

CONFIRMATION OF RESPONSIBLE PERSONS
30 April 2021

We confirm that, to our knowledge, the financial statements for the year 2020, were prepared in accordance with applicable accounting standards and present true and fair view of the assets, liabilities, financial position, profit and loss of the Company (UAB Terseta) a fair presentation of the business development and operations, the standing of the Company, together with a description of the principal risks and uncertainties encountered.

UAB Terseta Director
Rytis Zaloga

Representative of the accounting company
Viliūnė Cibulskaitė

MANAGEMENT

LORDS LB ASSET

UAB Terseta

FINANCIAL STATEMENTS OF THE COMPANY
AS AT 31 DECEMBER 2020 PREPARED ACCORDING
TO BUSINESS ACCOUNTING STANDARDS



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Independent Auditor's Report

To the Shareholders Terseta UAB

Opinion

We have audited the financial statements of Terseta UAB ("the Company"). The Company's financial statements comprise:

- the balance sheet as at 31 December 2020,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the cash flow statement for the year then ended, and
- notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Business Accounting Standards of the Republic of Lithuania, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of KPMG Baltics, UAB

Ieva Voverienė
Certified Auditor



Vilnius, the Republic of Lithuania
29 April 2021

UAB Tarseta

Company code 303550959, address Jogailos St. 4, Vilnius

FINANCIAL STATEMENTS OF THE COMPANY AS AT 31 DECEMBER 2020

(in Euros, unless otherwise stated)

Balance sheet

	Notes	31 December 2020	31 December 2019
ASSETS			
A NON-CURRENT ASSETS		11 253 282	19 690 000
1. INTANGIBLE ASSETS			
1.1. Development work		-	-
1.2. Goodwill		-	-
1.3. Computer software		-	-
1.4. Concessions, patents, licenses, trademarks and similar rights		-	-
1.5. Other intangible assets		-	-
1.6. Prepayments made		-	-
2. TANGIBLE ASSETS		11 220 000	19 690 000
2.1. Land		-	-
2.2. Buildings and construction		-	-
2.3. Plant and machinery		-	-
2.4. Vehicles		-	-
2.5. Other equipment, appliances and tools		-	-
2.6. Investment assets		-	-
2.6.1. Land	4	11 220 000	19 690 000
2.6.2. Buildings		-	-
2.7. Prepayments made and construction/production of tangible assets in progress		11 220 000	19 690 000
3. FINANCIAL ASSETS			
3.1. Shares in group companies		-	-
3.2. Loans to group companies		-	-
3.3. Amounts receivable from group companies		-	-
3.4. Shares in associates		-	-
3.5. Loans to associates		-	-
3.6. Amounts receivable from associates		-	-
3.7. Long-term investments		-	-
3.8. Amounts receivable after one year		-	-
3.9. Other financial assets		-	-
4. OTHER NON-CURRENT ASSETS		33 282	-
4.1. Deferred tax assets	20	33 282	-
4.2. Biological assets		-	-
4.3. Other assets		-	-
B CURRENT ASSETS		191 416	813 768
1. INVENTORIES		3 000	60 000
1.1. Raw materials, supplies and components		-	-
1.2. Production and work in progress		-	-
1.3. Production		-	-
1.4. Goods for resale		-	-
1.5. Biological assets		-	-
1.6. Non-current tangible assets for resale		-	-
1.7. Prepayments made		3 000	60 000
2. ACCOUNTS RECEIVABLE WITHIN ONE YEAR	5	4 993	129 274
2.1. Trade debtors		-	129 235
2.2. Debts of Group companies	19	-	38
2.3. Debts of associates		-	-
2.4. Other accounts receivable		4 993	1
3. CURRENT INVESTMENTS			
3.1. Shares in group companies		-	-
3.2. Other investments		-	-
4. CASH AND CASH EQUIVALENTS	6	183 423	624 494
C. DEFERRED EXPENSES AND ACCRUED INCOME TOTAL ASSETS	7	3 533	58 088
TOTAL ASSETS		11 448 231	20 561 856

UAB Terset

Company code 303556959, address Jogailos St. 4, Vilnius

FINANCIAL STATEMENTS OF THE COMPANY AS AT 31 DECEMBER 2020

(in Euros, unless otherwise stated)

Balance sheet (continued)

