CONSOLIDATED ANNUAL REPORT

beginning of financial year:	1 January 2021
end of financial year:	31 December 2021

business name:	UPP & CO KAUNO 53 OÜ
registry code:	14194597

street and building:	Pärnu mnt 141
city:	Tallinn
county:	Harju County
postcode:	11314
telephone:	+372 6616450
email address:	property@unitedpartners.ee

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MANAGEMENT REPORT

UPP & CO Kauno 53 OÜ, the parent company of the consolidation group, was established in order to acquire and manage an investment property and raise additional capital for the given transaction.

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 m^2 and it is fully rented out. Rimi retail chain is the anchor tenant.

On 21 February 2022, Promalita UAB, the subsidiary of the consolidation group, extended the rental contract with Hakonlita UAB until 2031. Hakonlita UAB is the anchor tenant of the logistics centre, which is in the ownership of Promalita UAB, forming 93% of the revenue of the logistics centre.

The sales of the Group amounted to 1,309,432 euros in the reporting year (2020: 1,304,950 euros). There are no employees in the Group, which is why no remuneration has been calculated for them. However, remuneration has been calculated for the members of the management board. Expenses with tax amounted to 390 euros (2020: 264 euros) in the reporting year and there are no other discounts or benefits.

There is no vacancy in the building as at the end of the reporting year, all payments from clients are received when due and the Group has performed all of the obligations to its creditors appropriately.

On 30 March 2022, Promalita UAB extended the loan agreement with OP Corporate Bank plc Lithuania Branch until 2027. The loan amount was not increased at the moment, the risk margin increased from 1.75% to 1.91% due to the appreciation of the loan capital of the bank.

In the financial year of 2022, Promalita UAB intends to examine the methods of how to make the warehouse building more energy efficient in the light of the increase in energy prices. In connection with the foregoing, Promalita UAB plans to invest 100,000 euros in the financial year of 2022.

The inflation which has increased at the end of the reporting year very likely refers to an increase in base rates at the end of 2022. The geopolitical situation has again made the European curve a bit smoother than it was at the beginning of February, but if inflation is not brought under control (i.e. if it does not subside itself), it may be presumed that the increase in the base rate will be sharp. A sharp increase in the base rate will certainly have an impact on the growth rate of real estate prices. However, until real interest rates stay negative, no decline can be seen in real estate prices.

The impact of the volatility of raw material prices on the market still becomes clear, the actual scope thereof is unpredictable as it affects all sectors differently. The difference between the construction price and rental price of a square metre has become very large and an increase in rental prices is to be expected. This will, however, place tenants in a difficult position as all input prices will rise for them. At the same time, construction at the current rental prices does not pay off, which would mean suspension of construction activities if the customer is unable to pay a higher price.

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

Principal financial ratios	**2021**	**2020**
Debt/equity ratio (times)	7.67	9.97
Debt ratio (times)	0.88	0.91
Long-term loan ratio (times)	0.32	0.74
Return on equity %	22.85%	25.26%
Equity ratio (times)	0.11	0.09
ROA %	2.36%	2.04%

Formulas used for calculation of ratios

Debt to equity ratio = debt / equity
Debt ratio (times) = liabilities / (liabilities + equity)
Long-term loan ratio = long-term loans / (long-term liabilities + equity)
Return on equity % = (net profit / average equity (12 months) * 100
Equity ratio = equity / average assets (12 months)
Return on assets ROA % = net profit / average assets * 100

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

Marko Tali
Member of Management Board

Financial statements

Consolidated balance sheet

(euros)

