Mainor Ülemiste AS

CONSOLIDATED ANNUAL REPORT FOR YEAR 2015

Beginning of financial year	01.01.2015
End of financial year	31.12.2015
Registry code	10348595
Address	Lõõtsa 6, 11415 Tallinn, Harju county
Phone	+372 53 046 992
Main business activity	Leased or owned real estate renting and operating
Auditor	AS Deloitte Audit Eesti
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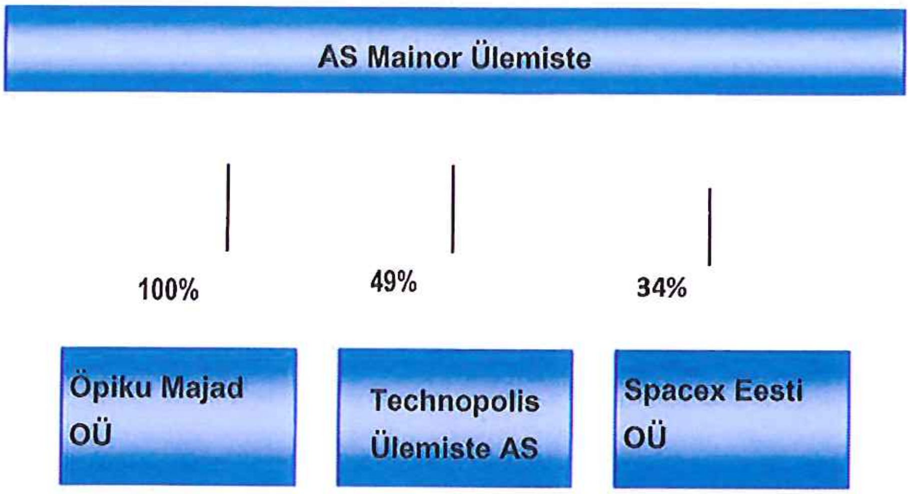
Structure of consolidation group



In 2015, the entity was mainly engaged in the construction of new buildings, renovation of existing buildings, renting new and renovated premises and with the preparation of new real estate projects.

A new subsidiary was established called Öpiku Majad OÜ, which is 100% owned by Mainor Ülemiste AS. Öpiku Majad OÜ acquired the property at Valukoja 8/Sepise 9 – the area, where the complex of Öpiku Majad will be built. The detailed plan of Valukoja 8/Sepise 9 and Sepise 8 real properties were approved to construct the second 13-storey commercial building with a parking house. To the property on Sepise 8, a 5-storey parking house with 1 100 parking spots will be built.

The construction of the first tower of the Estonia's largest office building Öpiku Majad (a total of 41 thousand m2 of gross area), where there will be approximately 15 000 m2 of rental space, was started. The first stage of Öpiku Maja will be completed in August 2016. After that, Ülemiste City office space will exceed 120 000 m2 and will have grown into the biggest office district in Baltics. In 2015, investments, in the sum of 6 142 thousand euros, was used for the construction of the building, the concrete frame was finalized and the construction of the facade was started.

Premises were rented out on the commercial property of Valukoja 7/1,2 and on the renovated property of Valukoja 25. In the building on Valukoja 7/2, the leading global IT services company HCL Technologies started renting rooms with a plan to expand in Ülemiste City. Preparations were made for additional production space of 2 250 m2 in the building on Sepise 10 for the anchor tenant First in Service. A contract was signed with My Fitness AS to refurbish the property Sepise 10 into a sports club with a due date of 2016 spring. Work was started with „Spacex" - Mainor Ülemiste conference and event center for 800 people. To simplify the management structure subsidiary Erahariduskeskuse Kinnisvara OÜ was mergered to the Mainor Ülemiste AS group.

In 2015, a total of 8 289 thousand euros was invested into the improvement of buildings. A total of 5 189 thousand euros was lended in 2015, of which 814 thousand euros was used to refinance old loans and 4 375 thousand euros was used to cover investments. To raise capital for the further development of Ülemiste City commercial district, an emission in the amount of 5 million euros was carried out, which was realized in the amount of 4 151 euros as at 31.12.2015.

The average rental price increased by 4,8%. The fair value of real estate investments of Mainor Ülemiste AS is 67 130 thousand euros and it has increased compared to previous year by 9 020 euros. The value of the 49% stake of Mainor Ülemiste AS in Technopolis Ülemiste AS is worth 24 995 thousand euros and it increased by 3 206 thousand euros during 2015. Dividends were received in the sum of 702 thousand euros from affiliated company Technopolis Ülemiste AS. In 2015, the construction of the affiliated company Technopolis Ülemiste AS 13-storey office building on Lõõtsa 5 was finalized, which added 10 700 m2 office space into the Ülemiste City business district and increased the number of employees in the district by approximately 600 people. The development concept of Ülemiste City was further developed with the aim to make the district into a lively settlement with multiple purposes, which would be suitable for working, living and recreation. The purpose of the district is to become the biggest knowledge based economic centre in Baltics and to grow into a multi-functional district that is active around the clock and brings together 15 000 employees and 5 000 inhabitants.

Together with Technopolis Ülemiste AS, Tallinn Airport AS and Ülemiste Center OÜ, the concept of the district is being developed, which connects the travel terminal that is being build by Rail Baltic with shopping and entertainment centers, Tallinn Airport and other regional developments. The city of Tallinn started preparatory work for the tram line construction that runs through Ülemiste City to Tallinn Airport. The tram line must be completed by the end of 2017, which allows people to satisfy their movement needs comfortably while saving time.

In 2015, the further implementation of the Ülemiste City identity was continued. For the building on Suur-Sõjamäe 12a, the largest mural in Baltics with surface area of 1 780 m2 was finalized – the girl with the red umbrella. Illuminated metal signs with Ülemiste City emblems were installed along the major driveways. The traditional Ülemiste City Festival was held which was attended by 2 000 people from the district and other parts of Tallinn.

It was decided to pay dividends to shareholders in the sum of 790 thousand euros.

As of 31.12.2015 a total of 16 people were employed by Mainor Ülemiste AS, with a total salary of 410 thousand euros (2014: 300 thousand euros), see note 32. Mainor Ülemiste AS consolidated turnover in 2015 amounted to 5 084 thousand euros (2014: 4 460 thousand euros), other operating income amounted to 376 thousand euros (2014: 444 thousand euros) and net income amounted to 5 478 thousand euros (2014: 7 220 thousand euros). The total equity of the company is 78 629 thousand euros.

Key financial ratios	31.12.2015	31.12.2014
Return on equity – ROE (%)	7.2%	10,2%
Return on assets – ROA (%)	5.4%	8,2%
Operating margin (%)	116.76%	165%
Net profit margin (%)	107.75%	161.88%
Dividend payout ratio (%)	10.2%	9.3%

Formulas underlying the calculation of ratios:

Return on equity – ROE (%) = net profit / average equity for the reporting period x 100
Return on assets – ROA (%) = net profit / average assets for the reporting period x 100
Operating margin (%) = operating profit / revenue x 100
Net profit margin (%) = net profit / revenue x 100
Dividend payout ratio (%) = dividends paid / net profit for the previous year x 100

Margus Nõlvak

Member of the board

Rein Suurväli

Member of the board

Financial statements

Consolidated Statement of Financial Position

(in thousands of euros)

	Note	31.12.2015	31.12.2014	01.01.2014
ASSETS				
Investment property	6	67 130	58 110	50 930
Tangible assets	7	87	18	15
Intangible assets	8	19	27	35
Receivables and prepayments	9	10 583	9 636	8 339
Inventories		0	0	6
Financial investments	13	24 995	22 491	17 815
Cash and cash equivalents	14	5 878	4 385	3 818
TOTAL ASSETS		**108 692**	**94 667**	**80 958**
EQUITY				
Share capital in nominal value	15	19 200	19 200	19 200
Statutory reserve		1 920	1 920	1 920
Retained earnings		52 031	45 550	43 191
Profit for the financial year		5 478	7 220	3 952
Minority shareholding		0	0	-14
TOTAL EQUITY		**78 629**	**73 890**	**67 329**
LIABILITIES				
Provisions	18	256	254	251
Borrowings	16	27 659	19 134	12 408
Payables and prepayments	17	2 148	1 389	970
TOTAL LIABILITIES		**30 063**	**20 777**	**13 629**
TOTAL LIABILITIES AND EQUITY		**108 692**	**94 667**	**80 958**

Notes on pages 10 - 54 are an integral part of this financial statement.