	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
D. EQUITY			
1. CAPITAL	8	(141 461)	2 270 426
1.1. Authorised (subscribed) or core capital		2 500	1 410 000
1.2. Subscribed unpaid capital (-)		2 500	1 410 000
1.3. Own shares (-)		-	-
2. SHARE PREMIUM ACCOUNT		-	-
3. REVALUATION RESERVE		-	-
4. RESERVES	9	250	141 000
4.1. Legal reserve or reserve capital		250	141 000
4.2. For acquiring own shares		-	-
4.3. Other reserves		-	-
5. RETAINED EARNINGS (LOSSES)	10	(144 211)	719 426
5.1. Profit (loss) of the reporting year		(476 667)	543 376
5.2. Profit (loss) of the previous years		332 456	176 050
E. GRANTS AND SUBSIDIES		-	-
F. PROVISIONS		-	214 678
1. Provisions for pensions and similar liabilities		-	-
2. Tax provisions	20	-	214 678
3. Other provisions		-	-
G. AMOUNTS PAYABLE AND OTHER LIABILITIES		11 581 109	18 065 355
1. AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER NON-CURRENT LIABILITIES		11 558 393	17 283 497
1.1. Debts	11	8 029 333	-
1.2. Debts to credit institutions	12	-	11 350 880
1.3. Prepayments received		2 898	7 243
1.4. Debts to suppliers		-	-
1.5. Amounts payable under bills of exchange and cheques		-	-
1.6. Accounts payable to group companies	12, 19	3 526 162	5 925 374
1.7. Amounts payable to associates		-	-
1.8. Other amounts payable and non-current liabilities		-	-
2. AMOUNTS PAYABLE WITHIN ONE YEAR AND OTHER CURRENT LIABILITIES	13	22 716	781 858
2.1. Debts		-	-
2.2. Debts to credit institutions	12	-	642 480
2.3. Prepayments received		-	7 929
2.4. Trade debtors		9 091	58 771
2.5. Amounts payable under bills of exchange and cheques		-	-
2.6. Amounts payable to group companies		3 769	-
2.7. Amounts payable to associates		-	-
2.8. Income tax liabilities		-	-
2.9. Employment-related liabilities		121	1 936
2.1. Other amounts payable and non-current liabilities		9 735	70 742
H. ACCRUED EXPENSES AND DEFERRED INCOME	14	8 583	11 397
TOTAL EQUITY AND LIABILITIES		11 448 231	20 561 856

The following Notes are an integral part of these Financial Statements.
The Financial Statements were drawn up and signed on 29 April 2021.

Chief Executive Officer

Representative of the company
managing the accounts

Rytis Zaloga

Vilijūnė Cibulskaitė



UAB Tersetis

Company code 303566959, address Jogailos St. 4, Vilnius

FINANCIAL STATEMENTS OF THE COMPANY AS AT 31 DECEMBER 2020

(in Euros, unless otherwise stated)

Profit and loss statement

		01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Notes			
1. Sales income	15	1 477 986	2 172 471
2. Cost of sales	16	(359 197)	(482 634)
3. Change in the fair value of biological assets			
4. Gross profit (loss)		<u>1 118 789</u>	<u>1 689 837</u>
5. Selling expenses			
6. General and administrative costs			
7. Results of other activities	17	(1 050 968)	(127 912)
8. Income from investments in shares of parent companies, subsidiaries and associates			
9. Income from other long-term investments and loans			
10. Other interest and similar income			
11. Impairment of financial assets and short-term investments			
12. Interest and other similar expenses	18	(632 708)	(941 849)
13. PROFIT (LOSS) BEFORE TAX		<u>(564 887)</u>	<u>620 076</u>
14. Corporate income tax	20	88 220	(76 700)
15. NET PROFIT (LOSS)		<u>(476 667)</u>	<u>543 376</u>

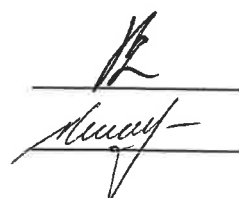
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Chief Executive Officer

Representative of the company
managing the accounts

Rytis Zaloga

Vilijona Cibulskaitė



UAB Terset

Company code 303558959, address Jogailos St. 4, Vilnius

FINANCIAL STATEMENTS OF THE COMPANY AS AT 31 DECEMBER 2020

(in Euros, unless otherwise stated)

Statement of changes in equity

	Paid up authorized capital	Share pre- mium	Own shares (-)	Revaluation reserve (results)		Legal reserves		Other reserves	Retained earnings (loss)	Impact of changes in currency ex- change rates	Minority Interest	Total
				Non- current tangl- ble assets	Finan- cial assets	Com- pulsory	For acquiri ng own shares					
1. Balance at the end of the reporting period before previous of the previous reporting (annual) period	1 410 000	-	-	-	-	-	-	-	617 050	-	-	2 027 050
2. Result of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
3. Result of correcting material errors	-	-	-	-	-	-	-	-	-	-	-	-
4. Recalculated balance at the end of the reporting period before previous of the previous reporting (annual) period	1 410 000	-	-	-	-	-	-	-	617 050	-	-	2 027 050
5. Increase (decrease) in value of tangible non-current assets	-	-	-	-	-	-	-	-	-	-	-	-
6. Increase (decrease) in value of effective hedging instrument	-	-	-	-	-	-	-	-	-	-	-	-
7. Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
8. Profit (loss) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
9. Net profit (loss) of the reporting period	-	-	-	-	-	-	-	-	543 376	-	-	543 376
10. Dividends	-	-	-	-	-	-	-	-	(300 000)	-	-	(300 000)
11. Other payments	-	-	-	-	-	-	-	-	-	-	-	-
12. Formed reserves	-	-	-	-	-	141 000	-	-	(141 000)	-	-	-
13. Used reserves	-	-	-	-	-	-	-	-	-	-	-	-
14. Increase (reduction) of the authorized capital or shareholders' contributions (return of shares)	-	-	-	-	-	-	-	-	-	-	-	-
15. Other increase/decrease of the authorized or core capital	-	-	-	-	-	-	-	-	-	-	-	-
16. Contributions to cover losses	-	-	-	-	-	-	-	-	-	-	-	-
17. Balance at the end of the previous reporting (annual) period	1 410 000	-	-	-	-	141 000	-	-	719 426	-	-	2 270 426
18. Increase (decrease) in value of tangible non-current assets	-	-	-	-	-	-	-	-	-	-	-	-
19. Increase (decrease) in value of effective hedging instrument	-	-	-	-	-	-	-	-	-	-	-	-
20. Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
21. Profit (loss) not recognized in the income statement (see Note 3)	-	-	-	-	-	-	-	-	(388 970)	-	-	(388 970)
22. Net profit (loss) of the reporting period	-	-	-	-	-	-	-	-	(476 667)	-	-	(476 667)
23. Dividends	-	-	-	-	-	-	-	-	-	-	-	-
24. Other payments	-	-	-	-	-	-	-	-	-	-	-	-
25. Formed reserves	-	-	-	-	-	-	-	-	-	-	-	-
26. Used reserves (see Note 3)	-	-	-	-	-	-	-	-	-	-	-	-
27. Increase (reduction) of the authorized capital or shareholders' contributions (return of shares)	-	-	-	-	-	(140 750)	-	-	-	-	-	(140 750)
28. Other increase/decrease of the authorized or core capital (see Note 3)	(1 407 500)	-	-	-	-	-	-	-	-	-	-	(1 407 500)
29. Contributions to cover losses	-	-	-	-	-	-	-	-	-	-	-	-
30. Balance at the end of the reporting period	2 500	-	-	-	-	250	-	-	(144 211)	-	-	(141 461)

