

CONSOLIDATED ANNUAL REPORT

beginning of financial year: 01.01.2019
end of financial year: 31.12.2019

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Table of contents

Management report	3
Annual accounts	4
Consolidated balance sheet	4
Consolidated income statement	5
Consolidated cash flow statement	6
Consolidated statement of changes in equity	7
Notes to financial statements	8
Note 1 Accounting policies and procedures	8
Note 2 Cash	11
Note 3 Receivables and prepayments	12
Note 4 Shares of subsidiaries	12
Note 5 Investment properties	13
Note 6 Property, plant and equipment	13
Note 7 Intangible assets	14
Note 8 Loans payable	15
Note 9 Payables and prepayments	16
Note 10 Provisions	16
Note 11 Share capital	17
Note 12 Sales revenue	17
Note 13 Other operating expenses	17
Note 14 Staff costs	18
Note 15 Interest expenses	18
Note 16 Income tax	18
Note 17 Related parties	18
Note 18 Events after the reporting date	19
Note 19 Unconsolidated balance sheet	20
Note 20 Unconsolidated Income Statement	20
Note 21 Unconsolidated cash flow statement	21
Note 22 Unconsolidated statement of changes in equity	22
Note 23 Going concern	22
Digital signatures to the report	23
INDEPENDENT AUDITOR'S REPORT	24

Management report

UPP & CO Kauno 53 OÜ, the parent company of the consolidation group, was founded in order to acquire and manage investment property and involve additional capital for these transactions.

In 2017, the company acquired 100% holding in Promalita UAB, a company registered in the Republic of Lithuania, which owns a logistics centre near Vilnius. The net internal area of the centre is 21,232 m² and it is fully rented out. Rimi retail chain is the anchor tenant.

The sales of the consolidation group amounted to 1,287,781 euros in the reporting year (1,247,276 euros in 2018). There are no employees in the consolidation group; therefore no remuneration has been calculated for them. Remuneration has been calculated for the members of the management board. In the reporting year, expenses along with tax amounted to 292 euros (1,037 euros in 2018) with no other discounts or benefits.

The group considers the general (macroeconomic) condition of the operating environment to be good and its impact on economic performance is neutral. Likewise, the business operations of the group are not affected by seasonality as the economic activity is not cyclical by nature. The activities of the company have no major environmental and social impacts.

No risks related to fluctuations in currency exchange, interest and stock exchange rates have emerged during the financial year and the period of preparation of the report.

Since the group was created solely for its current activities, there are no planned structural changes in business operations.

There are no planned major research and development projects and expenses associated with them in the reporting year and in the following years. Likewise, the group has not provided any guarantees or assumed any liabilities that could have a material impact on the results of the next financial years.

Principal financial ratios	2019	2018
Debt/equity ratio (in times)	11.18	16.65
Debt ratio (in times)	0.93	0.95
Long-term loan ratio (in times)	0.93	0.95
Return on equity %	31%	71%
Equity ratio (in times)	0.07	0.04
ROA %	2.15%	3.49%

Formulas used for the calculation of the ratios

Debt/equity ratio = interest-bearing debt obligations/equity

Debt ratio (in times) = liabilities / (liabilities + equity)

Long-term loan ratio = long-term liabilities / (long-term liabilities + equity)

Return on equity (%) = net profit / equity * 100

Equity ratio = equity / assets

Return on assets (ROA, %) = net profit / assets*100

UPP & CO Kauno 53 OÜ and its subsidiary Promalita UAB are a going concern.

Marko Tali

Member of Management Board

Annual accounts

Consolidated balance sheet

(euros)

	31.12.2019	31.12.2018	Note
Assets			
Current assets			
Cash	362,919	159,684	2
Receivables and prepayments	11,458	9,751	3
Total current assets	374,377	169,435	
Non-current assets			
Investment properties	15,750,000	15,700,000	5
Property, plant and equipment	14,049	22,113	6
Intangible assets	853,880	1,067,348	7
Total non-current assets	16,617,929	16,789,461	
Total assets	16,992,306	16,958,896	
Liabilities and equity			
Payables			
Current liabilities			
Loans payable	460,000	460,000	8
Payables and prepayments	143,297	132,512	9
Total current liabilities	603,297	592,512	
Long-term liabilities			
Loans payable	12,885,183	13,345,183	8
Provisions	2,309,664	2,192,196	10
Total non-current liabilities	15,194,847	15,537,379	
Total liabilities	15,798,144	16,129,891	
Equity			
Equity held by shareholders of parent company			
Share capital at nominal value	2,500	2,500	11
Retained profit (loss)	826,505	233,732	
Profit (loss) for financial year	365,157	592,773	
Total equity held by shareholders of parent company	1,194,162	829,005	
Total equity	1,194,162	829,005	
Total liabilities and equity	16,992,306	16,958,896	