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Consolidated Statement of Comprehensive Income

(in thousands of euros)

	Note	2015	2014
Revenue from sales	19	5 084	4 460
Cost of sales	21	-1 592	-1 327
Gross profit		**3 492**	**3 133**
Marketing expenses	22	-209	-134
Administration expenses	23	-1 381	-1 215
Revenues from financial investments	13	3 205	5 141
Other operating income	20	846	444
Other operating expenses	25	-17	-10
Operating profit		**5 936**	**7 359**
Financial income and expenses			
Interest expense	26	-870	-583
Other financial income and expenses	27	422	513
Total financial income and expenses		**-448**	**-70**
Profit before tax		**5 488**	**7 289**
Income tax		-10	-55
Net profit for the period		**5 478**	**7 234**
Comprehensive net profit for the period		**5 478**	**7 234**
Attributable to the owners of the company		5 478	7 220
Attributable to non-controlling interests		0	14

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Consolidated Statement of Cash Flows

(in thousands of euros)

	Note	2015	2014
Cash flows from operating activities			
Net profit for the year		5 488	7 289
Adjustments:			
Depreciation and amortisation of non-current assets	7,8	30	14
Profit (loss) from fixed asset sales and write-offs	7	2	0
Change in fair value of investment property	6	-838	-444
Profit (loss) from financial investments		-3 205	-5 141
Other financial income and expenses		-422	-513
Interest paid and other financial expenses		870	583
Corporate income tax paid		10	55
Changes in receivables from operating activites		-25	-279
Change in inventories		0	-6
Changes in payables from operating activities		60	364
Net cash flows from operating activities		**1 970**	**1 922**
Cash flows from investing activities			
Sales of property, plant and equipment	7	17	0
Payments for property, plant and equipment	7	-107	-9
Payments for investment property	6	-8 182	-6 736
Loans granted	9	-47	-490
Interest received		16	0
Dividends received	13,30	702	466
Net cash flow from investing activities		**-7 601**	**-6 769**
Cash flows from financing activities			
Proceeds from borrowings	16	5 188	12 155
Repayment of borrowings	16	-814	-5 430
Issuance of bonds	16	4 151	0
Interest paid		-781	-583
Dividends paid	15	-620	-673
Corporate income tax paid		0	-55
Net cash from financing activities		**7 124**	**5 414**
Total cash flows		**1 493**	**567**
Cash and cash equivalents at the beginning of the financial year	**14**	**4 385**	**3 818**
Net change in cash and cash equivalents		1 493	567
Cash and cash equivalents at the end of the year	**14**	**5 878**	**4 385**

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Consolidated Statement of Changes in Equity

(in thousands of euros)

	Share capital	Statutory reserve	Retained earnings	Non-controlling interests	Total equity
Balance 31.12.2013	**19 200**	**1 000**	**47 143**	**-14**	**67 329**
Allocation to statutory reserve	0	920	-920	0	0
Dividends declared	0	0	-673	0	-673
Comprehensive income for the year	0	0	7 220	14	7 234
Balance 31.12.2014	**19 200**	**1 920**	**52 770**	**0**	**73 890**
Dividends declared	0	0	-740	0	-740
Comprehensive income for the year	0	0	5 478	0	5 478
Balance 31.12.2015	**19 200**	**1 920**	**57 509**	**0**	**78 629**

Detailed information on changes in equity is disclosed in Note 15.

Notes on pages 10 - 54 are an integral part of this financial statement.

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Notes for annual report

Note 1. Reporting entity

Mainor Ülemiste AS (hereafter also as „the Group" or „the Entity") is a entity incorporated in the Republic of Estonia and its main activity is to develop Ülemiste City business area located next to Tallinn Airport at the former factor territory of Dvigatel. Mainor Ülemiste AS shareholders are Estonian registered entities Smart City Group with 83,84% of shares and Logit Eesti AS with 16,16% of shares.

The financial year of Mainor Ülemiste AS financial statements is from 01.01.2015 to 31.12.2015, the comparision period is from 01.01.2014 to 31.12.2014.

The consolidated financial statements of the entity for the financial year ended on 31 December 2015 were signed by the Management Board on 15 April 2016.

Note 2. Application of International Financial Reporting Standards (IFRS)

2.1. First time adoption of IFRS

Year 2015 is the first time when the financial statements of the Group are prepared according to the IFRS. The entity applies the version of IFRS effective as at 31 December 2015 as it has been adopted by the European Commission. All IFRSs effective at that date are applied retrospectively. The date of transition to IFRS is 1 January 2014 and the changes that involve the transition in the accounting policies are set out below.

Effect of IFRS adoption for the consolidated statement of comprehensive income for the year ended 31 December 2014 (in thousand EUR):

	2014 presented under Estonian GAAP	Transition effect	2014 presented under IFRS
Revenue	3 317	1 143	4 460
Cost of sales	-184	-1 143	-1 327

Before IFRS transition the utility costs and rental fee charged from the tenants was presented partly from administrative expenses on net bases as a reduction of initial cost of all administrative expenses, this means the reduction of initial costs ("Cost of sales"). According to IFRS principles the presentation of those utility costs are retrospectively changed to gross bases.

As a consequence 2014 revenue and cost of sales was increased by 1,143 thousand EUR. There was no effect on gross profit. Information in Statement of Comprehensive Income and related notes is adjusted accordingly.

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2.2 Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

2.3. New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU (the effective dates stated below is for IFRS in full):

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),

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- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Note 3. Significant accounting and reporting principles

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in European Union, and in accordance with Estonian Accounting Act.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for property, plant and equipment, investment properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration at the moment of exchange for assets.
The financial statements are presented in thousands of euros, unless referred to another unit of measure.
The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Mainor Ülemiste AS and entities controlled by the Entity (its subsidiary OÜ Õpiku Majad). Control is achieved if the Entity:

- has power over the investee;

- is exposed to variable returns from its involvement with the investee;

- has the ability to use its power to affect its return.

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The Company reassess 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 listed above.

Consolidation of subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. If the subsidiary's assets are recognised as revalued or in fair value and aggregated profit or loss is recognised under other gross profit or equity then previously recognised gross profit and equity is recorded as the Group has sold or written off the assets (this means classification to the comprehensive income or direct covering in the retained earnings according to the applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.4 Business combinations

Business combinations are recognised using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

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Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed.

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

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3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.4 above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergy of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit of loss disposal.

3.6 Foreign currencies

In preparing the financial statements transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions, quoted by European Central Bank. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, quoted by European Central Banks. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified form equity to profit or loss on repayment of the monetary items.

3.7 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

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Land and buildings, which are planned to be held for a longer period of time and which have different possibilities to be used are reported also as investment property. In case of change in the usage purpose of the investment property, the asset is reclassified and since the reclassification date the accounting principles of the new group are applied.

Investment properties are initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, based on the market price determined annually by independent appraisers, based on the discounted cash flow method Changes in fair value are recorded under the income statement items "Other operating income/other operating expenses". No depreciation is calculated on investment property recognised at fair value.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn form use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.8 Property, plant and equipment

Tangible assets are the assets that the company uses for its economic activities with a minimum cost of 640 euros and useful life of over one year. Assets with a useful life of over one year, but the cost is less than 640 euros, are amortized and accounted off-balance sheet. Property, plant and equipment are recorded at cost, which consists of purchase price and any directly attributable expenditure. Subsequent to initial recognition, tangible fiexed assets are recorded on the balance sheet at its cost value less accumulated depreciation.

If the tangible asset consists of different parts with significant value and different useful lifetimes, those parts will be accounted for as separate assets and are assigned depreciation rates that correspond to their useful lives.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual depreciation rates for groups of property, plant and equipment are as follows:

machinery and equipment 5 to 20% per annum;

fixtures 20 to 33% per annum.

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3.9 Intangible assets (excluding goodwill)

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and goodwill.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The amortisation rate for intangible assets is 10% per annum, excluded the usage rights and intangible assets with indefinite useful lives. Usage rights are amortised on a straight-line basis and the maximum length of the amortisation period is the period where the asset is being used. Intangible assets with indefinite useful lives that are acquired separately are carried at costs less accumulated impairment losses.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.10 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Investments in subsidiaries

Investments in subsidiaries

Investments in subsidiaries that are not held for sale are recognised in the unconsolidated financial statements of the Parent company at cost.