The following Notes are an integral part of these Financial Statements.
These Financial Statements were drawn up and signed on 29 April 2021.

Chief Executive Officer

Rytis Zaloga

Representative of the company managing the
accounts

Vilijonė Cibulskaitė



Cash flow statement

	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019 (unaudited)
1. Cash flows from operating activities		
1.1. Cash inflows of the reporting period (VAT included)		
1.1.1. Inflows from customers	2 042 866	2 801 141
1.1.2. Other inflows	2 042 202	2 801 141
1.2. Cash outflows of the reporting period	864	-
1.2.1. Cash paid to suppliers of raw materials, goods and services (VAT included)	(1 833 128)	(1 211 606)
1.2.2. Employment-related outflows	(1 481 841)	(781 444)
1.2.3. Taxes paid into the budget	(8 454)	(11 116)
1.2.4. Other payments	(341 255)	(418 624)
Net cash flows from operating activities	(1 778)	(423)
2. Cash flows from investing activities	209 738	1 589 538
2.1. Acquisition of non-current assets (excluding Investments)	-	-
2.2. Disposal of non-current assets (excluding Investments)	-	-
2.3. Acquisition of non-current investments	(12 125 200)	(50 000)
2.4. Disposal of non-current investments	-	-
2.5. Loans granted	-	-
2.6. Loans recovered	-	-
2.7. Dividends and interest received	-	-
2.8. Other increase in cash flows from investing activities	-	-
2.9. Other decrease in cash flows from investing activities	-	-
Net cash flows from investing activities	(12 125 200)	(50 000)
3. Cash flows from financing activities		
3.1. Cash flows related to entity owners	-	(300 000)
3.1.1. Issue of shares	-	-
3.1.2. Owners' contributions against losses	-	-
3.1.3. Purchase of own shares	-	-
3.1.4. Dividends paid	-	(300 000)
3.2. Cash flows arising from other financing sources	11 474 392	(892 707)
3.2.1. Increase in financial debts	12 476 000	-
3.2.1.1. Loans received	-	-
3.2.1.2. Issue of bonds	12 476 000	-
3.2.2. Decrease in financial debts	(808 435)	(892 707)
3.2.2.1. Loans returned	(535 400)	(642 480)
3.2.2.2. Redemption of bonds	-	-
3.2.2.3. Interest paid on loans	(273 035)	(250 227)
3.2.2.4. Interest paid on bonds	-	-
3.2.2.5. Lease (finance lease) payments	-	-
3.2.3. Increase in other liabilities of the entity	-	-
3.2.4. Decrease in other liabilities of the entity	(193 174)	-
3.2.5. Other increases in cash flows from financing activities	-	-
3.2.6. Other decreases in cash flows from financing activities	-	-
Net cash flows from financing activities	11 474 392	(1 192 707)
4. Effect of changes in exchange rates on the balance of cash and cash equivalents	-	-
5. Net increase (decrease) in cash flows	(441 071)	346 828
6. Cash and cash equivalents at the beginning of the period	624 494	277 666
7. Cash and cash equivalents at the end of the period	183 423	624 494

Chief Executive Officer

Representative of the company
managing the accounts

Rytis Zaloga

Viliūnė Cibulskaitė



Notes to the financial statements

1 General information

UAB Terseta (hereinafter referred to as the Company) with its office at Jogailos Str. 4, Vilnius, Lithuania was registered in the Register of Companies on 28 January 2015. The Company's registration code is 303556959, registered office address is Jogailos g. 4, Vilnius. The Company was registered as a value-added tax payer on 18 July 2018. The Company's data is stored and collected by the State Enterprise Centre of Registers.

The Company's principal activity is management and leasing of real estate.

On 25 November 2020, the split-off of the Company took place, separating the Company's activities related to the maintenance and lease of the real estate property located at A. Juozapavičiaus St. 13, Vilnius, and the transfer of the building to the newly established company UAB J13 (company code 305663041, 100% of the shares of the company are owned by the sole shareholder of UAB Terseta, the closed-end investment fund for informed investors Lords LB Baltic Fund IV).

The Company continues to carry out its activity related to the maintenance and lease of its newly acquired property at Gedimino Ave. 7, Vilnius (see Note 3).

As of 31 December 2019 and 2020 the shareholders of the Company are as follows: Lords LB Baltic Fund IV, a closed-end investment fund for informed investors.