Consolidated income statement

(euros)

	2019	2018	Note
Sales revenue	1,287,781	1,247,276	12
Other operating revenue	50,000	350,000	5
Other operating expenses	-46,255	-18,320	13
Staff costs	-292	-1,037	14
Depreciation and impairment of non-current assets	-221,531	-229,666	6, 7
Other operating charges	-1,337	-911	
Operating profit (loss)	1,068,366	1,347,342	
Interest income	4	3	
Interest expenses	-562,174	-574,124	15
Profit (loss) before tax	506,196	773,221	
Income tax	-141,039	-180,448	16
Profit (loss) for financial year	365,157	592,773	
Share of profit (loss) attributable to a shareholder of parent company	365,157	592,773	

Consolidated cash flow statement

(euros)

	2019	2018	Note
Cash flow from operating activities			
Operating profit (loss)	1,068,366	1,347,342	
Adjustments			
Depreciation and impairment of non-current assets	221,531	229,666	
Other adjustments	-50,000	-352,500	
Total adjustments	171,531	-122,834	
Change in receivables and prepayments related to operating activities	-1,965	-907	
Change in liabilities and prepayments relating to operating activities	-24,003	672	
Total cash flow from operating activities	1,213,929	1,224,273	
Cash flow from investing activities			
Loans given	-130,000	0	
Repayments of loans granted	130,000	0	
Interest received	4	8	
Total cash flow from investing activities	4	8	
Cash flow from financing activities			
Loans raised	0	136,600	
Repayments of loans raised	-460,000	-646,500	
Interest paid	-550,698	-594,442	
Total cash flow from financing activities	-1,010,698	-1,104,342	
Total cash flow	203,235	119,939	
Cash and cash equivalents at beginning of period	159,684	39,745	2
Change in cash and cash equivalents	203,235	119,939	
Cash and cash equivalents at end of period	362,919	159,684	2

Consolidated statement of changes in equity

(euros)

	Equity held by shareholders of parent company		Total
	Share capital at nominal value	Retained earnings (loss)	
31.12.2017	2,500	235,987	238,487
Profit (loss) for financial year	0	613,253	613,253
Other changes in equity	0	-2,255	-2,255
31.12.2018	2,500	846,985	849,485
Effect of correction of errors	0	-20,480	-20,480
Adjusted balance as of 31.12.2018	2,500	826,505	829,005
Profit (loss) for financial year	0	365,157	365,157
31.12.2019	2,500	1,191,662	1,194,162

Notes to financial statements

Note 1 Accounting policies and procedures

General information

OÜ UPP & CO Kauno 53 (hereinafter the Parent Company) is a company registered and operating in Estonia. The consolidated annual accounts reflect the consolidated assets, liabilities, equity, economic results and cash flow of the Parent Company and UAB Promalita, its Lithuanian subsidiary (hereinafter jointly referred to as the Group).

The consolidated annual accounts of OÜ UPP & CO Kauno 53 for 2019 have been prepared in compliance with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is based on internationally acknowledged principles of accounting and reporting, the primary requirements of which are provided for in the Accounting Act, which are supplemented by guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The consolidated financial statements have been prepared in euros.
The main accounting policies used in the preparation of the consolidated financial statements are set out below.

Adjustment of errors

The change in comparison data in the amount of 20,480 is related to a deferred change in income tax liability due to the depreciation of goodwill.

The following lines have been changed in the comparison data of the consolidated report:

Name of additional line	31.12.2018	Change	31.12.2018
Provisions	2,171,716	20,480	2,192,196
Total non-current liabilities	15,516,899	20,480	15,537,379
Total liabilities	16,109,411	20,480	16,129,891
Profit (loss) for financial year	613,253	-20,480	592,773
Total equity held by shareholders of parent company	849,485	-20,480	829,005
Income tax	159,968	20,480	180,448

Preparation of consolidated accounts

The financial indicators of the Parent Company and its subsidiary are reported as added up in the consolidated accounts, as if the reporting was based on a single company.