Investments in associates

An associate is an entity over which the investor has significant influence and is not a subsidiary of the investor. Associates are accounted for in the investor's report under the equity method.

The investment is initially recorded at cost under the equity method, which is adjusted in subsequent periods by the investee's equity arising from the acquisition of goodwill, amortization and possible write-downs arising from the acquisition and recognition of negative goodwill.

3.12 Cash and cash flows

Cash on the statement of financial position and statement of cash flows comprises of cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).

Cash flows from operating activities are presented using the indirect method, according to which the net profit (loss) for the financial year is adjusted by the effect of transactions of a non-monetary nature, net changes in assets and liabilities related to business operations, and items of income and expense (profits and losses) associated with financing and investing activities. Cash flows from investing and financing activities are reported based on direct method, presenting gross receipts and disbursements of the accounting period.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted

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from the fair value of the financial assets of financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.14 Financial assets

Financial assets are classified into the following specified categories: (i) financial assets at fair value through profit or loss (FVTPL), (ii) held-to-maturity investments, (iii) available-for-sale (AFS) financial assets and (iv) loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designed as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gain and losses" line item.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables; (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS financial assets that are traded in an active market are stated at fair value at the end of each reporting period. Also AFS equity instruments that are not traded in an active market are stated at fair value at the end of each reporting period, only if, the management considers that fair value can be reliably measured. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is classified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments or an increase in the number of delayed payments, as well as observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use

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of an allowance account. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to and event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers not retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirely (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated

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between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.15 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities". All the Company's financial liabilities belong to the category "other financial liabilities".

Other financial liabilities

Other financial liabilities (including borrowings and trade and other current and non-current payables) are subsequently measured at amortised cost using the effective interest method. The amortised cost of current financial liabilities normally equals their nominal value; therefore, current financial liabilities are stated in the statement of financial position at their redemption value.

The effective interest method is method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are classified as current when they are due to be settled no more than twelve months after the reporting period; or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Borrowings that are due no more than twelve months after the reporting period, but which are refinanced after the

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reporting period as non-current, are recognised as current ones. Also, borrowings are classified as current if the lender had a contractual right at the reporting period to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

Borrowing costs directly attributable to the acquisition, construction 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Provision is discounted to its present value when the effect of the time value of money is material.

3.17 Contingent liabilities

Pledges and other commitments, which at certain conditions may turn into liabilities in the future, are disclosed in the Notes of the consolidated financial statements as contingent liabilities.

3.18 Statutory reserve

Statutory legal reserve is recorded based on the requirements of the Estonian Commercial Code and is comprised of the provisions made from the net profit. The annual provision must be at least 1/20 of the approved net profit of the financial year until the statutory legal reserve equals at least 1/10 of share capital amount.

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Net sales

Net sales of the Group consists of rental income as well as revenues earned from utility services and other services.

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Revenue from sales is recorded on the accrual basis, when significant risks have been transferred to the buyer, and the sales income and costs incurred in respect of the transaction can be measured reliably.

Other income

Income, which is not related to the core operations of the Group entities, is recorded as other income.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.20 Expenses

Cost of sales

Cost of sales includes real estate rental, development and management expenses, and costs related to utility services which are recorded in income statement under "Cost of sales".

Marketing expenses

Marketing expenses include selling expenses, i.e. advertising, agency fees and other marketing expenses.

Administration expenses

Administrative expenses include personnel and office management expenses, research and development expenses, and depreciation and amortization charges.

Other expenses

Expenses, which are not related to the main operations of the Group entities, are recorded as other expenses.

Finance cost

Direct interest costs of acquiring properties constructed over long periods of time are capitalized until the property is taken into use. Other interest and financing costs are recorded on the accrual basis as financial expenses of the reporting period.

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3.21 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

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

3.22 Taxation

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends. Income tax should be calculated also on other payments made from equity that are exceeding the monetary or non-monetary contributions made to the equity. The tax rate applicable in 2014 was 21/79 from the taxable amount, starting from 1 January 2015 20/80 from taxable amount.

As a result of such taxation principles, the notion of "tax base of assets and liabilities" has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12 "Income Taxes". Contingent income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. Income tax expense to be incurred at the payment of dividends is recognized in the income statement as expense at announcement of dividends or any other distribution of equity.

3.23 Related parties

During the preparation of the annual statement of Mainor Ülemiste AS, the following were considered as related parties:

- owners (parent company and its controlling parent or entities with significant influence over the company, as well as other persons having significant influence over the entity);

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- other group companies in Mainor AS group;
- CEOs and senior management;
- persons and their immediate family members, the entities owned by them or where they have significant influence of the aforementioned entities.

3.24 Subsequent events

Consolidated financial statements include impact of significant events that are related with the events of previous periods that affect the valuation of assets and liabilities and occurred between the end of the reporting period and the date that the financial statements are finalized by the management board of the Parent.

Events after the reporting period that do not affect the valuation of assets and liabilities but have a significant effect on the result of the following financial year, are disclosed in the notes to the consolidated financial statement.

Note 4. Significant management assessments and estimates, fair value measurement principles

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment property

As of balance sheet date the property investments are valued at their fair value. In determination of the fair value estimations of management, and opinion of independent certified real estate appraisers are used. In determination of the fair value discounted cash flow method is used. More information about investment property value in Note 6.

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Collection risk of receivables

For material financial assets, potential decrease in value is evaluated separately. Receivables overdue are evaluated on individual basis in respect to their collectability.

The Group may have overdue receivables that are not provided for. Such receivables are assessed by the management of the Group on individual bases and found them to be collectable. More information about the worth of receivables in Note 9.

Note 5. Financial instruments and managing risks

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The objective of financial risk management is to reduce the volatility of financial results. The company's risk management is based on the notion that economic success depends on ongoing monitoring, accurate measurement and skillful handling. The main objective of risk management is to prevent damage that could endanger the equity of Mainor Ülemiste AS and business continuity.

Financial instruments by category:

thousands of euros		31.12.2015		31.12.2014		01.01.2014	
Class of financial instruments	Category	Residual value	Fair value	Residual value	Fair value	Residual value	Fair value
ASSETS							
Trade receivables (Note 10)	Financial assets at amortized cost	766	766	433	433	261	261
Other receivables (Note 9)	Financial assets at amortized cost	9 817	9 817	9 203	9 203	8 078	8 078
Cash and bank accounts (Note 15)	Financial assets at amortized cost	5 878	5 878	4 385	4 385	3 818	3 818
Total financial assets		**16 461**	**16 461**	**14 021**	**14 021**	**12 157**	**12 157**
LIABILITIES							
Trade payables (Note 17)	Financial liabilities at amortized cost	1 330	1 330	828	828	386	386
Loan commitment (Note 16)	Financial liabilities at amortized cost	27 659	27 659	19 134	19 134	12 408	12 408
Other debts	Financial liabilities at	523	523	393	393	584	584

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	amortized cost						
Total financial liabilities		**29 512**	**29 512**	**20 335**	**20 335**	**13 378**	**13 378**

Due to the fact that most of the financial instruments have variable interest rates and signed agreements are usually signed not a long time ago, the fair values of financial assets and liabilities do not differ from their amortized cost. The basis of fair value is disclosed in Note 4.

Credit Risk

Credit risk is the risk that arises if a customer or counterparty, which is linked to a financial instrument, fails to meet its contractual obligations to the company. Credit risk arises principally in customer receivables. To reduce credit risk, customers' payment discipline is continuously monitored. In case of payments that have exceeded due dates, reminders and warnings are used, as well as individual contact with a particular client.