	31.12.2021	31.12.2020	Note No
Assets			
Current assets			
Cash	597,244	477,621	2
Receivables and prepayments	12,197	6,482	
Total current assets	**609,441**	**484,103**	
Fixed assets			
Investment properties	15,750,000	15,750,000	5
Property, plant and equipment	2,941	7,707	6
Intangible assets	426,944	640,412	7
Total fixed assets	**16,179,885**	**16,398,119**	
Total assets	**16,789,326**	**16,882,222**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loans payable	7,053,334	460,000	8
Payables and prepayments	154,786	165,474	9
Total current liabilities	**7,208,120**	**625,474**	
Long-term liabilities			
Loans payable	5,371,850	12,425,184	8
Provisions	2,273,216	2,292,428	10
Total long-term liabilities	**7,645,066**	**14,717,612**	
Total liabilities	**14,853,186**	**15,343,086**	
Equity			
Equity held by shareholders of parent company			
Share capital in nominal value	2,500	2,500	12
Retained earnings (loss)	1,536,636	1,191,417	
Profit (loss) for financial year	397,004	345,219	
Total equity held by shareholders of parent company	**1,936,140**	**1,539,136**	
Total equity	**1,936,140**	**1,539,136**	
Total liabilities and equity	**16,789,326**	**16,882,222**	

Consolidated income statement

(euros)

	2021	2020	Note No
Sales revenue	1,309,432	1,304,950	13
Other operating expenses	-107,503	-94,379	14
Labour expenses	-390	-264	15
Depreciation and impairment of fixed assets	-218,234	-219,810	6, 7
Operating profit (loss)	**983,305**	**990,497**	
Interest expenses	-514,551	-609,761	16
Profit (loss) before income tax	**468,754**	**380,736**	
Income tax	-71,750	-35,517	17
Profit (loss) for financial year	**397,004**	**345,219**	
Profit (loss) attributable to shareholder of parent company	397,004	345,219	

Consolidated cash flow statement
(euros)

	2021	2020	Note No
Cash flow from operating activities			
Operating profit (loss)	983,305	990,497	
Adjustments			
Depreciation and impairment of fixed assets	218,234	219,810	6, 7
Total adjustments	**218,234**	**219,810**	
Change in receivables and prepayments related to operating activities	-5,714	1,730	
Change in payables and prepayments related to operating activities	9,775	-24,216	
Corporate income tax paid	-92,113	0	
Total cash flow from operating activities	**1,113,487**	**1,187,821**	
Cash flow from investing activities			
Loans granted	0	-130,000	
Repayments of loans granted	0	130,000	
Total cash flow from investing activities	**0**	**0**	
Cash flow from financing activities			
Repayments of loans raised	-460,000	-460,000	8
Interest paid	-533,864	-613,119	
Total cash flow from financing activities	**-993,864**	**-1,073,119**	
Total cash flow	**119,623**	**114,702**	
Cash and cash equivalents at beginning of period	477,621	362,919	2
Change in cash and cash equivalents	**119,623**	**114,702**	
Cash and cash equivalents at end of period	597,244	477,621	2

Consolidated statement of changes in equity

(euros)

	Equity held by shareholders of parent company		Total
	Share capital in nominal value	Retained earnings (loss)	
31.12.2019	2,500	1,191,662	1,194,162
Profit (loss) for financial year	0	345,219	345,219
Other changes in equity	0	-245	-245
31.12.2020	2,500	1,536,636	1,539,136
Profit (loss) for financial year	0	397,004	397,004
31.12.2021	2,500	1,933,640	1,936,140

Notes to financial statements

Note 1 Accounting policies

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

The consolidated financial statements of UPP & CO Kauno 53 OÜ for 2021 have been prepared in compliance with the Estonian financial reporting standard. The Estonian financial reporting standard is based on the internationally accepted accounting and reporting principles, the principal requirements of which are established by the Accounting Act and which are supplemented by the 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.

Preparation of consolidated statements
The financial indicators of the Parent Company and its subsidiaries recognised in the consolidated statements have been added up as if they were a single company.
Subsidiaries are all of the 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 otherwise capable of controlling the operating and financial policies of the subsidiaries.