	2020		2019	
	Number of shares	Equity stake	Number of shares	Equity stake
Lords LB Baltic FUND IV	2 500	100.00%	1 410 000	100.00%
Total:	2 500	100.00%	1 410 000	100.00%

As at 31 December 2020, the Company's authorised capital was EUR 2 500 (in 2019: EUR 1 410 000) and the number of shares was 2 500. (in 2019: 1 410 000 units). All shares are ordinary shares with a nominal value of EUR 1 and they were fully paid up as at 31 December 2020 and 31 December 2019.

From 25 February 2021 the bonds of UAB Terseta (the issue of EUR 8 million) are admitted to trading on the alternative market First North, the operator of which is AB Nasdaq Vilnius.

As at 31 December 2020 and 31 December 2019, the Company had no branches or representative offices.

As at 31 December 2020, the average number of employees of the Company was 1 (4 as at 31 December 2019).

The Company has no shares of its own.

The Company's financial year coincides with the calendar year.

2 Accounting principles

The principal accounting policies applied in preparation of the Company's financial statements for 2020 are as follows:

2.1. Form of financial statements

These financial statements have been prepared in accordance with the legislation of the Republic of Lithuania on financial accounting and drawing up of financial statements in force as at 31 December 2020, and with the applicable Business Accounting Standards (BAS), which include the standards and guidance issued and endorsed by the Authority of Audit, Accounting, Property Valuation and Insolvency.

The financial statements are based on historical cost, except for investment property and derivative financial instruments, which are accounted for at fair value.

The financial statements have been prepared based on the assumption that the Company will be able to continue as a going concern in the foreseeable future.

2.2. Currency of financial statements

In these financial statements, all amounts are presented in Euro, the national currency of the Republic of Lithuania. Transactions in foreign currency are accounted for on initial recognition using the foreign exchange rate effective as at the date of transaction.

2.3. Investment assets

Investment assets include the real estate held to earn income and/or profit from an increase in the value of the assets and is carried at fair value. Profit and loss arising from changes in the fair value of investment assets are included in the profit and loss statement in the period in which the change occurs.

The cost of repairs to investment assets stated at fair value is recognised as expenses in the period in which they are incurred.

The Company uses the fair value method to account for its investment assets. Depreciation on all investment assets accounted for using the fair value method is calculated for tax purposes only, using the straight-line method over their useful life of 8 years, except for land. Land and leasehold rights are recorded at fair value together with the buildings recorded under investment assets.

The fair value of investment assets is determined on the basis of valuation reports of an independent valuer. An independent valuer's valuation is carried out at least once a year (with more frequent valuations if there are significant changes that could lead to a material change in the value of the asset).

2.4. Financial assets

Financial assets include cash and cash equivalents and amounts receivable.

A financial asset is recorded when the Company receives, or becomes entitled to receive, cash or any other financial asset under a contract. Accounts receivable are measured at acquisition cost less impairment loss. Cash and cash equivalents are stated at acquisition cost.

If it is probable that the Company will not be able to collect amounts receivable, impairment loss is recognised, calculated as the difference between the asset's carrying amount and the present value of future cash flows discounted at the estimated interest rate.

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in transit and at bank, demand deposits and other short-term (up to three months from acquisition) highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value.

2.6. Financial liabilities

Financial liabilities include amounts payable for the goods and services received and liabilities under contracts for bonds issued and loans.

2 Accounting principles (continued)

2.6. Financial liabilities (continued)

Financial liabilities are recorded when the Company incurs a liability to pay cash or to use other financial assets for settlement. Amounts payable for goods and services are measured at acquisition cost.

Bonds issued are classified as financial liabilities redeemable in one lump sum or in instalments according to a fixed redemption schedule. Bonds issued and loans received are initially recorded at acquisition cost, which is equal to the amount of funds received. Transaction costs are recognised as expenses in financing activities. Subsequently, financial liabilities are measured at amortised cost using the estimated interest rate method.

2.7. Estimated interest rate method

The estimated interest rate method is a method of calculating the amortised cost of financial assets and liabilities and allocating interest income and expense over the relevant period. The estimated interest rate is the interest rate that exactly discounts estimated future cash flows (including any fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) to the net carrying amount at initial recognition over the expected life of financial assets and liabilities or, if appropriate, over an appropriate shorter period.

2.8. Recognition of income

Income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of income can be measured reliably. Sales are recorded net of VAT and discounts granted.

When a service transaction is completed in the same period in which it was initiated, income is recognised in the same period and measured at the amount specified in the contract. When services are provided for a period exceeding one reporting period, under the services provision transaction, income is apportioned over the periods during which the services are provided.

Typical operating income consists of rental income and income from utilities and maintenance costs. Where the Company operates as an intermediary rather than the main service provider, income and expenses are offset.

Lease income is recognised over the lease term.

2.9. Recognition of expenses

Expenses are recognised on an accrual and comparative basis in the period in which the related income is earned. Expenses incurred during the period that cannot be directly attributed to the generation of specific income and that will not generate income in future periods are recognised as expenses in the period in which they are incurred. Expenses are measured at fair value.

2.10. Borrowing costs

Interest on loans and bond contracts is recognised in the profit and loss statement on an accrual basis.

2.11. Corporate income tax

In 2020 and 2019, the corporate income tax rate was 15% in accordance with the tax laws of the Republic of Lithuania.

Income tax expense comprises the current year's income tax expense and deferred income tax expense.