Maximum sum exposed to credit risk:

	31.12.2015	31.12.2014	01.01.2014
Current accounts (Note 15)	5 878	4 385	3 818
Trade receivables (Note 11)	766	433	261
Other receivables (Note 9)	9 817	9 203	8 078
Total	**16 461**	**14 021**	**12 157**

Credit risk management is primarily focused on avoiding accumulated significant credit risk concentrations. Credit risk prevention and minimization involves monitoring and routing of clients' payment behavior, which allows to apply necessary measures. To minimize credit risk, customers pay a deposit which is usually a two month's rent that is refundable at the end of the contract or netted with their indebtness or they provide a bank guarantee. As of 31.12.2015 the company has received deposits in the amount of 295 thousand euros (01.01.2014: 135 thousand euros and 31.12.2014: 168 thousand euros) from tenants. The maximum exposure to credit risk are receivables from non-group purchasers, with a breakdown by maturity date as at the reporting date were as follows:

	31.12.2015	31.12.2014	01.01.2014
Not expired receivables	203	137	102
Overdue 1-30 days	210	116	43
Overdue 31-90 days	174	82	73
Overdue more than 91 days	179	98	43
Total	**766**	**433**	**261**

To reduce the credit risk in 2015, the entity qualified receivables as doubtful in the amount of 40 thousand euros (01.01.2014: 19 thousand and 31.12.2014: 94 thousand euros). From receivables that were qualified as doubtful in previous years, the entity received 1 thousand euros. Each material

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receivable is evaluated separately supported by evidence of potential impairment due to bankruptcy, significant financial difficulties or inability to meet payment terms. The fair values of financial assets are not materially different from their carrying amount, all receivables are demoninated in euros.

Liquidity Risk

In 2015 the company's liquidity was most affected by additional signed loan agreements with LHV Bank AS and Nordea Bank AB Estonia branch in the amount of 4 490 thousand euros and the issuance of bonds in the amount of 4 151 thousand euros with 7% interest rate, to ensure the completion of the office building on Valukoja 7, payment of construction costs for the new office building on Sepisde 9/Valukoja 8, payment for improving existing office and industrial buildings and repayment of previously signed loans in the amount of 814 thousand euros.

Liquidity risk is the risk that the company can not afford to pay their financial commitments on time. With the signed loan agreements, the company has committed itself to ensuring that the debt service coverage ratio (DSCR) is at least 1.1 and the loan collateral value (LTV) can not at any time exceed 70%. As at 31.12.2015, the company met the aforementioned ratios. To ensure compliance with the commitments the company has set collaterals, which are mortgages on all company-owned land plots (Note 6).

Below is the company's short- and long-term liabilities breakdown by realizable maturities. All presented amounts are payable contractual undiscounted cash flows. The value of payables, 12 months from the end of the reporting period, is equal to their carrying value (except for interest-bearing liabilities). Bank loans are the usual source of financing and their completion and extension is part of the business activity and financing. During the reporting period, positive negotiations have started and are continuing regarding the extension of loan agreements with AS SEB Bank, loan formalization with Pohjola Pank PLC Estonian branch, Nordea Bank AS Estonian branch and AS DNB Bank to finance our developments.

Financial liabilities based on their contractual redemption deadlines:

31.12.2015	Note	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Loans	16	139	276	1 229	23 888	0	25 532
Bonds	16	0	73	219	4 732	0	5 024
Trade payables	17	941	9	380	0	0	1 330
Other accruals	17	228	177	118	0	0	523
Total		**1 308**	**535**	**1 946**	**28 620**	**0**	**32 409**

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31.12.2014	Note	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Loans	16	121	243	1 170	20 221	808	22 563
Trade payables	17	448	0	380	0	0	828
Other accruals	17	17	18	310	48	0	393
Total		**586**	**261**	**1 860**	**20 269**	**808**	**23 784**

01.01.2014	Note	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Loans	16	82	166	740	11 791	0	12 779
Trade payables	17	386	0	0	0	0	386
Other accruals	17	28	11	297	88	0	424
Total		**496**	**177**	**1 037**	**11 879**	**0**	**13 589**

Interest Rate Risk

Interest rate risk arises from changes in interest rates in the money markets, which may result in the need to re-evaluate the company's financial resources and take into account the increasing cost of financing in the future. The company's bank loans and capital lease obligations are tied to euribor. As of 31.12.2015, the company had interest-bearing liabilities in the amount of 27 659 (31.12.2014: 19 134 and 01.01.2014: 12 408 euros) thousand euros, of which approximately 85% have floating interest rate (the interest rate is linked to 6 months euribor and will be changed every six months), see Note 16. For short-term interest rate risk management, the company compares on a regular basis the potential losses arising from changes in interest rates with their hedging expenses. Short-term interest rate hedge transactions in financial instruments have not been signed to date, as management estimates that hedging expenses would exceed the potential losses arising from changes in interest rates. If in the next 12 months, the interest rate would be one percentage higher, the impact on equity and net profit would be -230 thousand euros (to 2014 profit -164 thousand euros). Interest rate risk is also associated with the receivable against the parent company Smart City Group AS in the sum of 6 940 thousand euros (31.12.2014 and 01.01.2014: 6 940 thousand euros) as the interest rate depends on the weighted average borrowing rate of Mainor Ülemiste AS.

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As at 31 December 2015, the breakdown of interest- bearing financial debt was as follows:

	31.12.2015	31.12.2014	01.01.2014
Fixed rate liabilities (12+ kuud)	4 151	0	0
Variable rate liabilities (1-12 kuud)	2 810	785	1 967
Variable rate liabilities (12+ kuud)	20 698	18 349	10 441
Fixed rate liabilities (1-12 kuud)	490	230	0
Fixed rate liabilities (12+kuud)	230	490	230
Variable rate liabilities (1-12 kuud)	6 940	6 940	6 940

Currency risk

Entities belonging to the Group perform transactions in euros, currency risk arises in case of exchange currency transactions, which are performed with currencies not related to euro. To ground the currency risk, all the relevant contracts in the Group are signed in Euro or in currencies related to euro. Thus the main currency risk is related with devaluation of currencies related to euro, against which the Group is not protected.

Due to the fact that Group's liabilities are predominantly in euro and majority of Group's income comes from euro based contracts, the Group's management estimates the currency risk to be insignificant.

Capital risk management

The purpose of capital risk management is to provide the Group's sustainability and to ensure profit for the shareholders through optimal structure of capital. The Group uses debt and equity instruments for financing business activities and it monitors percentage of equity to total assets in designing its financial structure and in assessment of risk.

	31.12.2015	31.12.2014	01.01.2014
Equity to total assets	72%	78%	83%
Debt to total assets	28%	22%	17%

Debt financing is planned and obtained on project- by- project basis. Prior to application for external finance company constructs budget for the project in question, considers the effect such additional financing, as well as interest rate risks. If any special conditions are set in external financing agreement (rental income, ratio of rented/vacant space, etc.), the company seeks to meet them yet before the agreement is signed.

External loans are to be approved by the Company's council prior to the assumption of loan obligations. Short term overdrafts may be used to smooth out the seasonality of company's business and to maintain cash balances that are adequate for operating levels.

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The Commercial Code, effective in the Republic of Estonia states that the companies registered in Estonia must have the following requirements in their share capital:

- the minimum share capital of a limited company must be at least twenty-five thousand (25 000);
- the net assets of a limited company must make up at least half of the share capital of the company.

The size of the share capital or the minimum and maximum share capital is determined by the company's statutes, with a minimum amount of ¼ of the maximum share capital.

According to the statutes currently effective in Mainor Ülemiste AS, the company's minimum share capital is 12 800 thousand euros and the maximum share capital is 51 200 thousand euros. As of 31.12.2015 the share capital of Mainor Ülemiste AS was 19 200 thousand euros and net assets were 78 629 thousand euros, thus the share capital and equity requirements established in the Republic of Estonia were met.

The capital management is being guided by the principle of maintaining the credibility of the company, to sustain the development and shareholder's value through the economic cycle. To achieve this, Mainor ülemiste AS monitors that the company's equity to assets radio would be at least 35% during all times (31.12.2015: 72.3% and 31.12.2014: 78.05%).

Note 6. Investment property

(in thousands of euros)

The Group presents investment property as office and production building which are either rented out or real estate with development potential but without defined exact future purpose. All the property investments are locating in Tallinn in a business district Ülemiste City. Total volume of premises rented out as of 31.12.2015 is 85 thousand square meters.

	Note	Investment property
Balance at 01.01.2014		**50 930**
Additions		6 736
Changes in fair value	20	444
Balance at 31.12.2014		**58 110**
Additions		8 182
Changes in fair value	20	838
Balance at 31.12.2015		**67 130**

According to IFRS 13 classification, investment properties owned by the Group are classified as belonging to Level 3 value hierarchy. The valuation of such properties is based on inputs that are not observable and significant to the overall fair value measurement.