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

Investments in subsidiaries and affiliates are recognised by the equity method in the unconsolidated statements.

The dividends payable by the object of investment are recognised as a reduction in the investment 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 are recognised under cash in the balance sheet. Cash payments are not accepted or made.
Cash flow from operating activities is recognised using the indirect method. Cash flow from investing and financing activities is recognised 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-term and long-term receivables (incl. loans receivable and deposits) are recognised at the adjusted acquisition cost. On every reporting date, indications for impairment of the aforementioned 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 its fair value proceeding from the discounted cash flow method. Gains and losses on changes in the value are recognised in the income statement of the reporting period under other operating revenue and other operating charges.

Property, plant and equipment and intangible assets
Property, plant and equipment 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. Property, plant and equipment are initially registered at their acquisition cost which consists of the purchase price and costs directly attributable to acquisition. The lower limit of registration of property, plant and equipment is 200 euros. In the balance sheet, property, plant and equipment are recognised at their acquisition cost less accumulated depreciation and write-downs resulting from any decrease in value.
Depreciation is calculated using the straight-line method.
Property, plant and equipment 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 recognised at the acquisition cost as at 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 recognised in the income statement under depreciation and impairment of fixed assets.

Useful life by groups of fixed 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 fixtures, fittings and tools	2-5

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

Other lease transactions are treated as an operating lease.
The Group 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 an 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 reporting date or if the Group does not have the unconditional right to postpone payment of the liability for more than one year as of the reporting date. Other liabilities are recognised 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 recognised in the income statement along with interest expenses.
Received long-term intra-group loans are recognised at 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, whilst the net method is used to recognise the utility services to be resold.
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 Group 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 in 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 aforementioned 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 statements.
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 recognised 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)

	31.12.2021	31.12.2020
Cash at bank	597,244	477,621
Total cash	**597,244**	**477,621**

The Group settles both in Estonia and in Lithuania in OP Bank. Cash payments are not accepted or made. No cash was on time deposits during the reporting period.

Note 3 Prepaid taxes and taxes payable

(euros)

	31.12.2021		31.12.2020	
	Prepaid	Payable	Prepaid	Payable
Corporate income tax	0	52,620	0	53,951
Value added tax	0	22,285	0	22,218
Other prepaid taxes and taxes payable	0	9,381	0	9,378
Total prepaid taxes and taxes payable	**0**	**84,286**	**0**	**85,547**

Note 4 Shares of subsidiaries

(euros)

Shares of subsidiaries, general information					
Registry code of subsidiary	Name of subsidiary	Country of location	Principal activity	Holding (%)	
				31.12.2020	31.12.2021
30440634	Promalita UAB	Lithuania	Property management	100	100

Note 5 Investment properties

(euros)

Fair value method	
31.12.2019	15,750,000
31.12.2020	**15,750,000**
31.12.2021	**15,750,000**

	2021	2020
Income from rent earned on investment properties	1,309,432	1,304,950

Only the costs that the Group itself bears are recognised under direct administrative expenses. The majority of the costs are transferred to contractual clients.

The Group has entered into a contract for the assessment of the fair value of the investment property with Colliers International Advisors UAB who assessed the fair value of the investment property as at 31 December 2020. Pursuant to the assessment report, the precision of the assessment was +/-5%.
The management estimates that no changes have occurred in the composition, cash flow or market conditions of the investment property which would result in a change of more than 5% in the fair value. Therefore, the management believes that the fair value of the investment property as at 31 December 2021 is not significantly different from the fair value of the investment property as at 31 December 2020.

