-away); (c) restrictions were imposed on certain service providers and / or merchants, limiting their working hours and / or prohibiting them from operating, and / or determining the range of goods permitted for traders, and from 19 December Latvia allowed only the most necessary economic types of activity.

Lithuanian businesses, whose activities were prohibited or restricted during quarantine, had a possibility to get a partial compensation of lease payments from the Lithuanian Government amounting to 50 percent of the lease amount payable. The period for such compensations was from March 16 to August 31 of 2020, on a condition that a lessor contributes an additional 30 percent discount. Thus, the Combined Group provided discounts based on continuous negotiations. Tenants in Latvia were not granted with such governmental lease payment compensation, thus the Combined Group negotiated discounts for Latvian tenants in good faith. Total discounts in 2020 amounted to EUR 6.2 million. The Combined Group collected all receivables that had been granted discounts. Increase of trade receivables by the end of 2020 results from close down of shopping centres since mid-December.

The Combined Group, in cooperation with State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI), has agreed 2 year interest free tax loan agreements for some of the Lithuanian Combined Group's companies tax arrears of 2020. Tax loans agreed majorly consists of Income Tax, VAT and Personal Income Tax. Other pandemic related benefits received during 2020 were immaterial.

In 2020, the Combined Group incurred additional expenses, amounting to EUR 525 thousand, which were allocated to various health and hygiene measures to ensure safety of employees and customers. Modern automatic ultraviolet (UV) disinfection equipment was installed on all escalators and moving walkaways, as well as in elevators for automatic UV air disinfection. Also, stations with automatic sensor disinfectant dispensers were installed at each of the entrances to the shopping centres and office buildings, as well as at information centres and sanitary facilities. Additionally, all common areas and frequently touched surfaces are periodically disinfected, ventilation systems are operating at full capacity, and air filters are periodically replaced. All personnel observe strict hand hygiene and monitor their health. Only people with protective face masks are allowed into the shopping centres. Administration constantly monitors and, if needed, regulates traffic to ensure safe distances between customers and thus prevent the spread of coronavirus.

At the date of these financial statements, quarantine measures are still in place and shopping centres are still under partial close down in both Latvia and Lithuania. However due to decline in number of COVID-19 cases, government of Lithuania eased restrictions as of 15 March, 2021, it is now allowed to open stores with a separate outside entrance. As of December, 2020 both Lithuanian and Latvian governments started immunising their population against COVID-19, with the pace of vaccination expected to accelerate in the upcoming months. The Combined Group is focused on helping its tenants financially during the partial close down, i.e. discounts and deferrals are being negotiated. Already granted discounts in January, 2021 comprises of 12% of a total rental and additional fees income for a month. It is currently unknown when usual business activities will be safe to resume and thus management observes effect of the global pandemic to be visible on the financial results of 2021 as well.

Despite global pandemic, the Combined Group managed to keep 97% collection rate during 2020. Thus, management believes that liquidity position of the Combined Group is sufficient and proven track record indicates strong resilience and flexibility to subside the negative effects of coronavirus pandemic.

23. EVENTS AFTER THE REPORTING PERIOD

On 19 February 2021 the AKROPOLIS GROUP, UAB board of directors adopted a decision to evaluate the possibility of borrowing funds in capital markets on terms acceptable to the company and to hire external advisors in this process. The process is currently ongoing, no further decisions have been adopted.

The Combined Group is undergoing a change in corporate structure whereby Akropolis Real Estate B.V. and all of its subsidiaries will become subsidiaries of Akropolis Group, UAB (the "Reorganisation"). On 22 March 2021, before the combined financial statements were authorised for issue, UAB "Vilniaus Prekyba", the sole shareholder of Akropolis Group, UAB and Akropolis Real Estate B.V., adopted a decision to increase the share capital of Akropolis Group, UAB by non-monetary contribution of the shareholder, namely, the payment of the subscription price of the newly issued shares in Akropolis Group, UAB will be performed by transferring ownership of 100% of the shares in Akropolis Real Estate B.V. from UAB "Vilniaus Prekyba" to Akropolis Group, UAB. Shares in Akropolis Real Estate B.V. were transferred to the ownership of Akropolis Group, UAB by notarial deed on 24 March 2021. The Combined Group is currently performing necessary registrations and other formal actions to finalize the Reorganisation. The said actions are expected to be completed in early April 2021.

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