Valuations of the Group's properties are being made by independent and qualified experts using residual valuation approach by using discounted cash flows (DCF) method. There has been no changes

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in valuation approach during the financial year, the same principles were applied also for comparative financials. The Company provides valuators with the following information: purpose of a property, development plans, estimated construction costs and estimated sales or rental prices if available. Valuators also use assumptions and valuation models, which are typically market related such as discount rates and exit yields. Valuation reports are reviewed and accepted by the Management of the Company.

Total value of investment property belonging to Mainor Ülemiste AS and locating in Ülemiste City is 67 130 thousand euros as at 31.12.2015 (31.12.2014: 58 110 thousand euros), splitted as follows: the value of actively rented out property in 38 645 thousand euros (2014: 27 650 thousand euros) and the value of property developed in the future in 28 485 thousand euros (2014: 30 460 thousand euros).

Actively rented out property has the following characteristics: total rentable area 85 thousand square meters, rental fees of 1,0 – 12,7 EUR/m2, vacancy up to 4% , discount factor of 9,3-10,1%, yield of 8,5% - 10% and total length of cash flow projection up to 15 years.

Future development projects have total rentable area of 293 thousand square meters with a development timeline of 2016 – 2033. Construction costs vary from 200 euros/m2 for the construction of a parking garage, 520 euros/m2 for the construction of industrial premises, to 820 euros/m2 for the construction of office spaces. Corresponding rental rates are 5.1 euros/m2 and 10.5 euros/m2. After the completion of the building, the vacancy rate will be approximately 30%, which gradually decreases after long-term to an average of 5%. Discount factor is taken as 9,5%, yield for offices is 8% and yield for industrial buildings is 8,5%.

The following table illustrates possible changes to fair value of investment property given changes in main unobservable inputs (in thousands euros) as presented in Colliers valuation reports:

	Fair value	Change in rental price/m2		Change in capitalization rate	
	thousands of euros	5%	-5%	5%	-5%
Assessed through rental cash flows	38 645	40 700	36 600	37 486	39 960
Assessed through the building rights	28 485	34 475	22 600	23 380	32 200
TOTAL	**67 130**	**75 175**	**59 200**	**60 866**	**72 160**

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The Group earned rental income during the accounting period from existing property investments in the amount of 3 614 thousand euros and on the previous accounting period in the amount of 3 223 thousand euros (Note 19). Direct management cost of investment property was -1 592 thousand euros on reporting period and -1 327 thousand euros on the previous accounting period (Note 21).

In spring 2015 a subsidiary of Mainor Ülemiste AS group Öpiku Majad OÜ concluded a construction contract with Merko Ehitus AS to construct an office building on Sepise 9/ Valukoja 8. New office building with the total area of 22 285 m2 (rental space 14 755 m2) will be finished by the end of the August in 2016. As of 31.12.2015 capitalized unfinished construction costs formed 6,1 million euros and completion of the construction will take additional 13,4 million euros.

8 182 thosuand euros were invested into the improvement of existing property investments in 2015. In the previous period the respective sum was 6 736 thousand euros. Information about investment property pledged as collaterals is disclosed in Note 16.

Note 7. Tangible assets

(in thousands of euros)	Machinery and equipment	Equipment and fixtures	Prepayments	Total
01.01.2014-31.12.2014				
Residual cost 01.01.2014	5	10	0	15
Acquisition and improvements	2	5	2	9
Depreciation	-1	-5	0	-6
Residual cost 31.12.2014	**6**	**10**	**2**	**18**
incl. cost value	18	24	2	44
incl. accumulated depreciation	-12	-14	0	-26
01.01.2015-31.12.2015				
Residual cost 01.01.2015	6	10	2	18
Acquisition and improvements	0	105	0	105
Reclassification	0	2	-2	0
Disposals	0	-4	0	-4
Sales	0	-17	0	-17
Depreciation	-1	-21	0	-22
Residual cost 31.12.2015	**5**	**82**	**0**	**87**
incl. cost value	18	110	0	128
incl. accumulated depreciation	-13	-28	0	-41

In 2015 the entity acquired fixed assets in the amount of 107 thousand euros and sold fixed assets in the amount of 17 thousand euros, which resulted in a loss of 2 thousand euros and fixed assets that depreciated to zero were written off in the amount of 4 thousand euros, residual value 0 euros.

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Note 8. Intangible assets

(in thousands of euros)

	Total
01.01.2014-31.12.2014	
Residual cost 01.01.2014	35
Amortization	-8
Residual cost 31.12.2014	**27**
incl. cost value	79
incl. accumulated amortization	-52
01.01.2015-31.12.2015	
Residual cost 01.01.2015	27
Amortization	-8
Residual cost 31.12.2015	**19**
incl. cost value	79
incl. accumulated amortization	-60

Intangible assets represent design drawings of Ülemiste City development plan.

Note 9. Receivables and prepayments

(in thousands of euros)

	31.12.2015	Due date until 1 year	Due date more than 1 year
Trade receivables (Note 10)	806	806	0
Doubtful receivables (Note 10)	-40	-40	0
Receivables from other entities of the Mainor AS group	9 059	9 059	0
Prepaid taxes and tax liabilities (Note 11)	148	148	0
Loan and intrest liabilities from subsidiaries	581	534	47
Other receivables and prepayments	29	29	0
Total	**10 583**	**10 536**	**47**

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	31.12.2014	Due date until 1 year	Due date more than 1 year
Trade receivables (Note 10)	528	528	0
Doubtful receivables (Note 10)	-95	-95	0
Receivables from other entities of the Mainor AS group	8 656	579	8 077
Receivables from subsidiaries	495	0	495
Prepaid taxes and tax liabilities (Note 11)	42	42	0
Loan and intrest liabilities from subsidiaries	4	4	0
Other receivables and prepayments	6	6	0
Kokku	**9 636**	**1 064**	**8 572**

	01.01.2014	Due date until 1 year	Due date more than 1 year
Trade receivables (Note 10)	280	280	0
Doubtful receivables (Note 10)	-19	-19	0
Receivables from other entities of the Mainor AS group	8 011	0	8 011
Prepaid taxes and tax liabilities (Note 11)	49	49	0
Other receivables and prepayments	18	18	0
Kokku	**8 339**	**328**	**8 011**

Receivables from related parties includes a claim, plus interest, from parent company Smart City Group AS in the amount of 8 358 thousand euros (31.12.2014: 8 077 thousand euros and 01.01.2014: 7 659 thousand euros). In 2015 the interest for the claim was 281 thousand euros (the interest on the claim depends on the weighted average rate of borrowings).

Additional information in Note 30.

Mainor AS has been granted a loan in the amount of 230 thousand euros which was due 31.12.2015 with 5% interest and after the balance sheet date, the loan has been extended untill 31.12.2016. The loan has accrued interest in the amount of 11 thousand euros.

As of 31.12.2015 the Entity has a loan claim against Technopolis Ülemiste in the sum of 490 thousand euros with a due date of 30.09.2016. Mainor Ülemiste AS has granted a long-term loan to the subsidiary Spacex OÜ in the sum of 47 thousand euros with a due date of 30.05.2018 and 8% interest.

Risks related with financial instruments are disclosed in Note 5.

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Note 10. Trade receivables

(in thousands of euros)

	31.12.2015	31.12.2014	01.01.2014
Trade receivables (Note 9)	806	528	280
Doubtful receivables (Note 9)	-40	-95	-19
Total	766	433	261
Doubtful receivables			
Doubtful receivables at the beginning of the period	-95	-19	-256
Collected doubtful receivables	1	3	9
Receivables classified as doubtful	-40	-79	0
Doubtful receivables classified as uncollectible	94	0	228
Doubtful receivables at the end of period (Note 9)	-40	-95	-19

The estimated fair value of receivables corresponds to their carrying values and the entity does not see any significant credit risk exposure.

Risks related to financial instruments are disclosed in Note 5.

Note 11. Prepaid taxes and tax liabilities

(in thousands of euros)

	31.12.2015		31.12.2014		01.01.2014	
	Prepayment	Liability	Prepayment	Liability	Prepayment	Liability
Value added tax	148	36	42	4	49	3
Personal income tax	0	21	0	12	0	7
Corporate income tax	0	10	0	1	0	0
Social tax	0	35	0	20	0	13
Other taxes	0	3	0	2	0	3
Total	**148**	**105**	**42**	**39**	**49**	**26**

See also in Note 9.

Note 12. Shares in subsidiaries

(in thousands of euros)

Information about shares in subsidiaries is relevant only for Mainor Ülemiste AS stand alone financial statements. In consolidated financial statements, subsidariaries are presented as consolidated line by line.