Subsidiaries are all companies controlled by the Parent Company. Control is presumed if the Parent Company holds more than 50% of the voting rights of the subsidiary either directly or via subsidiaries or is capable of controlling the operating or financial policies of the subsidiary in any other manner.

In the consolidated accounts, the financial indicators of the Parent Company and subsidiaries are added up on a line-by-line basis, eliminating entirely all mutual claims, obligations and transactions, and the unrealised gains and losses arising thereby. The investments in subsidiaries reported in the balance sheet of the Parent Company are eliminated against the holding of the Parent Company in the equity of the subsidiaries. In subsidiaries where the holding of the Parent Company is below 100%, the minority share is separated from the net assets and profit/loss for the financial year of the relevant subsidiary.

In the preparation of the consolidated accounts, the accounting policies and procedures applied by the Parent Company are proceeded from, and if necessary, the required adjustments are made in the reports of the subsidiaries in order to align them with the policies and procedures of the Parent Company. Subsidiaries are consolidated in the consolidated annual accounts from the date of their acquisition until the date of their sale.

Investments in subsidiaries and affiliates are reported pursuant to the acquisition cost method in the unconsolidated report.

According to the acquisition cost method, the initial acquisition cost is adjusted in the subsequent periods with the write-downs arising from the impairment of the investment if necessary. Assessments are performed on every balance sheet date to ascertain whether there are any indications that the recoverable amount of an investment may have fallen below its book value. If there are such indications, an asset value test will be performed. The dividends payable by an investment object are recognised as income at the moment when the investor becomes entitled to the dividends.

Financial assets

All financial assets are initially registered at their acquisition cost, which is equal to the fair value of the consideration paid for the financial asset in question. The initial acquisition cost also includes all the costs directly attributable to the acquisition of financial assets, including the fees payable to agents and advisers, the non-refundable taxes attributable to the transaction and other similar costs, and excluding the costs attributable to the acquisition of such financial assets that are recognised at fair value with changes through profit or loss.

All purchases and sales of financial assets under regular market conditions are recognised on the relevant transaction dates, i.e. on the date when the group enters into the obligation (e.g. enters into a contract) for the purchase or sale of certain financial assets. Purchases and sales where transfer of the purchased or sold financial assets from the seller to the buyer occurs during the period that is usual on the given market or required under the relevant market regulations are deemed to occur under ordinary market conditions.

Cash

Bank account balances and cash in hand are recognised under the balance sheet entry "Cash".

Cash flow from operating activities has been calculated using the indirect method. Cash flow from investment and financing activities is recognised by using the direct method, i.e. presented as the gross earnings and payments in the reporting period.

Receivables and prepayments

Trade receivables, accrued income and other short- and long-term receivables (incl. loans receivable and deposits) are recognised at the adjusted acquisition cost. On every balance sheet date, indications for impairment of the aforesaid financial assets are assessed. If such indications exist, the financial assets recognised at the adjusted acquisition cost are written down to the present value of the payments to be presumably received therefrom in the future. The write-downs arising from the impairment are recognised in the income statement as expenses.

Investment properties

Investment properties are real estate objects held by the group first and foremost for the purposes of earning income from rent or for capital appreciation, but not for using these upon manufacturing products or providing services, for administrative purposes or for sales in the course of usual operating activities.

Investment properties are recognised using the fair value method. When applying the fair value method, the investment property is recognised by the group on every balance sheet date at fair value proceeding from the discounted cash flow method.

Gains and losses on changes in the value are reported in the income statement under "Other operating revenue" and "Other operating charges".

Property, plant and equipment and intangible assets

Tangible fixed assets are assets used by the group upon providing services or for administrative purposes that it intends to use for a period longer than one year. Tangible assets are initially recorded at their acquisition cost which consists of the purchase price and costs directly attributable to acquisition. The lower limit of registration of tangible fixed assets is 200 euros. On the balance sheet, tangible fixed assets are reported at their acquisition cost less accumulated depreciation and write-downs resulting from any decrease in value.

Depreciation is calculated using the straight-line method. The company has determined the useful life of tangible fixed assets reported in the balance sheet as three to five years.

