

UAB "ORKELA"

INTERIM FINANCIAL STATEMENTS FOR QUARTER ENDED 31 MARCH 2023,
PREPARED IN ACCORDANCE WITH LITHUANIAN FINANCIAL REPORTING STANDARDS

Contents

Balance sheet	3
Income statement	5
Statement of Changes in Equity.....	6
Cash Flow Statement.....	8
Notes to the financial statements	10
1. General information	10
2. Accounting policy	10
3. Notes	14
3.1. Investment property	14
3.2. Amounts receivable within one year	15
3.3. Cash and cash equivalents.....	15
3.4. Prepaid expenses and accrued income	15
3.5. Structure of the authorised capital	15
3.6. Project of profit distribution.....	15
3.7. Rights and commitments not disclosed in the balance sheet.....	15
3.8. Amounts payable and other liabilities.....	16
3.9. Accrued expenses and deferred income.....	16
3.10. General and administrative expenses.....	16
3.11. Interest and other similar expenses	16
3.12. Income tax and deferred income tax.....	17
3.13. Financial relations with the company's management and other related parties	17
3.14. Subsequent events	17
3.15. Going concern.....	17

Balance sheet

	Notes	31 March 2023	31 December 2022
ASSETS			
A. NON-CURRENT ASSETS		22 486 207	19 082 679
1. INTANGIBLE ASSETS		-	-
1.1. Development work		-	-
1.2. Goodwill		-	-
1.3. Software		-	-
1.4. Concessions, patents, licenses, trademarks and similar rights		-	-
1.5. Other intangible assets		-	-
1.6. Prepayments for intangible assets		-	-
2. TANGIBLE ASSETS	3.1.	22 486 207	19 082 679
2.1. Land		-	-
2.2. Buildings and structures		-	-
2.3. Plant and equipment		-	-
2.4. Vehicles		-	-
2.5. Other equipment, fittings and tools		-	-
2.6. Investment property		2 522 547	2 522 547
2.6.1. Land		2 522 547	2 522 547
2.6.2. Buildings		-	-
2.7. Prepayments for tangible assets and assets under construction		19 963 660	16 560 132
3. FINANCIAL ASSETS		-	-
3.1. Shares in group companies		-	-
3.2. Intercompany loans		-	-
3.3. Intercompany amounts receivable		-	-
3.4. Shares in associates		-	-
3.5. Loans to associates		-	-
3.6. Receivables from associates		-	-
3.7. Long-term investments		-	-
3.8. Amounts receivable after one year		-	-
3.9. Other financial assets		-	-
4. OTHER NON-CURRENT ASSETS		-	-
4.1. Deferred tax asset		-	-
4.2. Biological assets		-	-
4.3. Other assets		-	-
B. CURRENT ASSETS		3 455 663	2 782 591
1. INVENTORIES		174	152
1.1. Raw materials, materials and consumables		-	-
1.2. Production and work in progress		-	-
1.3. Finished goods		-	-
1.4. Goods for resale		-	-
1.5. Biological assets		-	-
1.6. Non-current tangible assets held for sale		-	-
1.7. Prepayments		174	152
2. AMOUNTS RECEIVABLE WITHIN ONE YEAR	3.2.	29 992	199 854
2.1. Trade receivables		-	-
2.2. Intercompany amounts receivable		-	-
2.3. Amounts receivable from associates		-	-
2.4. Other amounts receivable		29 992	199 854
3. SHORT-TERM INVESTMENTS		-	-
3.1. Shares in group companies		-	-
3.2. Other investments		-	-
4. CASH AND CASH EQUIVALENTS	3.3.	3 425 497	2 582 585
C. PREPAID EXPENSES AND ACCRUED INCOME	3.4.	19 976	18 817
TOTAL ASSETS		25 961 846	21 884 087

Balance Sheet (cont'd)