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Subsidiary registry code	Name of subsidiary	Primary activity	Participation rate (%) 31.12.2015	Participation rate (%) 31.12.2014	Participation rate (%) 01. 01.2014
10255729	Erahariduskeskuse Kinnisvara OÜ	Real estate activities	0	100	100
12524694	ICC Tallinn OÜ	Real estate activities	0	60	60
12804904	Öpiku Majad OÜ	Real estate activities	100	0	0

Shares in subsidiaries in cost value

Name of subsidiary	01.01.2014	31.12.2014	Acqui-sition	Write-offs	Other changes	31.12.2015
Erahariduskeskuse Kinnisvara OÜ	3	3	0	0	-3	0
ICC Tallinn OÜ	1	1	0	-1	0	0
Öpiku Majad OÜ	0	0	6 000	0	0	6 000
TOTAL	**4**	**4**	**6 000**	**-1**	**-3**	**6 000**

Shares in subsidiaries by equity method

Name of subsidiary	01.01. 2014	Profit by equity method	31.12. 2014	Acquisition	Other changes	Profit by equity method	31.12. 2015
Erahariduskeskuse Kinnisvara OÜ	90	176	266	0	-266	0	0
ICC Tallinn OÜ	0	0	0	0	-1	0	0
Öpiku Majad OÜ	0	0	0	6 000	0	121	6 121
TOTAL	**90**	**176**	**266**	**6 000**	**-267**	**121**	**6 121**

In 2015, Erahariduskeskuse Kinnisvara OÜ merged with the parent company Mainor Ülemiste AS, which is reflected on the line „Other changes" and an investment in the amount of 1 thousand euros into ICC Tallinn OÜ was written off. The company is in liquidation.

In the beginning of 2015 a subsidiary, OÜ Öpiku Majad, was founded in order to start the construction of 13-storey office building on Sepise 9/Valukoja 8 street.

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The statement of financial position of the subsidiary Öpiku Majad OÜ

in thousands of euros	31.12.2015	24.02.2015
ASSETS		
Investment property	12 395	6 000
Receivables and prepayments	148	0
Cash and cash equivalents	172	0
TOTAL ASSETS	**12 715**	**6 000**
EQUITY		
Share capital in nominal value	3	3
Share premium	5 997	5 997
Profit (loss) for the financial year	121	0
TOTAL EQUITY	**6 121**	**6 000**
LIABILITIES		
Borrowings	5 550	0
Payables and prepayments	1 044	0
TOTAL LIABILITIES	**6 594**	**0**
TOTAL LIABILITIES AND EQUITY	**12 715**	**6 000**

The income statement of the subsidiary Öpiku Majad OÜ

in thousands of euros	31.12.2015	24.02.2015
Marketing expenses	-47	0
Administration expenses	-5	0
Other operating income	300	0
Operating profit (loss)	**248**	**0**
Interest expense	-127	0
Profit before tax	**121**	**0**
Net profit for the period	**121**	**0**

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Note 13. Shares in affiliated companies
(in thousands of euros)

Shares in affiliated companies, general information

Affiliates registry code	Name of affiliate	Primary activity	Participation rate (%) 31.12.2015	Participation rate (%) 31.12.2014	Participation rate (%) 01.01.2014
11978111	Technopolis Ülemiste AS	Real Estate activities	49	49	49
12783421	Spacex Eesti OÜ	Real Estate activities	34	0	0

Shares in affiliated companies, detail information

Name of the affiliate	31.12.2014	Acquisition	Dividends	Profit (loss) from equity method	31.12.2015
Technopolis Ülemiste AS	22 491	0	-702	3 206	24 995
Specex Eesti OÜ	0	1	0	-1	0
TOTAL	**22 491**	**1**	**-702**	**3 205**	**24 995**

As of 31.12.2015 the capital of Technopolis Ülemiste AS is 51 010 thousand euros and Mainor Ülemiste AS holds 24 995 thousand euros. According to the Technopolis Ülemiste AS shareholders' agreement, Mainor Ülemiste AS has a right to a put option where the entity has a right to demand that Technopolis OY buys the shares held by Mainor Ülemiste AS within 6 months of the demand. As an annex to the shareholders' agreement it is stated that the sales price of the shares is the share of net asset value of the company but not less then the net asset value as of the end of last quarter.

On 15.01.2015 Spacex OÜ was founded, where Mainor Ülemiste AS owns 34% of shares.

Key financial indicators of affiliated companies as of 31.12.2015:

in thousands of euros	Technopolis Ülemiste AS	Spacex Eesti OÜ
Current assets	1 161	11
Non-current assets	122 647	79
Liabilities	72 798	116
Equity	51 010	-26
Revenue	10 986	30
Operating profit	8 002	-28
Profit (loss) before tax	6 901	-29
Total comprehensive income	6 543	-29

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Note 14. Cash and bank accounts

(in thousands of euros)

	31.12.2015	31.12.2014	01.01.2014
Bank accounts	5 873	4 384	3 815
Cash on hand	5	1	3
Total	**5 878**	**4 385**	**3 818**

Risks related to financial instruments are disclosed in Note 5.

The bank accunt of Mainor Ülemiste AS is incuded into the group account of AS Mainor, the ultimate parent of Mainor Ülemiste AS.

Note 15. Share capital

	31.12.2015	31.12.2014
Number of shares	32 000 000	32 000 000
Nominal value of shares *(in euros)*	0,60	0,60
Share capital (*in thousands of euros*)	19 200	19 200

The share capital of Mainor Ülemiste AS consists of 32 000 000 ordinary shares with a nominal value of 0.60 cents, which is divided as follows:

a. Smart City Group, which owns 26 827 581 shares

b. LOGiT Eesti AS, which owns 5 172 419 shares

All shares have been paid for in full.

Each ordinary share gives the shareholder the right to receive dividends, in case these are announced, and to participate in voting at general shareholders' meetings of the entity with one vote per share. The Entity has not issued any preference shares.

The decision of the amount of dividends to be paid out shall be adopted by the general meeting approved in the company's annual report. Potential contingent tax liabilities arising from the distribution of profit are disclosed in Note 29.

In 2015 the shareholders were paid dividends in the amount of 740 thousand euros (in 2014 673 thousand euros) out of 2014 years' net profit, which means that dividend per share was 2,3 eurocents (in 2014 it was 2,1 eurocents per share). In 2015 dividends in the amount of 620 thousand euros were paid out of the financial years' profit.

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During the reporting period there have been no changes to the share capital.

According to Mainor Ülemiste AS statutes and Commercial Code, the company's reserve capital requirement is 1/10th of the share capital, which is formed from annual net profit allocations. Each financial year, the shareholders decide upon the amount entered in the reserve capital, considering the statutory requirement to carry at least 1/20th of the annual net profits into the statutory reserve. As shareholders' decision, the reserve capital may be used to cover losses.

Note 16. Borrowings

(in thousands of euros)

	31.12.2015	Breakdown by residual maturity		31.12.2014	Breakdown by residual maturity		
		Within 12 months	Within 1-5 years		Within 12 months	Within 1-5 years	Over 5 years
Bank loans	23 508	2 810	20 698	19 134	17 541	785	808
Bonds	4 151	0	4 151	0	0	0	0
Total	**27 659**	**2 810**	**24 849**	**19 134**	**17 541**	**785**	**808**

	01.01.2014	Breakdown by residual maturity	
		Within 12 months	Within 1-5 years
Bank loans	12 408	1 967	10 441
Total	**12 408**	**1 967**	**10 441**

The following claims are included in long-term borrowings:

to AS SEB Bank 5 873 thousand euros (2014: 5 569 thousand euros), of which the short-term part is 2 385 thousand euros (2014: 366 thousand euros);

to AS Krediidipank 3 118 thousand euros (2014: 3 314 thousand euros), of which the short-term part is 201 thousand euros (2014: 195 thousand euros);

to Nordea Bank Finland PLC Estonia Branch 7 582 thousand euros (2014: 6 153 thousand euros), of which the short-term part is 224 thousand euros (2014: 224 thousand euros);

to AS LHV Bank 6 935 thousand euros long-term loan.

The average interest of the bank loans is 3,13%.

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In 2015 Mainor Ülemiste AS received loans in the sum of 5 188 thousand euros and 814 thousand euros worth of loans was paid back.