Note 6 Property, plant and equipment

(euros)

	Other property, plant and equipment	Total
31.12.2019		
Acquisition cost	50,080	50,080
Accumulated depreciation	-36,031	-36,031
Residual value	14,049	14,049
Depreciation cost	-6,342	-6,342
31.12.2020		
Acquisition cost	50,080	50,080
Accumulated depreciation	-42,373	-42,373
Residual value	7,707	7,707
Depreciation cost	-4,766	-4,766
31.12.2021		
Acquisition cost	50,080	50,080
Accumulated depreciation	-47,139	-47,139
Residual value	2,941	2,941

Note 7 Intangible assets
(euros)

	Goodwill	Total
31.12.2019		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-426,938	-426,938
Residual value	853,880	853,880
Depreciation cost	-213,468	-213,468
31.12.2020		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-640,406	-640,406
Residual value	640,412	640,412
Depreciation cost	-213,468	-213,468
31.12.2021		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-853,874	-853,874
Residual value	426,944	426,944

Note 8 Loans payable

(euros)

	31.12.2021	Division by remaining terms			Interest rate	Underlying currency	Maturity date	Note No
		Within 12 months	Within 1-5 years	Over 5 years				
Short-term loans								
OP Corporate Bank	7,053,334	7,053,334			6 months Euribor + 1.75%	EUR	31.03.2022	
Total short-term loans	7,053,334	7,053,334						
Long-term loans								
Parent company	671,850	0	671,850		8%	EUR	Unspecified term	18
Total long-term loans	671,850	0	671,850					
Long-term bonds								
Subordinated bond of UPP & CO Kauno 53 OÜ	4,700,000	0	4,700,000		6%	EUR	17.07.2024	
Total long-term bonds	4,700,000	0	4,700,000					
Total loans payable	**12,425,184**	**7,053,334**	**5,371,850**					

	31.12.2020	Division by remaining terms			Interest rate	Underlying currency	Maturity date	Note No
		Within 12 months	Within 1-5 years	Over 5 years				
Long-term loans								
OP Corporate Bank	7,513,334	460,000	7,053,334		6 months Euribor + 1.75%	EUR	31.03.2022	
Parent company	671,850	0	671,850		14.24%	EUR	Unspecified term	18
Total long-term loans	8,185,184	460,000	7,725,184					
Long-term bonds								
Subordinated bond of UPP & CO Kauno 53 OÜ	4,700,000	0	4,700,000		8%	EUR	17.04.2022	
Total long-term bonds	4,700,000	0	4,700,000					
Total loans payable	**12,885,184**	**460,000**	**12,425,184**					

The loan securities and mortgages established are as follows:
1.first rank mortgage on the RIMI LC registered immovable in the amount of 11,960,000 euros, market value of real property at least 15,300,000 euros;
2.second rank mortgage on the RIMI LC registered immovable 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).

On 30 March 2022, Promalita UAB extended the loan agreement with OP Corporate Bank plc Lithuania Branch until 2027. The loan amount was not increased at the moment, the risk margin increased from 1.75% to 1.91% due to the appreciation of the loan capital of the bank.

In the reporting period, interest from loans and bonds was calculated in the total amount of 514,551 euros (2020: 609,761 euros).

Note 9 Payables and prepayments

(euros)

	31.12.2021	Within 12 months	Note No
Trade creditors	12,483	12,483	
Employee payables	50	50	
Taxes payable	84,286	84,286	3
Other payables	57,967	57,967	
Interest payable	57,967	57,967	
Total payables and prepayments	**154,786**	**154,786**	
	31.12.2020	**Within 12 months**	**Note No**
Trade creditors	2,636	2,636	
Employee payables	19	19	
Taxes payable	85,547	85,547	3
Other payables	77,272	77,272	
Interest payable	77,272	77,272	
Total payables and prepayments	**165,474**	**165,474**	

Note 10 Provisions

(euros)

	31.12.2020	Formation/adjustment	31.12.2021
Total provisions	**2,292,428**	**-19,212**	**2,273,216**
Long-term	**2,292,428**	**-19,212**	**2,273,216**
Tax provision	2,292,428	-19,212	2,273,216
	31.12.2019	**Formation/adjustment**	**31.12.2020**
Total provisions	**2,309,664**	**-17,236**	**2,292,428**
Long-term	**2,309,664**	**-17,236**	**2,292,428**
Tax provision	2,309,664	-17,236	2,292,428

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

Note 11 Contingent liabilities and assets

(euros)

	31.12.2021	31.12.2020
Contingent liabilities		
Potential dividends	1,933,640	1,536,636
Income tax payable on potential dividends	-386,728	-307,327
Total contingent liabilities	**1,546,912**	**1,229,309**

Potential income tax liability of the Group

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 December 2021.