	Notes	31 March 2022	31 December 2022
EQUITY AND LIABILITIES			
D. EQUITY		(1 420 638)	(875 831)
1. CAPITAL		1 000 000	1 000 000
1.1. Share capital	3.5.	1 000 000	1 000 000
1.2. Unpaid share capital (-)		-	-
1.3. Own shares, stock (-)		-	-
2. SHARE PREMIUM	3.5.	8 935 500	8 935 500
3. REVALUATION RESERVE		-	-
4. RESERVES		-	-
4.1. Legal reserve		-	-
4.2. Acquisition of own shares		-	-
4.3. Other reserves		-	-
5. RETAINED EARNINGS (LOSS)	3.6.	(11 356 138)	(10 811 331)
5.1. Profit (loss) of the reporting year		(544 807)	(4 251 298)
5.2. Profit (loss) of the previous years		(10 811 331)	(6 560 033)
E. GRANTS, SUBSIDIES		-	-
F. PROVISIONS		-	-
1. Pensions and similar provisions		-	-
2. Deferred tax liability		-	-
3. Other provisions		-	-
G. AMOUNTS PAYABLE AND OTHER LIABILITIES		27 371 284	22 746 318
1. NON-CURRENT AMOUNT PAYABLE AND LIABILITIES	3.8.	25 871 278	20 261 899
1.1. Financial debts		19 874 506	14 517 452
1.2. Amounts owed to credit institutions		-	-
1.3. Advances received		-	-
1.4. Trade payables		1 722 766	1 506 104
1.5. Payables under the bills and checks		-	-
1.6. Intercompany amounts payable	3.13.	4 274 006	4 238 343
1.7. Amounts payable to associates		-	-
1.8. Other amounts payable and non-current liabilities		-	-
2. CURRENT AMOUNTS PAYABLE AND LIABILITIES	3.8.	1 500 006	2 484 419
2.1. Current portion of financial debts		216 181	285 069
2.2. Amounts owed to credit institutions		-	-
2.3. Advances received		-	-
2.4. Trade Payables		1 273 488	2 188 138
2.5. Payables under the bills and checks		-	-
2.6. Intercompany amounts payable		-	-
2.7. Amounts payable to associates		-	-
2.8. Corporate income tax liabilities		-	-
2.9. Liabilities related to employment relations		9 036	1 632
2.10. Other amounts payable and current liabilities		1 301	9 580
H. ACCRUED EXPENSES AND DEFERRED INCOME	3.9.	11 200	13 600
TOTAL EQUITY AND LIABILITIES		25 961 846	21 884 087

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

These financial statements were signed electronically:

Director
Company representative in charge of accounting

Anastasija Pocienė
Agnė Jasinskienė

Income statement

	Notes	31 March 2023	31 March 2022
1. Sales revenue		-	-
2. Cost of sales		-	-
3. Fair value adjustments of biological assets		-	-
4. GROSS PROFIT (LOSS)		-	-
5. Selling expenses		-	-
6. General and administrative expenses	3.10.	(186 705)	(55 704)
7. Other operating results		-	-
8. Income from investments into shares of parent, subsidiaries and associates		-	-
9. Income from other long-term investments and loans		-	-
10. Other interest and similar income		-	-
11. Impairment of the financial assets and short-term investments		-	-
12. Interest and other similar expenses	3.11.	(358 102)	(215 857)
13. PROFIT (LOSS) BEFORE TAXATION		(544 807)	(271 561)
14. Income tax	3.12.	-	-
15. NET PROFIT (LOSS)		(544 807)	(271 561)

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

These financial statements were signed electronically:

Director
 Company representative in charge of accounting

Anastasija Pocienė
Agnė Jasinskienė

UAB "ORKELA"

Company code: 304099538, Jogailos st. 4, Vilnius

The Company's Interim Financial Statements 31 March 2023

(all amounts presented in EUR unless otherwise indicated)