Tangible fixed assets are written off the balance sheet if their further use or sale is not likely to result in economic gain. Any gains/losses arising from sale or write-off means the difference between the value received and the residual value of the main value.

Goodwill

The goodwill created upon the acquisition of a company is reported as the acquisition cost as of the date of acquisition, less write-downs arising from impairment, if any.

The management board has decided that as of 1 January 2018, goodwill is depreciated down to zero within 6 years. The depreciation of goodwill is reported on the income statement line "Depreciation and impairment of fixed assets".

Useful life by groups of non-current assets (in years)

Name of fixed asset group	Useful life
Land	Undetermined

Buildings and structures	10-50
Machinery and equipment	2-12
Means of transport	4-10
Other fittings	2-5

Leases

Lease transactions where all significant risks and rewards of ownership of the assets transfer to the lessee are recognised as financial lease.

Other lease transactions are treated as operating lease.

The company leases its assets under operating lease conditions and therefore recognises assets in the balance sheet under regular conditions and similarly to other assets recognised in the balance sheet.

The lessor recognises the rental income received from operating lease during the rental period as revenue in the income statement. The payments made to the lessor are structured such as to increase together with the expected general inflation based on the published indexes in order to compensate for the expected increase in the expenses of the lessor in relation to inflation.

Financial liabilities

Financial liabilities are initially registered at their acquisition cost, which is the fair value of the payment made or received for the particular financial liabilities. The initial acquisition cost includes all transaction costs directly attributable to the acquisition of the financial liability.

Any subsequent accounting of financial liabilities takes place depending on their type either pursuant to the acquisition cost or adjusted acquisition cost method. A financial liability is classified as short-term if its payment deadline arrives within one year of the balance sheet date or if the company does not have the unconditional right to postpone payment of the liability for more than one year after the arrival of the balance sheet date. Other liabilities are reported as long-term.

A financial liability is derecognised when it is discharged, cancelled or expires.

Interest-bearing bank loans are initially recognised in the amount of cash received, less transaction fees paid. Thereafter, said financial liabilities are recognised using the adjusted acquisition cost method, where the initial acquisition cost is adjusted with repayments of the loan principal. Interest expenses are recognised as an expense in the income statement under "Interest expenses" on an accrual basis.

The depreciation of transaction costs is reported in the income statement along with interest expenses.

Received long-term intra-group loans are recognised in the adjusted acquisition cost where the initial acquisition cost is adjusted with contractual repayments during the provided period. Interest expenses are recognised as an expense in the income statement under "Interest expenses" by using the contractual interest rate as of the period of arising thereof.

Revenue

Revenue from the sale of services is recognised in the period in which the service is provided if the revenue gained from providing the service can be reliably measured, the proceeds arising from the transaction are likely to be collected, and the expenses related to the transaction can be reliably assessed. Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have transferred to the buyer, the proceeds arising from the sale are likely to be collected and the sales revenue and expenses related to the transaction can be reliably measured.

Sales revenue reflects the sale of services and goods related to the principal activity. Other operating revenue comprises irregular revenue not directly related to the principal activity. Interest income is recognised on an accrual basis once it is likely that the company will gain economic benefit from the transaction and the amount of interest income can be reliably measured.

Expenses

Expenses are recognised on an accrual basis, i.e. at the moment when the economic transaction actually occurs, not when the liability is paid.

Expenses are recognised in the same period as the revenue associated with them. Expenses that are likely to participate in generating economic benefits in future periods are recognised on the balance sheet as assets at the moment of their emergence and as expenses in the period(s) when the expenses associated with them emerge. Expenses of services and goods purchased directly for the purpose of the principal activity are recognised in the income statement under "Goods, raw materials and services". Other operating expenses comprise expenses that are not regarded directly as costs of provision of services. Other operating revenue comprises irregular expenses not related to the principal activity. Interest expenses are recognised as financial expenses of the reporting period on the accrual basis.

Taxation

Pursuant to the currently applicable Income Tax Act, a company registered in Estonia does not pay income tax on the profit earned, and profit distributed by way of a bonus issue is also not taxed. Companies pay income tax on

profit distributed as dividends or other profit distributions, including disbursements from equity, that exceed the monetary and non-monetary contributions to the equity of the company upon the disbursement thereof by monetary or non-monetary means. On the basis of the abovementioned Act, profit distributed by the company as dividends or by other means is taxed with income tax at the rate of 20/80. Pursuant to the tax legislation applicable in Estonia, the company is not able to disburse all its available equity without additional expenses; instead, a part of equity will be used to cover the income tax on dividends. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes to the accounts.