Tax losses can be carried forward indefinitely, except for losses arising from the transfer of securities and/or derivatives. Such carry-forward is cancelled if the Company ceases to carry on the activity giving rise to the loss, unless the Company ceases to carry on the activity for any reasons beyond its control. Losses on the transfer of securities and/or derivatives can be incurred for 5 years and can only be covered by profits from transactions of the same type. According to the latest amendments to the Law on Corporate Income Tax of the Republic of Lithuania, tax loss carry-forwards can be used to offset up to 70% of the taxable profit for the current tax year.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

2 Accounting principles (continued)

2.11. Corporate income tax (continued)

Deferred tax assets are recognised in the balance sheet to the extent that the Company's management expects that it will be realised in the foreseeable future, taking into account forecasts of taxable profit. If it is probable that part of the deferred tax will not be realised, that part of the deferred tax is not recognised in the financial statements.

At the time of the split-off of the Company (on 25 November 2020), it transferred the cumulative tax loss and the corresponding deferred income tax assets and liabilities to J13 UAB (see Note 3).

2.12. Foreign currencies

All currency items in the balance sheet are stated in Euro using the exchange rate at the balance sheet date. Assets recorded at acquisition cost that are purchased for foreign currency are valued in Euros in the balance sheet at the exchange rate applicable at the time of acquisition. Assets with the fair value measured in a foreign currency are stated in Euros on the balance sheet using the exchange rate as of the date of the fair value measurement. Transactions in foreign currencies are stated in Euro using the exchange rate effective as at the transaction date. Differences that arise from the payment of amounts recorded in foreign currency items at a different exchange rate are recognised as income or expenses in the reporting period.

2.13. Financial risk management policy

The Company is exposed to various financial risks in the course of its business. Risk management is carried out by the management. The following main financial risk management procedures are applied in the Company's operations:

Credit risk

Credit risk, or the risk that a counterparty will default on its obligations, is controlled through credit conditions and supervisory procedures. Credit risk is controlled by the Company itself and credit risk management companies are used where necessary.

Interest rate risk

The Company's income and cash flows from operations are largely independent of changes in market interest rates. The Company has no significant interest-earning assets.

Under the bond issues, all interest rates are fixed and the Company has not entered into any derivative contracts to hedge its exposure to interest rate fluctuations.

Currency risk

The Company does not have a significant concentration of exchange rate risk as the majority of its settlements are in Euro.

Liquidity risk

Conservative management of liquidity risk allows for the maintenance of sufficient cash and cash equivalents to cover planned expenditure. The Company's policy is to maintain sufficient cash and cash equivalents, or to secure financing through credit institutions or other borrowing alternatives, to meet the commitments in its strategic plans. (see Note 22). The Company makes short-term cash flow forecasts.

2.14. Use of estimates in preparation of the financial statements

The preparation of financial statements in accordance with Business Accounting Standards requires the management to make certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingencies. For these financial statements, a significant area where estimates are used involves the assumptions used in the valuation of investment assets. Future events may change the assumptions used in making the estimates. The result of changes in such estimates will be accounted for in the financial statements when determined.

2.15. Contingencies

Contingent liabilities are not recognised in the financial statements. They are described in the financial statements, except for those cases where the likelihood of the loss of economically beneficial resources is very low.

Contingent assets are not recognised in the financial statements, but are described in the financial statements if there is the likelihood of generating income or economic benefits.

2 Accounting principles (continued)

2.16. Offsetting

Offsets of amounts receivable and amounts payable with the same third party are carried out when there is a sufficient legal basis for doing so.

2.17. Related parties

Parties are considered to be related when one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operational decisions.

2.18. Post-balance sheet events

Post-balance sheet events that provide additional information about the Company's position as at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the Notes when material.

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3 Split-off of the Company

On 25 November 2020, the split-off of the Company took place, separating the Company's activities related to the maintenance and lease of the real estate property located at A. Juozapavičiaus St. 13, Vilnius, and the transfer of the demerged part to the newly established company UAB J13 (company code 305663041). The Company continues to carry out its activity related to the maintenance and lease of its newly acquired property at Gedimino Ave. 7, Vilnius (see Note 4).

In accordance with the procedure set out in the Split-off Terms, the assets and liabilities transferred to UAB J13 were recorded at their balance sheet values.

The transfer of the Company's assets, investment property, equity and liabilities to J13 UAB on 25 November 2020 is set out in the table below:

	UAB Terseta before the split-off on 25 November 2020	UAB Terseta after the split-off	UAB J13 after the split-off
A ASSETS			
2. NON-CURRENT ASSETS			
2.6. TANGIBLE ASSETS			
2.6.1. Investment assets			
2.6.2. Land			
B Buildings			
1. CURRENT ASSETS			
1.7. INVENTORIES			
2. Prepayments made			
2.1. ACCOUNTS RECEIVABLE WITHIN ONE YEAR			
4. Trade debtors			
C. CASH AND CASH EQUIVALENTS			
DEFERRED EXPENSES AND ACCRUED INCOME			
TOTAL ASSETS			
EQUITY AND LIABILITIES			
D. EQUITY			
1. CAPITAL			
1.1. Authorised (subscribed) or core capital			
4. RESERVES			
4.1. Legal reserve or reserve capital			
5. RETAINED EARNINGS (LOSS)			
5.1. Profit (loss) of the reporting year			
5.2. Profit (loss) of the previous years			
F. PROVISIONS			
2. Tax provisions			
G. ACCOUNTS PAYABLE AND OTHER LIABILITIES			
1. ACCOUNTS PAYABLE AFTER ONE YEAR AND OTHER NON-CURRENT LIABILITIES			
1.1. Debts			
1.3. Debts to credit institutions			
1.6. Prepayments received			
2. Accounts payable to group companies			
ACCOUNTS PAYABLE WITHIN ONE YEAR AND OTHER CURRENT LIABILITIES			
2.1. Debts			
2.2. Debts to credit institutions			
2.3. Prepayments received			
2.4. Debts to suppliers			
2.9. Employment-related liabilities			
2.10. Other accounts payable and current liabilities			
H. ACCRUED EXPENSES AND DEFERRED INCOME			
TOTAL EQUITY AND LIABILITIES			