Statement of Changes in Equity

	Share capital	Share premium	Own shares (-)	Revaluation reserve Non-current tangible assets	Financial assets	Legal reserve Compulsory reserve or emergency (reserve) capital	Reserve for acquiring own shares	Other reserves	Retained earnings (losses)	Total
1. Balance at the end of the reporting (yearly) period before previous	2 500	-	-	-	-	-	-	-	(6 763 760)	(6 761 260)
2. Result of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
3. Result of correcting material errors	-	-	-	-	-	-	-	-	-	-
4. Recalculated balance at the end of the reporting (yearly) period before previous	2 500	-	-	-	-	-	-	-	(6 763 760)	(6 761 260)
5. Increase (decrease) in the value of non-current tangible assets	-	-	-	-	-	-	-	-	-	-
6. Increase (decrease) in the value of effective hedging instruments	-	-	-	-	-	-	-	-	-	-
7. Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-
8. Profit (loss) not recognised in the profit (loss) statement	-	-	-	-	-	-	-	-	-	-
9. Net profit (loss) of the reporting period	-	-	-	-	-	-	-	-	(4 251 298)	(4 251 298)
10. Dividends	-	-	-	-	-	-	-	-	-	-
11. Other payments	-	-	-	-	-	-	-	-	-	-
12. Formed reserves	-	-	-	-	-	-	-	-	-	-
13. Used reserves	-	-	-	-	-	-	-	-	-	-
14. Increase (decrease) of share capital or shareholders' contributions (shares' repayment)	997 500	8 935 500	-	-	-	-	-	-	-	9 933 000
15. Other Increase (decrease) of share capital	-	-	-	-	-	-	-	-	-	-
16. Contributions to cover losses	-	-	-	-	-	-	-	-	203 727	203 727
17. Balance at the end of the previous reporting (yearly) period	1 000 000	8 935 500	-	-	-	-	-	-	(10 811 331)	(875 831)

UAB "ORKELA"

Company code: 304099538, Jogailos st. 4, Vilnius

The Company's Interim Financial Statements 31 March 2023

(all amounts presented in EUR unless otherwise indicated)

Statement of Changes in Equity (cont'd)

	Share capital	Share premium	Own shares (-)	Revaluation reserve Non-current tangible assets	Financial assets	Legal reserve Compulsory reserve or emergency (reserve) capital	Reserve for acquiring own shares	Other reserves	Retained earnings (losses)	Total
18. Increase (decrease) in the value of non-current tangible assets	-	-	-	-	-	-	-	-	-	-
19. Increase (decrease) in the value of effective hedging instruments	-	-	-	-	-	-	-	-	-	-
20. Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-
21. Profit (loss) not recognised in the profit (loss) statement	-	-	-	-	-	-	-	-	-	-
22. Net profit (loss) of the reporting period	-	-	-	-	-	-	-	-	(544 807)	(544 807)
23. Dividends	-	-	-	-	-	-	-	-	-	-
24. Other payments	-	-	-	-	-	-	-	-	-	-
25. Formed reserves	-	-	-	-	-	-	-	-	-	-
26. Used reserves	-	-	-	-	-	-	-	-	-	-
27. Increase (decrease) of authorised capital or shareholders' contributions (shares' repayment)	-	-	-	-	-	-	-	-	-	-
28. Other Increase (decrease) of share capital	-	-	-	-	-	-	-	-	-	-
29. Contributions to cover losses	-	-	-	-	-	-	-	-	-	-
30. Balance at the end of the reporting period	1 000 000	8 935 500	-	-	-	-	-	-	(11 356 138)	(1 420 638)

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

These financial statements are electronically signed:

Director

Company representative in charge of accounting

*Anastasija Pocienė**Agnė Jasinskienė*

Cash Flow Statement

	Notes	31 March 2023	31 March 2022
1. Cash flows from operating activities			
1.1. Net profit (loss)		(544 807)	(271 561)
1.2. Depreciation and amortisation expenses		-	-
1.3. Elimination of results of disposals of fixed tangible and intangible assets		-	-
1.4. Elimination of results of financing and investing activities	3.11.	358 102	215 857
1.5. Elimination of results of other non-cash transactions		-	-
1.6. Decrease (increase) in intercompany amounts receivable and receivables from associates		-	-
1.7. Decrease (increase) in other amounts receivable after one year		-	-
1.8. Decrease (increase) in deferred tax asset		-	-
1.9. Decrease (increase) in inventories, except prepayments		-	-
1.10. Decrease (increase) in prepayments		(22)	-
1.11. Decrease (increase) in trade receivables		-	-
1.12. Decrease (increase) in intercompany amounts owed and amounts owed by associates		-	-
1.13. Decrease (increase) in other receivables		42 180	13 676
1.14. Decrease (increase) in short-term investments		-	-
1.15. Decrease (increase) in prepaid expenses and accrued income		(1 159)	2 380
1.16. Increase (decrease) in provisions		-	-
1.17. Increase (decrease) in long-term trade payables and prepayments		-	-
1.18. Increase (decrease) in long-term amounts payable under the bills and checks		-	-
1.19. Increase (decrease) in long-term intercompany payables and payables to associates		-	-
1.20. Increase (decrease) in trade with short-term trade payables and advances received		(6 446)	74
1.21. Increase (decrease) in amounts payable under the bills and checks		-	-
1.22. Increase (decrease) in short-term intercompany payables and payables to associates		-	-
1.23. Increase (decrease) in corporate income tax liabilities		-	-
1.24. Increase (decrease) in employment related liabilities		7 404	5 529
1.25. Increase (decrease) in other amounts payable and liabilities		(8 279)	(8 645)
1.26. Increase (decrease) in accruals and deferred income		(2 400)	800
Net cash flows from operating activities		(155 427)	(41 890)
2. Cash flows from investing activities			
2.1. Acquisition of fixed assets (excluding investments)		(3 942 289)	(2 328 675)
2.2. Disposal of fixed assets (excluding investments)		-	-
2.3. Acquisition of long-term investments		-	-
2.4. Disposal of long-term investments		-	-
2.5. Loans granted		-	-
2.6. Loans recovered		-	-
2.7. Dividends and interest received		-	-
2.8. Other increases in cash flows from investing activities		-	-
2.9. Other decreases in cash flows from investing activities		-	-
Net cash flows from investing activities		(3 942 289)	(2 328 675)

Statement of Cash Flows (cont'd)

	Notes	31 March 2023	31 March 2022
3. Cash flows from financing activities			
3.1. Cash flows related to entity's owners		-	-
3.1.1. Issue of shares		-	-
3.1.2. Owner's contributions to cover losses		-	-
3.1.3. Purchase of own shares		-	-
3.1.4. Dividends paid		-	-
3.2. Cash flows related to other financing sources		4 940 628	4 948 965
3.2.1. Increase in financial debts		5 462 776	5 000 000
3.2.1.1. Loans received		-	-
3.2.1.2. Issue of bonds		5 462 776	5 000 000
3.2.2. Decrease in financial debts		(439 422)	-
3.2.2.1. Loans repaid		-	-
3.2.2.2. Redemption of bonds		-	-
3.2.2.3. Interest paid		(439 422)	-
3.2.2.4. Finance leases payments		-	-
3.2.3. Increase in entity's other liabilities		-	-
3.2.4. Decrease in entity's other liabilities		-	-
3.2.5. Other increases in cash flows from financing activities		-	-
3.2.6. Other decreases in cash flows from financing activities		(82 726)	(51 035)
Net cash flows from financing activities		4 940 628	4 948 965
4. Adjustments due to changes in exchange rates on the balance of cash and cash equivalents		-	-
5. Increase (decrease) of net's cash flows		842 912	2 578 400
6. Cash and cash equivalents at the beginning of the period		2 582 585	30 780
7. Cash and cash equivalents at the end of the period		3 425 497	2 609 180

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

These financial statements were signed electronically:

Director
Company representative in charge of accounting

Anastasija Pocienė
Agnė Jasinskienė

Notes to the financial statements

1. General information

UAB Orkela, company code 304099538 (hereinafter referred to as the Company) is a private limited liability company registered with the State Enterprise Centre of Registers on 24 September 2015. Registered as the value-added taxpayer since 10 March 2016. The Company's data is collected and stored with the Register of Legal Entities of the Republic of Lithuania.

As at 31 March 2023 and 31 December 2022, the shareholder of the Company is closed-end investment fund intended for informed investors Lords LB Special Fund IV, managed by UAB Lords LB Asset Management (company code 301849625, registered address Jogailos st. 4, Vilnius).

	31 March 2023		31 December 2022	
	Number of shares	Share of the stock held	Number of shares	Share of the stock held
Lords LB Special Fund IV	40 000	100%	100	100%
Total:	40 000	100%	100	100%

As at 31 March 2023 the Company's authorised share capital amounted to EUR 1 000 000 (31 December EUR 1 000 000). As at 31 March 2023 the authorised share capital is divided into 40 000 (31 December 2022 – 40 000) ordinary registered shares with the par value of EUR 25 each. As at 31 March 2023 the Company's share capital is fully paid. The Company does not have its own shares.