Corporate income tax related to the disbursement of dividends or the making of other payments that reduce equity is recognised as a liability and an expense at the moment of announcing the dividends or other payments that reduce equity. Income tax on dividends is recognised in the income statement under income tax expenses during the same period when the dividends are announced, regardless of the period for which they have been announced or when they are actually disbursed.

Taxation of subsidiaries registered abroad

Pursuant to the Income Tax Act, the net profit of the company, as adjusted with the temporary and permanent differences provided in the Income Tax Act, is subject to income tax in Lithuania, with the tax rate being 15%. Deferred tax has been recognised in the accounting pursuant to the liability method on all temporary differences as of the balance sheet date between the tax base and book value of the assets and liabilities. Deferred tax assets are only reported if it is likely that profits will be earned in the future at the expense of which the deferred tax assets can be used.

Related parties

Parties are considered related if one party either controls the other party or has significant influence on the business decisions made by the other party, including the parent company and other companies belonging to the same group, owners and members of the management board, their family members and companies that are controlled by said persons or where said persons have significant influence.

Note 2 Cash

(euros)

	31.12.2019	31.12.2018
Cash at bank	362,919	159,684
Total cash	362,919	159,684

The group settles in Swedbank and OP Bank. Cash payments are not accepted. No cash was on time deposits during the reporting period.

Note 3 Receivables and prepayments

(euros)

	31.12.2019	Within 12 months
Trade receivables	1,812	1,812
Accounts receivable	1,812	1,812
Prepayments	9,646	9,646
Deferred expenses	9,646	9,646
Total receivables and prepayments	11,458	11,458
	31.12.2018	Within 12 months
Prepaid and deferred taxes	11	11
Prepayments	9,740	9,740
Deferred expenses	9,740	9,740
Total receivables and prepayments	9,751	9,751

Note 4 Shares of subsidiaries

(euros)

Shares of subsidiaries, general information					
Registry code of subsidiary	Name of subsidiary	Country of location	Principal area of activity	Holding (%)	
				31.12.2018	31.12.2019
30440634	Promalita UAB	Lithuania	Property management	100	100

Shares of subsidiaries, detailed information		
Name of subsidiary	31.12.2018	31.12.2019
Promalita UAB	3,200	3,200
Total shares in subsidiaries, at the end of last period	3,200	3,200

Note 5 Investment properties

(euros)

Fair value method	
31.12.2017	15,350,000
Profit (loss) from change in fair value	350,000
31.12.2018	15,700,000
Profit (loss) from change in fair value	50,000
31.12.2019	15,750,000

	2019	2018
Lease income earned on investment property	1,260,540	1,236,439
Direct management expenses of investment properties	27,241	12,065

The independent assessor of the real estate investment in the reporting year and in the subsequent reporting period is Colliers International Advisors UAB.

Note 6 Property, plant and equipment

(euros)

	Other property, plant and equipment	Total
31.12.2017		
Acquisition cost	50,080	50,080
Accumulated depreciation	-11,771	-11,771
Residual cost	38,309	38,309
Depreciation costs	-16,196	-16,196
31.12.2018		
Acquisition cost	50,080	50,080
Accumulated depreciation	-27,967	-27,967
Residual cost	22,113	22,113
Depreciation costs	-8,064	-8,064
31.12.2019		
Acquisition cost	50,080	50,080
Accumulated depreciation	-36,031	-36,031
Residual cost	14,049	14,049

Note 7 Intangible assets

(euros)

	Goodwill	Total
31.12.2017		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	0	0
Residual cost	1,280,818	1,280,818
Depreciation costs	-213,470	-213,470
31.12.2018		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-213,470	-213,470
Residual cost	1,067,348	1,067,348
Depreciation costs	-213,468	-213,468
31.12.2019		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-426,938	-426,938
Residual cost	853,880	853,880

Note 8 Loans payable

(euros)