Under the Split-Off Terms, the Company transferred the activities related to the maintenance and lease of the real estate property located at A. Juozapavičiaus g. 13 to UAB J13. Accordingly, the Company also transferred all assets and liabilities related to the transferred activities. In addition, the Company's accumulated tax losses related to the transferred activities were transferred to the newly established company.

4 Investment assets

Indicators	Investment assets	Land	Construction in progress	Total
Fair value at the beginning of the period	19 690 000	-	-	19 690 000
Changes in the financial year:				
Increase (decrease) in value	(46 000)	-	-	(46 000)
Acquisition (sale) of assets	11 220 000	4 776 000	-	15 996 000
Assets transferred on split-off	(19 644 000)	(4 776 000)	-	(24 420 000)
Fair value at the end of the financial year	11 220 000	-	-	11 220 000

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4 Investment assets (continued)

The fair value of the investment property located at A. Juozapavičiaus St. 13, Žvejų St. 14, Vilnius, was determined on the basis of a valuation carried out by an independent valuer, UAB Newsec Valuations, in November 2020, and the properties were valued as of 31 October 2020. The investment assets were valued by the discounted cash flow method, using a discount rate of 8.5% (in 2019: 8.2%) and a capitalisation rate of 8.5% (in 2019: 8.5%). The cash flows are projected over a 10-year period based on the Company's actual lease agreements, assuming an average annual revenue growth of 2% (in 2019: 2%). According to the reports of an independent valuer, the value of the investment assets calculated using the discounted cash flow method was EUR 24 420 000.

Investment assets accounted for using the fair value method are not depreciated for accounting purposes, but depreciation for the income tax purposes calculated in accordance with the norms provided for in the Law on Corporate Income Tax of the Republic of Lithuania is 15 years. Change in the fair value of investment assets which amounted to EUR 46 000 (impairment) in 2020 is shown in the profit and loss statement under interest and other similar expenses (Note 18).

Under the Split-Off Terms, which took place on 25 November 2020, the Company transferred the building complex located at A. Juozapavičiaus St. 13, Žvejų St. 14, Vilnius. In addition, in December 2020, the Company acquired the real estate located at Gedimino Ave. 7 (the building of Vilnius Central Post Office) from AB Lietuvos Paštas.

The newly acquired investment property located at Gedimino Ave. 7 is also subject to the fair value method and therefore no depreciation is calculated. In addition, the investment property is included in the Register of Cultural Property, and therefore, in accordance with the Law on Corporate Income Tax of the Republic of Lithuania, the investment property is not subject to depreciation for corporate income tax purposes either. The investment property located at Gedimino pr. 7 has not been valued since its acquisition until the date of these financial statements. The property was acquired in December 2020 and therefore the acquisition cost is considered to be the fair value at the year-end.

The Company's investment property located at Gedimino Ave. 7 is pledged as a first ranking mortgage to a trustee acting on behalf of and for the benefit of the holders of the publicly placed bonds (Note 11).

5 Amounts receivable within one year

	2020	2019
Input VAT receivable	4 991	-
Other amounts receivable	2	1
Trade debtors	-	129 235
Debts of Group companies	-	38
	4 993	129 274

Under the Split-Off Terms, the Company transferred the buyers' indebtedness as of the date of the Split-off (see Note 3).

6 Cash and cash equivalents

	2020	2019
Cash in bank	183 423	624 494
	183 423	624 494

Under the Split-Off Terms, the Company transferred part of the balance of cash at bank (see Note 3).

7 Deferred expenses and accrued income

	2020	2019
Accumulation of lease income	3 514	-
Accumulation of income from utilities and operating costs	-	56 609
Insurance of deferred assets	-	1 479
Other deferred expenses	19	-
	3 533	58 088

Under the Split-Off Terms, the Company transferred the accumulated profits related to the transferred activities (see Note 3).

8 Authorised capital

As of 31 December 2020, the Company's authorised capital amounted to EUR 2 500 (in 2019: EUR 1 410 000) and the number of shares was 2 500 (in 2019: 1 410 000 units). All shares are ordinary shares with a nominal value of EUR 1 and they were fully paid up as of 31 December 2020 and 31 December 2019.

In accordance with the Law on Companies of the Republic of Lithuania, a company's equity capital may not be less than 1/4 of its share capital, as specified in its articles of association. On 6 March 2021, the Company's authorised capital was increased by the issue of 1 000 000 shares with a nominal value of EUR 1 up to a maximum of EUR 1 002 500, which is divided into 1 002 500 ordinary registered shares. Thus, in 2021 the Company already meets the requirement laid down in the Law on Companies.

9 Reserves

The statutory reserve is mandatory under the legislation of the Republic of Lithuania. At least 5% of the net profit calculated in accordance with the Lithuanian accounting principles must be transferred to this reserve annually until it reaches 10% of the share capital. As of 31 December 2020 and 31 December 2019, the Company complied with this requirement.