In 2015 Mainor Ülemiste AS issued 5 000 thousand euros worth of non-convertible bonds for the construction of Öpiku commercial building, which as at 31.12.2015 was realized in the amount of 4 151 thousand euros. Interest on the bonds is 7% with a maturity date of November 26, 2018.

Loans are secured by Mainor Ülemiste AS, OÜ Öpiku Majad OÜ properties with carrying value of 67 130 thousand euros (31.12.2014 58 110 thousand euros) and Technopolis Ülemiste AS shares with carrying value of 24 995 thousand euros (31.12.2014: 22 491 thousand euros).

The total carrying amount of guarantees is 92 125 thousand euros (31.12.2014: 80 601 thousand euros and 01.01.2014: 68 745 thousand euros).

Note 17. Payables and prepayments

(in thousands of euros)

		31.12.2015	Breakdown by residual maturity	
			12 months	1-5 years
Trade payables		1 330	1 330	0
Payables to employees		57	57	0
Taxes payable(Note 12)		105	105	0
Other payables		241	251	0
incl. interest payable		*27*	*27*	*0*
incl. accrued expenses		*94*	*94*	*0*
incl. dividend payable		*120*	*120*	*0*
Prepayments received		295	83	212
Payables to related parties		120	120	0
	Total	**2 148**	**1 936**	**212**

			Breakdown by residual maturity	
		31.12.2014	12 months	1-5 years
Trade payables		828	828	0
Payables to employees		44	44	0
Taxes payable(Note 12)		39	39	0
Other payables		170	128	42
incl. interest payable		*7*	*7*	*0*
incl. accrued expenses		*163*	*121*	*42*
incl. dividend payable		*0*	*0*	*0*
Prepayments received		168	33	135
Payables to related parties		140	134	6
	Total	**1 389**	**1 206**	**183**

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		Breakdown by residual maturity	
	01.01.2014	12 months	1-5 years
Trade payables	386	386	0
Payables to employees	40	40	0
Taxes payable(Note 12)	26	26	0
Other payables	142	60	82
incl. interest payable	*0*	*0*	*0*
incl. accrued expenses	*142*	*60*	*0*
incl. dividend payables	*0*	*0*	*0*
Prepayments received	160	71	89
Payables to related parties	216	210	6
Total	**970**	**793**	**177**

Risks related to financial instruments are disclosed in Note 5.

Note 18. Provisions

(in thousands of euros)

	01.01.2014	Formation/ correction	31.12.2015
Compensation for loss of ability to work	251	3	254
incl. short-term	44	2	46
Incl. long-term	207	1	208

	31.12.2014	Formation/ correction	31.12.2015
Compensation for loss of ability to work	254	2	256
incl. short-term	46	0	46
Incl. long-term	208	2	210

Provisions have been recognized for former employees of AS Dvigatel for incapacitation benefits and personal pension payment obligations. The balance as of 31.12.2015 includes a short-term portion in the amount of 46 thousand euros and a long-term portion in the amount of 210 thousand euros (as of 31.12.2014 it was 46 and 208 thousand euros). The long-term part of the provision has been discounted with a rate of 9,5%.

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Note 19. Sales revenue

(in thousands of euros)

	Note	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Rent income	6, 28	3 614	3 223
Other sales revenue		142	94
Sales revenue from administrative services		1 328	1 143
Total		**5 084**	**4 460**

All revenue was earned in Estonia.

Note 20. Other operating income

(in thousands of euros)

	Note	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Gain/loss from change in fair value from investments in properties	6	838	444
Damage compensation		5	0
Other income		3	0
Total		**846**	**444**

Note 21. Cost of Sales

(in thousands of euros)

	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Electricity	-1 081	-983
Heating	-86	-88
Water- and sewage expense	-98	-73
Security costs	-20	-14
Property maintenance	-212	-117
Other	-95	-52
Total	**-1 592**	**-1 327**

Note 22. Marketing expense

(in thousands of euros)

	Note	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Personnel expenses	25	-58	-47
Advertisement, PR		-151	-87
Total		**-209**	**-134**

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Note 23. Administration expenses

(in thousands of euros)

	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Various office expenses	-66	-59
Investigatory and development expenses	-4	-7
Business trip expenses	-22	-5
Training expenses	-24	-7
State and local taxes	-69	-67
Provisionary formation expenses	-133	-121
Expenses from doubtful claims	-40	-79
Personnel expenses (Note 24)	-515	-361
Amortization and depreciation te 7,8)	-30	-14
Legal expenses	-75	-62
Insurance expenses	-13	-17
Management expenses	-77	-77
Consultation expenses	-151	-129
Compensation expense for incapacitation	-35	-45
Bank fees expense	-24	-69
Maintenance and membership fees for programs	-22	0
Other	-81	-96
Total	**-1 381**	**-1 215**

Note 24. Salary expenses

(in thousands of euros)

	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Salary expense	-410	-300
Social- and unemployment tax expense	-137	-100
Pension expense	-12	-11
Social tax on pensions	-4	-4
Sickness benefit	-1	0
Vacation reserve	-9	7
Total	**-573**	**-408**
Average number of full-time employees	15	11

Paid fees for board members are brought out in the Note 30.

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Note 25. Other operating expenses

(in thousands of euros)

	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Expenses from previous periods	0	-1
Loss on disposal of fixed assets	-2	0
Donations to non-profit organizations	-5	0
Local taxes	-1	0
Other operating expenses	-9	-9
Total	**-17**	**-10**

Note 26. Interest expenses

(in thousands of euros)

	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Interest expenses from loans	-781	-568
Interest expenses from deposits	-1	-1
Interest expenses from other liabilities	-22	-14
Interest expenses from bonds	-66	0
Total	**-870**	**-583**

Note 27. Other Financial income and expense

(in thousands of euros)

	01.01.2015-31.12.2015	01.01.2014-31.12.2014
Other interest expenses	547	573
Other finance income/expense	-78	-14
Financial expense from the shares of subsidiaries (Note 12)	-1	0
Risk fee	-46	-46
Total	**422**	**513**

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Note 28. Operating lease

(in thousands of euros)

Entity as a lessee

Mainor Ülemiste AS had leased office furniture for clients under operating lease.

	2015	2014
Rental income for the reporting period	1	0
Succeeding periods operating lease cost from active contracts:		
Short-term portion of payment up to 12 months	5	0
Long-term portion of payment up to 2-5 years	11	0

Entity as a lessor

The entity has leased office and production premises. On the reporting period rental income is reflected in the Income Statement in the amount of 3 614 thousand euros (2014: 3 223 thousand euros), see in Note 6 and 20.

	2015	2014
Income from operating lease (Note 19)	3 614	3 223
Succeeding periods operating lease profit from active contracts:		
Within 12 months	3 852	3 694
1 to 5 years	10 807	10 011
Over 5 years	8 467	10 111
Net-book value of assets given for operating lease (Note 6)	67 130	58 110

Mainor Ülemiste AS has leased office and production premises.

Lease contracts concluding by the entity are typically 1-5 years in duration. In some exceptional cases, when it comes to large-scale contracts, the lease period is 10-15 years.

Upon the expiration of the contract, the lease agreement will not be extended automatically. After the expiration, the contract may become termless or it will be extended, agreeing on new terms for the next rental period.

After each calendar year after signing the agreement, the rental price will increase automatically once per year without any supplementary agreements. The increase in rent price corresponds to the last calendar years' consumer price index, which is published by the Statistics Estonia.

Note 29. Contingent liabilities

Income Tax

The company's retained earnings as of 31.12.2015 amounted to 57 469 thousand euros (31.12.2014: 52 770 thousand euros). Payment of dividends to holders is accompanied with an income tax expense

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of 20/80 net dividend paid on the amound. The maximum income tax liability that would arise if all of the undistributed profits were distributed would be 11 494 thousand euros (31.12.2014: 10 554 thousand euros), therefore the net dividend that could be paid out is 45 975 thousand euros (31.12.2014: 42 216 thousand euros).