	31.12.2019	Allocation by remaining maturity			Interest rate	Underlying currency	Due date
		Within 12 months	Within 1–5 years	Over 5 years			
Long-term loans							
OP Corporate Bank	7,973,333	460,000	7,513,333	0	EUR	6m Euribor + 1.75%	31.03.2022
Parent company	671,850	0	671,850	0	EUR	6%	Unspecified term
Total long-term loans	8,645,183	460,000	8,185,183	0			
Long-term bonds							
Investors	4,700,000	0	4,700,000	0	EUR	8%	17.04.2022
Total long-term bonds	4,700,000	0	4,700,000	0			
Total loans payable	13,345,183	460,000	12,885,183	0			
	31.12.2018	Allocation by remaining maturity			Interest rate	Underlying currency	Due date
		Within 12 months	Within 1–5 years	Over 5 years			
Long-term loans							
OP Corporate Bank	8,433,333	460,000	7,973,333	0	EUR	6m Euribor + 1.75%	31.03.2022
Parent company	671,850	0	671,850	0	EUR	6%	Unspecified term
Total long-term loans	9,105,183	460,000	8,645,183	0			
Long-term bonds							
Investors	4,700,000	0	4,700,000	0	EUR	8%	17.04.2022
Total long-term bonds	4,700,000	0	4,700,000	0			
Total loans payable	13,805,183	460,000	13,345,183	0			

The loan securities and mortgages established are as follows:

1. mortgage in the first ranking on the registered immovable of RIMI LC in the amount of 11,960,000 euros with the market value of the real estate being at least 15,300,000 euros;
2. mortgage in the second ranking on the registered immovable of RIMI LC in the amount of 6,110,000 euros for the benefit of the collateral agent as the pledgee (established pursuant to a collateral agent contract and terms and conditions for the benefit of the investors).

In the reporting period, interest from loans and bonds was calculated in a total amount of 562,174 euros (574,124 in 2018).

Note 9 Payables and prepayments

(euros)

	31.12.2019	Within 12 months
Trade creditors	5,719	5,719
Payables to employees	87	87
Other payables	136,745	136,745
Interest payable	136,745	136,745
Prepayments received	746	746
Other prepayments received	746	746
Total payables and prepayments	143,297	143,297
	31.12.2018	Within 12 months
Trade creditors	2,091	2,091
Payables to employees	108	108
Other payables	80,648	80,648
Interest payable	80,648	80,648
Prepayments received	49,665	49,665
Other prepayments received	49,665	49,665
Total payables and prepayments	132,512	132,512

Note 10 Provisions

(euros)

	31.12.2018	Formation/adjustment	31.12.2019
Total provisions	2,192,196	117,468	2,309,664
Long-term	2,192,196	117,468	2,309,664
Tax provision	2,192,196	117,468	2,309,664
	31.12.2017	Formation/adjustment	31.12.2018
Total provisions	2,011,748	180,448	2,192,196
Long-term	2,011,748	180,448	2,192,196
Tax provision	2,011,748	180,448	2,192,196

The provisions consist of a deferred income tax liability of the Lithuanian subsidiary.

Note 11 Share capital

(euros)

	31.12.2019	31.12.2018
Share capital	2,500	2,500
Number of shares (pcs.)	1	1
<p>Potential income tax liability of the group</p> <p>The retained earnings of the group as of 31 December 2019 amounted to 1,191,662 euros (826,505 euros as of 31 December 2018). The maximum amount of income tax payable if all retained earnings were paid out as dividends is 238,332.40 euros (165,301 euros as of 31.12.2018). Therefore, 953,329.60 euros can be paid out as dividends (661,204 euros as of 31.12.2018).</p> <p>The maximum potential income tax liability has been calculated on the assumption that the total distributed net dividends and income tax expense associated with their payment may not exceed distributable profits as of 31.12.2019.</p>		

Note 12 Sales revenue

(euros)

	2019	2018
Sales revenue by geographical regions		
Sales to European Union Member States		
Lithuania	1,287,781	1,247,276
Total sales to European Union Member States	1,287,781	1,247,276
Total sales revenue	1,287,781	1,247,276
Sales revenue by areas of activity		
Rent for premises	1,287,781	1,247,276
Total sales revenue	1,287,781	1,247,276

Note 13 Other operating expenses

(euros)

	2019	2018
Miscellaneous office expenses	-2,704	-1,720
Management service	-24,000	0
Securities management expenses	-2,950	-6,262
Expenses of legal and other consultations	-3,308	-5,182
Accounting and auditing	-13,293	-5,156
Total other operating expenses	-46,255	-18,320