10 Draft profit distribution

As of the date of signing these separate financial statements, the draft profit distribution had not yet been prepared.

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11 Debts

Publicly traded bonds with accrued interest

2020	2019
8 029 333	-
8 029 333	-

In December 2020, the Company publicly offered the bond issue of EUR 8 000 000. The bonds mature on 10 June 2022 and the first interest payment is due on 10 June 2021. As of 31 December 2020, the outstanding amount of the bonds together with the accrued unredeemed interest amounted to EUR 8 029 333.

Under the Bond Placement Agreement, the Company must comply with the following conditions:

Subordination of loans

The Company's obligations to related parties are subordinated to its obligations under the publicly placed bond issue.

First ranking mortgage

All of the Company's investment assets are pledged as a first ranking mortgage to the trustee, acting on behalf of and for the benefit of the bond holders.

Other requirements

Until the publicly placed bonds are redeemed in full, the Company must:

- ensure that the ratio of its liabilities under existing loan and bond contracts to the value of its assets does not exceed 75 %, calculated on the basis of quarterly performance;
- not undertake any additional financial commitments, other than those to a related party.

Under the terms of the publicly placed bond agreement, the Company met its targets and fulfilled all its obligations.

From 25 February 2021, this EUR 8 million bond issue is admitted to trading on the alternative market First North, the operator of which is AB Nasdaq Vilnius.

12 Loans

Long-term loans

Bonds issued

Loan from a credit institution

2020	2019
3 526 162	5 925 374
-	11 350 880
3 526 162	17 276 254
-	642 480
-	642 480
3 526 162	17 918 734

Short-term loans

Current portion of long-term loans from a credit institution

Under the Split-Off Terms, the Company transferred the Credit Agreement entered into with the Bank on 20 July 2018 (see Note 3).

Under the Split-Off Terms, the Company transferred two outstanding bond issues together with accrued interest, and issued two additional bond issues during 2020, maturing on 14 July 2024. As of 31 December 2020, the amount of the outstanding bonds with interest is equal to EUR 3 526 162.

13 Amounts payable within one year and other current liabilities

Real estate tax

Trade creditors

Debts to related parties

Employment related liabilities

Debts to credit institutions

VAT payable

Prepayments received

2020	2019
9 735	16 731
9 091	58 772
3 769	-
121	1 935
-	642 480
-	54 011
-	7 929
22 716	781 858

The Company's liabilities relating to the divested business were transferred in accordance with the Split-Off Terms (see Note 3).

14 Accrued expenses and deferred income

Accrued audit costs Deferred income

Accrued audit costs Deferred income

Accrued costs of managing securities accounts

Other accrued expenses

2020	2019
2 960	2 960
2 275	-
73	73
3 275	8 364
8 583	11 397

15 Sales income

Lease income

Income from utilities and maintenance costs

Other income received from lessees

Utilities and maintenance costs (reimbursed by lessees)

2020	2019
1 172 785	1 612 812
375 475	700 940
28 066	8 597
(98 320)	(149 878)
1 477 986	2 172 471

The decrease in the Company's income compared to 2019 is due to the transfer of the business under the Split-Off Terms (Note 3) as well as a decrease in the occupancy of the investment properties during the year.

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16 Cost of sales

	2020	2019
Site maintenance and repair costs	248 389	309 304
Tax-related operating expenses	64 236	85 140
Maintenance costs	17 243	13 463
Insurance costs	3 150	3 551
Other costs	26 179	71 176
	359 197	482 634

The Company's cost of sales decreased due to the business activity transferred under the Split-off Terms.

17 General and administrative costs

	2020	2019
Design and other costs related to repairs	671 607	-
Cost of professional services	324 487	28 814
Accounting and audit costs	27 983	24 233
Remuneration and remuneration costs	14 312	20 236
Communication and internet services	639	712
Bank commission	720	314
Other costs	11 220	53 603
	1 050 968	127 912

The increase in the Company's general and administrative costs is due to the refurbishment of the premises in 2020, increased costs for professional services related to the Company's publicly issued bonds (Note 11), the Company's reorganisation (Note 3) and the acquisition of new investment property (Note 4).

18 Income (expenses) from financing and investment activities - net result

	2020	2019
Income from revaluation of investment assets	-	-
Other interest and similar income	-	-
Interest paid on loans	215 365	250 227
Interest on bonds	259 606	224 583
Interest on other accounts payable	110 124	-
Income from revaluation of investment assets	46 000	467 000
Cost of fines and default interest	1 613	39
Interest and other similar expenses	632 708	941 849
Result of financing and investment activities	(632 708)	(941 849)

The Company's other amounts payable consisted of accrued interest under a contract for deferred payment on land acquired by the Company in 2020 (Note 4).

19 Related party transactions

Parties are considered to be related when one party has the ability to control the other party or to exercise significant influence over the other party in making decisions. The Company's related parties and transactions with them in 2020 and 2019 were as follows:

2020

	Dividends paid	Expenses of related party transactions	Income from related party transactions	Receivables	Payables
Related party 1	-	230 272	-	-	3 526 162
Related party 2	-	-	3 053	-	-
	-	230 272	3 053	-	3 526 162

2019

	Dividends paid	Expenses of related party transactions	Income from related party transactions	Receivables	Payables
Related party 1	300 000	224 583	-	-	5 925 374
Related party 2	-	-	669	38	-
	300 000	224 583	669	38	5 925 374

The Company has issued bonds to related parties:

Under the Split-off Terms (see Note 3), the Company transferred two outstanding bond issues together with accrued interest and issued two additional bond issues in 2020. All bond issues mature on 14 July 2024.