Note 12 Share capital

(euros)

	31.12.2021	31.12.2020
Share capital	2,500	2,500
Number of shares (pcs.)	1	1

Note 13 Sales revenue

(euros)

	2021	2020
Sales revenue by geographical regions		
Sales to European Union Member States		
Lithuania	1,309,432	1,304,950
Total sales to European Union Member States	**1,309,432**	**1,304,950**
Total sales revenue	**1,309,432**	**1,304,950**
Sales revenue by areas of activity		
Lease of premises	1,309,432	1,304,950
Total sales revenue	**1,309,432**	**1,304,950**

Note 14 Other operating expenses

(euros)

	2021	2020
Various office expenses	-4,368	-443
Management service	-56,634	-75,357
Securities management and transaction expenses	-23,906	-8,355
Expenses of legal and other consultations	-22,595	-10,224
Total other operating expenses	**-107,503**	**-94,379**

Note 15 Labour expenses

(euros)

	2021	2020
Salaries and wages	-381	-258
Social taxes	-9	-6
Total labour expenses	**-390**	**-264**
Average number of employees by type of employment:		
Member of management or supervisory body of legal entity	1	1

Note 16 Interest expenses

(euros)

	2021	2020
Interest expenses on bonds	-331,275	-376,000
Interest expenses on loans	-183,276	-233,761
Total interest expenses	**-514,551**	**-609,761**

Note 17 Income tax

(euros)

The income tax expenses of the Group in the reporting year were 71,750 euros (2020: 35,517 euros), which have arisen due to the income tax liability of the Lithuanian subsidiary.

Note 18 Related parties

(euros)

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

Balances with related parties by groups

LONG-TERM	**31.12.2021**	**31.12.2020**
Loans payable		
Parent company	671,850	671,850
Total loans payable	**671,850**	**671,850**

PURCHASED	2021	2020
	Services	Services
Parent company	56,634	75,357
Total purchased	**56,634**	**75,357**

Remuneration and other significant benefits calculated for executive and senior management		
	2021	**2020**
Remuneration calculated	390	258

Interest in the amount of 53,748 euros (2020: 95,671 euros) was calculated and in the amount of 53,748 euros (2020: 99,031 euros) was paid on the loan of the parent company in the reporting period.

No discounts have been given in the transactions with the related parties in the reporting period.
No additional benefits are provided to the members of the management board.

Note 19 Events after the reporting date

In the period of preparation of the statements, an extension of the loan agreement was signed between the subsidiary Promalita UAB and OP Corporate Bank plc Lithuania Branch. The new due date for the final repayment of the loan is 31 March 2027.

The aforementioned loan commitment has been recognised in the financial statements in full as short-term loan payable. See also Note 8.

Note 20 Unconsolidated balance sheet

(euros)

	31.12.2021	31.12.2020
Assets		
Current assets		
Cash	87,832	66,646
Receivables and prepayments	3,900	0
Total current assets	**91,732**	**66,646**
Fixed assets		
Investments in subsidiaries and affiliates	1,971,850	1,565,262
Receivables and prepayments	5,306,350	5,356,350
Total fixed assets	**7,278,200**	**6,921,612**
Total assets	**7,369,932**	**6,988,258**
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	61,942	77,272
Total current liabilities	**61,942**	**77,272**
Long-term liabilities		
Loans payable	5,371,850	5,371,850
Total long-term liabilities	**5,371,850**	**5,371,850**
Total liabilities	**5,433,792**	**5,449,122**
Equity		
Share capital in nominal value	2,500	2,500
Retained earnings (loss)	1,536,636	1,191,417
Profit (loss) for financial year	397,004	345,219
Total equity	**1,936,140**	**1,539,136**
Total liabilities and equity	**7,369,932**	**6,988,258**