Note 14 Staff costs

(euros)

	2019	2018
Salaries and wages	-288	-252
Social security taxes	-4	-785
Total labour expenses	-292	-1,037
Average number of employees by type of work:		
Member of management or supervisory body of legal person	1	1

Note 15 Interest expenses

(euros)

	2019	2018
Interest expense on bonds	-376,000	-375,997
Interest expense from loans	-186,174	-198,127
Total interest expenses	-562,174	-574,124

Note 16 Income tax

(euros)

The income tax expenses of the group in the reporting year were 141,039 euros (180,448 euros in 2018), which has arisen due to the income tax liability of the Lithuanian subsidiary.

Note 17 Related parties

(euros)

Name of accounting entity's parent company	United Partners Property OÜ
Country where accounting entity's parent company is registered	Estonia
Group name where parent company belongs	United Partners Group OÜ
Country where group's parent company is registered	Estonia

Balances with related parties by groups

	31.12.2019		31.12.2018	
	Receivables	Payables	Receivables	Payables
Parent company	0	675,209	0	675,209

Loans

2019	Loans given	Repayments of loans granted	Interest paid	Interest rate	Underlying currency	Due date
Parent company						
United Partners Property OÜ	130,000	130,000	40,311	6%	EUR	Unspecified term

2018	Loans raised	Repayments of loans raised	Interest paid	Interest rate	Underlying currency	Due date
Parent company						
United Partners Property OÜ	136,600	186,500	63,545	6%	EUR	Unspecified term

Purchases and sales of goods and services

	2019		2018	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Parent company	24,000	0	0	0

Remuneration and other significant benefits for executive and senior management		
	2019	2018
Calculated remuneration	288	252

The liability for the parent company includes a loan obligation in the amount of 671,850 euros (671,850 euros as of 31.12.2018) and unpaid interest in the amount of 3,359 euros (3,359 euros as of 31.12.2018). In the reporting period, interest was paid to the parent company in the amount of 40,311 euros (63,545 euros in 2018).

No discounts have been given in the transactions with the related parties in the reporting period.

No other benefits are provided to the members of the management board.

Note 18 Events after the reporting date

The World Health Organization (WHO) received the first notices about the new coronavirus (COVID-19) from China in December 2019. The virus has spread all over the world in the first months of 2020 and the WHO declared the virus outbreak a pandemic on 11 March 2020. Many countries have declared a state of emergency. The pandemic has caused significant problems for the economy and companies.

The management considers the coronavirus pandemic a non-adjusting event after the reporting date. As the situation is unstable and rapidly changing, it would be unreasonable for the management to offer any quantitative estimates of the possible impact of the pandemic. At the time this report was prepared, the management had no information that would suggest that the impact of the coronavirus was likely to jeopardise the sustainability of the Company's operations within 12 months.

Note 19 Unconsolidated balance sheet

(euros)

	31.12.2019	31.12.2018
Assets		
Current assets		
Cash	85,133	81,271
Receivables and prepayments	36,899	36,652
Total current assets	122,032	117,923
Non-current assets		
Investments in subsidiaries and affiliates	3,200	3,200
Receivables and prepayments	5,356,350	5,356,350
Total non-current assets	5,359,550	5,359,550
Total assets	5,481,582	5,477,473
Liabilities and equity		
Payables		
Current liabilities		
Payables and prepayments	84,291	80,648
Total current liabilities	84,291	80,648
Long-term liabilities		
Loans payable	5,371,850	5,371,850
Total non-current liabilities	5,371,850	5,371,850
Total liabilities	5,456,141	5,452,498
Equity		
Share capital at nominal value	2,500	2,500
Retained profit (loss)	22,475	9,527
Profit (loss) for financial year	466	12,948
Total equity	25,441	24,975
Total liabilities and equity	5,481,582	5,477,473

Note 20 Unconsolidated Income Statement

(euros)

	2019	2018
Other operating expenses	-17,687	-8,187
Other operating charges	0	-11
Total operating profit (loss)	-17,687	-8,198
Interest income	434,464	440,374
Interest expenses	-416,311	-419,228
Profit (loss) before tax	466	12,948
Profit (loss) for financial year	466	12,948

Note 21 Unconsolidated cash flow statement

(euros)