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19 Related party transactions (continued)

The management of the Company consisted of one person in 2020 and 2019. The CEO with whom there were no transactions other than remuneration in 2019 and 2020 is considered to be the management of the Company.

20 Corporate income tax

	2020	2019
Income tax components		
Profit (loss) before tax		
Tax-exempt income	(564 887)	620 076
Non-allowable deductions		(109 482)
Additional allowable deductions	731 290	493 228
Taxable profit (tax loss)	(1 190 033)	(1 318 191)
Use of accumulated tax losses from previous years	(1 023 631)	(314 369)
Taxable profit (tax loss) after use of losses	-	-
Income tax for the reporting period	(1 023 631)	(314 369)

Components of income (expense) from corporate income tax

	2020	2019
Income tax (expenses) for the reporting period		
Deferred income tax income (expenses)	88 220	(76 700)
Income (expenses) from income tax recorded in the profit or loss statement	88 220	(76 700)

Deferred tax asset

	2020	2019
Accruals		
Tax losses carried forward		3
Deferred tax asset before decrease in realization value	33 207	53 005
Deferred tax asset, net	33 207	53 008

Less: decrease in realization value

Deferred tax asset, net

Deferred tax asset liability

	2020	2019
Depreciation of non-current tangible assets - difference between financial and tax values	75	(267 686)
Not recognized deferred tax asset		
Deferred tax asset liability	75	(267 686)
Deferred tax, net	33 282	(214 678)

Deferred tax assets are accounted for using the 15% rate. Under the Split-Off Terms, the Company transferred EUR 1 182 590 of accumulated tax losses to the related company, UAB J13. Movement of temporary differences:

	2020	Additionally formed	Transferred upon split-off	Difference between the financial and tax value	2019
Accruals	2	13	(30)	-	19
Accrued tax losses	221 379	1 050 601	(1 182 590)	-	353 368
Tax losses transferred to other group companies	-	-	-	-	-
Depreciation of non-current tangible assets - difference between financial and tax values	500	500	2 250 016	(465 440)	(1 784 576)
Provision for doubtful debts	-	2 461	(2 461)	-	-
Total temporary differences before decrease of realizable value	221 881	1 053 575	1 064 935	(465 440)	(1 431 189)
Less: decrease in net realizable value	-	-	-	-	-
Temporary differences, net	221 881	1 053 575	1 064 935	(465 440)	(1 431 189)

Profit before tax

Income tax (expense) calculated at the statutory rate in Lithuania

Permanent differences

Not recognized deferred tax asset

Total income (expenses) from income tax

	2020	2019
Income tax (expense) calculated at the statutory rate in Lithuania	(564 887)	620 076
Permanent differences	84 733	(93 011)
Not recognized deferred tax asset	(559)	12 505
Total income (expenses) from income tax	4 046	3 806
	88 220	(76 700)

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21 Rights and liabilities of the Company not disclosed in the balance sheet

Taxes

The tax administrator has not carried out a full scope tax audit of the Company. The tax administrator may at any time inspect the accounting, transactional and other documents, records and tax returns for the current and the previous 3 calendar years, and in certain cases for the current and the previous 5 or 10 calendar years, and may assess additional taxes and penalties. The management of the Company is not aware of any circumstances that could give rise to a potential material liability for unpaid taxes.

Other liabilities

The Company has concluded a land lease agreement. The details of the land lease agreement can be found on the website of the state enterprise Centre of Registers, and the lease rate is specified on the website of Vilnius City Municipality.

22 Liquidity

As at 31 December 2020, the Company's current assets exceeded current liabilities by EUR 163 650 (current assets and deferred expenses and accrued income as of 31 December 2020: EUR 194 949, current liabilities and accrued expenses and deferred income: EUR 31 299). The Company's liquidity through 2021 will be ensured by cash flows from operations and, if necessary, shareholder's contributions.

23 Significant accounting estimates

Due to the global situation of the COVID-19 pandemic, including quarantine restrictions, which have been tightened and eased in the Republic of Lithuania in the light of the incidence statistics, the approval of the vaccine and the use of the vaccine for the prevention of COVID-19, the Company's management has assessed the potential impact on the assets managed by the Company and is of the opinion that the quarantine restrictions triggered by the COVID-19 pandemic do not pose a significant threat to the Company's ability to continue as a going concern, as the Company's shareholders have long-term plans for the Company's assets and plan to support the Company's operations to ensure that the obligations are met.

24 Post-balance sheet events

After the preparation of these financial statements, the Company's share capital was increased on 3 April 2021 by issue of 1 000 000 shares with a nominal value of EUR 1. The authorized capital of the Company amounts to EUR 1 002 500 and the number of shares is 1 002 500 units.

After the date of these financial statements, the Company issued a bond of EUR 100 000 to finance the redevelopment of the investment property. The entire bond issue will be purchased by Related Party 1. The bonds are subordinated to a publicly traded bond issue. All bond issues mature on 14 July 2024.

No other post-balance sheet events have occurred after the end of the financial year and before the approval of these financial statements that would have an impact on the financial statements or require disclosure.

Chief Executive Officer

Rytis Zaloga

Representative of the company
managing the accounts

Vilionė Cibulskaitė