Note 30. Related parties

(in thousands of euros)

Mainor Ülemiste AS related parties are:

- The ultimate parent of the group Mainor AS through the parent company Smart City Group AS
- Owners of the entity: Smart City Group AS (83.84%), Logit Eesti AS (16.16%)
- Companies related to management and supervisory board

Balances with related parties	Receivables 31.12.2015	Liabilities 31.12.2015	Receivables 31.12.2014	Liabilities 31.12.2014
Parent company	8 358	0	8 077	0
Other companies in Mainor AS consolidation group	701	120	579	140
Affiliated companies	581	3	495	72
Members of the management board and council, their family members and significant shareholders	34	4	38	4

Balances with related parties	Purchases	Sales	Granted loans
Parent company	1	0	0
Affiliated companies	61	32	47
Other companies in Mainor AS consolidation group	1 300	364	0
Members of the management board and council; significant shareholders and contractors under their management or influence	154	74	0

Related parties to the company are: Eesti Ettevõtluskõrgkool Mainor AS, Dvigatel-Energeetika AS, Dvigatel Regital OÜ, Doranova Eesti AS, Doranova Baltic OÜ and Mainor AS. Companies related to Supervisory Council and the Management Board, their intermediate families and the companies in which they hold control or have significant influence are: Kristosten AS, Nets OÜ, RVVE Grupp OÜ, Disain Pluss OÜ, RS Büroo OÜ, Adtrxion OÜ and Flennert OÜ.
Mainor AS is the company controlling the parent Smart City Group Ltd. with a participation rate of 83.84%.

Affiliated companies are Technopolis Ülemiste AS and Spacex Eesti OÜ.

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Accrued interest income for the grant of guarantees to the ultimate parent company's and receivable from immediate parent company was 492 thousand euros (2014: 569 thousand euros).
Accrued interest from loans granted to affiliated companies was 40 thousand euros (2014: 4 thousand euros) and dividends were received in the amount of 702 thousand euros (2014: 466 thousand euros).

Mainor Ülemiste AS claim against Smart City Group AS does not have a reason to be written down, because the Smart City Group AS possesses sufficient assets to meet its obligations, while owning 84% of Mainor Ülemiste shares. In addition, Mainor Ülemiste AS has a guarantee claim against the Group's parent AS Mainor.
Remuneration for the members of the board during the reporting year was in the amount of 111 thousand euros and in 2014 94 thousand euros.

Note 31. Events after the balance sheet date

In the first quarter of 2016, Mainor Ülemiste AS filled all the loan preconditions set by Nordea Bank Plc for the subsidiary Öpiku Majad OÜ, which opened up the oppurtunity for debt financing with a limit of up to 13 650 thousand euros. In January 2016, the loan agreement nr.LL-20120520MÜ between Mainor Ülemiste AS and LHV AS was changed, which resulted in the increase of the loan amount in the sum of 715 thousand euros.

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Note 32. Unconsolidated statement of financial position

(in thousands of euros)

	31.12.2015	31.12.2014	01.01.2014
ASSETS			
Investment propertie	54 735	55 850	48 700
Tangible assets	87	18	15
Intangible assets	19	27	35
Receivables and prepayments	16 116	10 296	8 379
Inventories	0	0	6
Financial investments into subsidiaries	6 000	4	4
Financial investments in equity method	24 995	22 491	17 816
Cash and cash equivalents	5 706	4 372	3 798
TOTAL ASSETS	**107 656**	**93 058**	**78 753**
EQUITY			
Share capital	19 200	19 200	19 200
Statutory reserve	1 920	1 920	1 000
Retained earnings	52 031	45 482	43 203
Profit (loss) for the financial year	5 356	7 026	3 872
Total Equity	**78 507**	**73 628**	**62 275**
LIABILITIES			
Provisions	256	252	251
Borrowings	27 659	17 799	10 277
Payables and prepayments	1 234	1 379	950
TOTAL LIABILITIES	**29 149**	**19 430**	**11 478**
TOTAL LIABILITIES AND EQUITY	**107 656**	**93 058**	**73 753**

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Note 33. Unconsolidated statement of comprehensive income

(in thousands of euros)

	2015	2014
Revenues from sales	5 084	4 231
Cost of sales	-1 592	-1 316
Gross profit	**3 492**	**2 915**
Marketing expenses	-162	-134
Administrative expenses	-1 376	-1 211
Revenues from financial investments	3 206	5 142
Other revenues	545	414
Other costs	-7	-10
Operating profit	**5 688**	**7 116**
Financial income and expenses		
Interest expense	-870	-534
Other financial income and expenses	548	499
Total financial income and expenses	**-322**	**-35**
Profit before tax	5 366	7 081
Income tax	-10	-55
Profit for the year	**5 356**	**7 026**
Total comprehensive profit	**5 356**	**7 026**

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Note 34. Unconsolidated statement of cash flows

	2015	2014
Cash flows from operating activities		
Profit for the year	5 366	7081
Adjustments:		
Depreciation and amortisation of non-current assets	30	14
Loss from fixed asset sales and write-offs	2	0
Change in fair value of investment property	-538	-414
Profit (loss) from financial investments	-3 205	-5 142
Other financial income and expenses	-548	-498
Interest paid and other financial expenses	870	534
Income tax on dividends	10	55
Changes in receivables from operating activites	-558	-217
Change in inventories	0	-6
Changes in payables from operating activities	-164	3 683
Net cash flows from operating activities	**1 265**	**1 775**
Cash flows from investing activities		
Sales of property, plant and equipment	17	0
Payments for property, plant and equipment	-107	-9
Payments for investment property	-2 087	-6 736
Loans granted	-5 597	-1 190
Interest received	16	0
Dividends received	702	466
Net cash flows from investing activities	**-7 056**	**-7 469**
Cash flows from financing activities		
Proceeds from borrowings	5 189	12 155
Repayment of borrowings	-814	-4 639
Issuance of bonds	4 151	0
Interest paid	-781	-520
Dividends paid	-620	-673
Corporate income tax paid	0	-55
Net cash flows from financing activities	**7 125**	**6 268**
Net cashflow	**1 334**	**574**
Cash and cash equivalents at the beginning of the financial year	4 372	3 798
Net change in cash and cash equivalents	1 334	574
Cash and cash equivalents at the end of the year	5 706	4 372

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Note 35. Unconsolidated Statement of Changes in Equity

	Share capital	Statutory reserve	Retained earnings	Total
Balance 31.12.2013	**19 200**	**1 000**	**47 142**	**67 342**
Allocation to statutory reserve	0	920	-920	0
Dividends declared	0	0	-673	-673
Comprehensive income for the year	0	0	7 026	7 026
Balance 31.12.2014	**19 200**	**1 920**	**52 508**	**73 628**
Value of interests under control and significant influence under the equity method	0	0	266	266
Carrying amount of interests under control and significant influence	0	0	-4	-4
Adjusted unconsolidated equity 31.12.2014	**19 200**	**1 920**	**52 770**	**73 890**
Dividends declared	0	0	-740	-740
Comprehensive income for the year	0	0	5 356	5 478
Balance 31.12.2015	**19 200**	**1 920**	**57 387**	**78 507**
Value of interests under control and significant influence under the equity method	0	0	6 121	**6 121**
Cost value of interests under control and significant influence	0	0	-6 000	-6000
Adjusted unconsolidated equity 31.12.2015	**19 200**	**1 920**	**57 509**	**78 629**

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[Translation from Estonian original]

INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholders of AS Mainor Ülemiste:

We have audited the consolidated financial statements (pages 6 to 55) of AS Mainor Ülemiste (hereafter also "the Group"), which comprise the statement of financial position as at 31 December 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board of the parent company of the Group is responsible for the preparation and fair presentation of these financial statements in accordance with Estonian Accounting Act and the guidelines issued by International Financial Reporting Standards as adopted by the European Commission, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Mainor Ülemiste as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Commission.

15 April 2016

Erki Usin
Certified Auditor, No. 496
AS Deloitte Audit Eesti
Licence No. 27

Profit allocation proposal

Mainor Ülemiste AS Board of Directors will propose during the general meeting of shareholders to allocate the 2015 net profit in the amount of 5 478 thousand euros as follows:

1. Dividends	790
2. Retained earnings	4 688
TOTAL	5 478

Management board signatures for annual report ended 31.12.2015

Mainor Ülemiste AS signing of the annual report for the year 2015 15 April 2016:

____

Member of the board

Margus Nõlvak

____

Member of the board

Rein Suurväli

____

Member of the board

Ursel Velve

Mainor Ülemiste AS sales revenue according to EMTAK 2008

EMTAK	Field of activity	01.01.2015-31.12.2015
68201	Leased or owned real estate renting and operating	3 614
68329	Other activities related to real estate management	1 470
	Total sales revenue	5 084