	2019	2018
Cash flow from operating activities		
Operating profit (loss)	-17,687	-8,198
Change in receivables and prepayments related to operating activities	-247	-11
Change in liabilities and prepayments relating to operating activities	3,643	0
Total cash flow from operating activities	-14,291	-8,209
Cash flow from investing activities		
Purchase of subsidiaries	0	-2,500
Loans given	-130,000	-25,000
Repayments of loans granted	130,000	132,350
Interest received	434,464	437,739
Total cash flow from investing activities	434,464	542,589
Cash flow from financing activities		
Loans raised	130,000	136,600
Repayments of loans raised	-130,000	-186,500
Interest paid	-416,311	-439,547
Total cash flow from financing activities	-416,311	-489,447
Total cash flow	3,862	44,933
Cash and cash equivalents at beginning of period	81,271	36,338
Change in cash and cash equivalents	3,862	44,933
Cash and cash equivalents at end of period	85,133	81,271

Note 22 Unconsolidated statement of changes in equity

(euros)

	Share capital at nominal value	Retained earnings (loss)	Total
31.12.2017	2,500	9,527	12,027
Profit (loss) for financial year	0	12,948	12,948
31.12.2018	2,500	22,475	24,975
Book value of shareholdings under dominant and significant influence	-3,200	0	-3,200
Value of shareholdings under dominant and significant influence calculated by the equity method	3,200	804,030	807,230
Adjusted unconsolidated equity 31.12.2018	2,500	826,505	829,005
Profit (loss) for financial year	0	466	466
31.12.2019	2,500	22,941	25,441
Book value of shareholdings under dominant and significant influence	-3,200	0	-3,200
Value of shareholdings under dominant and significant influence calculated by the equity method	3,200	1,168,721	1,171,921
Adjusted unconsolidated equity as of 31.12.2019	2,500	1,191,662	1,194,162

Note 23 Going concern

The financial statements of the group have been prepared in consideration of the company being a going concern. As of 31 December 2019, the current liabilities of the company exceeded current assets by 228,920 euros (563,809 as of 31.12.2018). The management is of the opinion that the consolidation group is sufficiently capitalised, the negative operating capital is temporary; it is related to the specific character of the activities and does not pose a threat to sustainability. Short-term liabilities are covered with cash flow from business activities.

Digital signatures to the report

The date of completion of the report is: 23.04.2020

The accuracy of the data in the annual report of UPP & CO KAUNO 53 OÜ (registry code 14194597) for the period of 01.01.2019 - 31.12.2019 has been confirmed electronically by:

Name of undersigned	Role of signatory	Date of signature
MARKO TALI	Member of Management Board	23.04.2020

INDEPENDENT AUDITOR'S REPORT

To the owners of UPP & CO KAUNO 53 OÜ

Opinion

We have audited the consolidated financial statements of UPP & CO KAUNO 53 OÜ and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2019, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019, and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with the Estonian financial reporting standard.

Basis for Opinion

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

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Sworn auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a sworn 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 the ISAs (EE) 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 consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated 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 Group's internal control;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our sworn auditor's report to the related disclosures in the consolidated 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 sworn auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

/digitally signed/
Mart Nõmper
Sworn Auditor Number 499
Grant Thornton Baltic OÜ
Audit firm's licence no. 3
Pärnu mnt 22, 10141 Tallinn
23.04.2020

Digital signatures of auditors

The auditor's report enclosed with the annual report of UPP & CO KAUNO 53 OÜ (registry code 14194597) for the period 01.01.2019 - 31.12.2019 has been signed digitally by:

Name of undersigned	Role of signatory	Date of signature
MART NÕMPER	Sworn Auditor	23.04.2020

Profit distribution proposal

(euros)

	31.12.2019
Retained profit (loss)	826,505
Profit (loss) for financial year	365,157
Total	1,191,662
Distribution	
Retained earnings (loss) after distribution (covering)	1,191,662
Total	1,191,662

Profit distribution resolution

(euros)

	31.12.2019
Retained profit (loss)	826,505
Profit (loss) for financial year	365,157
Total	1,191,662
Distribution	
Retained earnings (loss) after distribution (covering)	1,191,662
Total	1,191,662

Means of communication

Type	Details
Telephone	+372 6616450
E-mail address	property@unitedpartners.ee