Note 21 Unconsolidated income statement

(euros)

	2021	2020
Other operating expenses	-40,044	-12,347
Total operating profit (loss)	**-40,044**	**-12,347**
Profit (loss) from subsidiaries	406,588	393,586
Interest income	415,477	435,652
Interest expenses	-385,017	-471,672
Profit (loss) before income tax	**397,004**	**345,219**
Profit (loss) for financial year	**397,004**	**345,219**

Note 22 Unconsolidated cash flow statement
(euros)

	2021	2020
Cash flow from operating activities		
Operating profit (loss)	-40,044	-12,347
Change in receivables and prepayments related to operating activities	-3,900	0
Change in payables and prepayments related to operating activities	3,981	-3,660
Total cash flow from operating activities	**-39,963**	**-16,007**
Cash flow from investing activities		
Loans granted	-800,000	-130,000
Repayments of loans granted	850,000	130,000
Interest received	415,679	472,547
Total cash flow from investing activities	**465,679**	**472,547**
Cash flow from financing activities		
Loans raised	0	130,000
Repayments of loans raised	0	-130,000
Interest paid	-404,530	-475,027
Total cash flow from financing activities	**-404,530**	**-475,027**
Total cash flow	**21,186**	**-18,487**
Cash and cash equivalents at beginning of period	66,646	85,133
Change in cash and cash equivalents	**21,186**	**-18,487**
Cash and cash equivalents at end of period	87,832	66,646

Note 23 Unconsolidated statement of changes in equity

(euros)

				Total
	Share capital in nominal value	Legal reserve	Retained earnings (loss)	
31.12.2019	2,500	0	1,191,417	1,193,917
Profit (loss) for financial year	0	0	345,219	345,219
31.12.2020	2,500	0	1,536,636	1,539,136
Book value of holdings under dominant and significant influence	-2,500	0	-1,562,762	-1,565,262
Value of holdings under dominant and significant influence calculated by the equity method	2,500	0	1,562,762	1,565,262
Adjusted unconsolidated equity as at 31.12.2020	**2,500**	**0**	**1,536,636**	**1,539,136**
Profit (loss) for financial year	0	0	397,004	397,004
31.12.2021	2,500		1,933,640	1,936,140
Book value of holdings under dominant and significant influence	-2,500	-250	-1,969,100	-1,971,850
Value of holdings under dominant and significant influence calculated by the equity method	2,500	250	1,969,100	1,971,850
Adjusted unconsolidated equity 31.12.2021	**2,500**	**0**	**1,933,640**	**1,936,140**

Note 24 Going concern

The financial statements of the Group have been prepared in consideration of the company being a going concern. The short-term liabilities of the Group exceeded the current assets as at 31 December 2021. The management is of the opinion that the 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.
On 30 March 2022, the subsidiary Promalita UAB extended the valid loan agreement with OP Corporate Bank plc Lithuania Branch (see also Note 19).

INDEPENDENT SWORN AUDITOR'S REPORT

To the shareholders of UPP & CO KAUNO 53 OÜ

Opinion

We have audited the consolidated financial statements of UPP & CO KAUNO 53 OÜ and its subsidiary (the Group), which comprise the consolidated balance sheet as at 31 December 2021, 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 at 31 December 2021, 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) (including Independence Standards), 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 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 a 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 of the Group. 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 No 499
Grant Thornton Baltic OÜ
Audit Firm's Licence No 3
Pärnu mnt 22, 10141 Tallinn
08.04.2022