The Company's registered office address is Jogailos st. 4, Vilnius.

The main activity of the Company is real estate development and construction.

As at 31 March 2023 and 31 December 2022 the Company had no branches or representative offices.

As at 31 March 2023 the average number of employees was 1 (31 December 2022 – 1).

2. Accounting policy

The financial statements are prepared in accordance with the legal acts regulating financial accounting and preparation of financial statements in the Republic of Lithuania and Lithuanian Financial Reporting Standards.

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

The figures in these financial statements are presented in the currency of the Republic of Lithuania - Euro (EUR).

The company complies with the criteria of a public interest entity established in the Companies' Financial Reporting Law when preparing financial statements.

2.1. Investment property

Investment property is real estate held to earn income and / or capital gains.

The cost of acquired investment property consists of the purchase price and any directly attributable costs. Directly attributable costs may include legal fees, property transfer fees and other transaction costs. This accounting principle applies for the whole duration of construction of investment property. The Company classified the investment property under development as investment property in the balance sheet and accounts it at cost less any impairment losses.

Upon completion of investment property, the Company uses the fair value method to account for investment property. The fair value of investment property is determined based on valuation reports of an independent valuer. The valuation by an independent valuer is performed at least once a year (if there are significant changes that could lead to a significant change in the value of the assets, valuations are performed more frequently).

2.2. Financial assets and financial liabilities

Financial assets include cash and cash equivalents and amounts receivable.

Financial assets are recorded when the Company receives or obtains a contractual right to receive cash or any other financial assets. Amounts receivable are carried at cost less impairment losses. Cash and cash equivalents are stated at cost.

When it is probable that the Company will not be able to recover the amounts receivable, the impairment loss is recognised, which is determined as the difference between the carrying amount of the assets and the present value of future cash flows discounted using the effective interest rate.

Financial liabilities include amounts payable for goods and services received and liabilities under bond agreements issued, loans received.

Financial liabilities are recorded when the Company undertakes a commitment to pay cash or settle with any other financial assets. Amounts payable for goods and services are accounted for at 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 recognised at cost, which is equal to the amount of funds received. Transaction costs are recognised as financing expenses. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method. The Company has issued non-convertible bonds.

2.3. Effective interest rate method

Effective interest rate method is a method of calculation of amortised cost of financial assets and liabilities and distribution of interest income and expenses over a certain period. Effective interest rate is an interest rate that discounts the estimated future cash flows (including all paid or received taxes that are an integral part of the effective interest rate, transaction costs and other extras or discounts) to the net carrying amount of the initial recognition within the intended period of financial asset and liabilities or (if applicable) within a certain shorter period.

2.4. Foreign currencies

All currency items in the balance sheet are valued in euros using the exchange rate prevailing at the date of the balance sheet. Assets purchased in foreign currency and accounted for in the balance sheet at the cost are valued in euros using the exchange rate prevailing at the acquisition date. Assets whose fair value is determined in a foreign currency are valued in euros in the balance sheet using the exchange rates at the date when the fair value was determined. Foreign currency transactions are valued in euros using the exchange rate prevailing at the date of the transaction. Differences resulting from the settlement of amounts recorded in foreign currencies at different exchange rates are recognised as income or expenses of the reporting period.

2.5. Sales revenue

Revenue is recognised on an accrual basis. The amount of income is estimated at fair value, considering granted and expected discounts, returns and rebates.

When a service transaction is completed in the same period as it is initiated, revenue is recognised in the same period and measured at the amount specified in the contract. When services, according to the service transaction, are provided for more than one reporting period, revenue is allocated to the periods in which the services are rendered.

The Company's typical operating income consists of rental income. Where the Company operates as an intermediary rather than the main service provider, income and expenses are offset.

2.6. Cost of sales and operating expense

Expenses are recognised on an accrual and comparison basis in the accounting period the income related to the costs is generated. Expenses incurred during the reporting period, which cannot be attributed directly to specific revenue earned and will not generate any revenue in subsequent reporting periods, are recognised as expenses when incurred. Expenses are measured at fair value.

2.7. Borrowing costs

Interest on loans and bond agreements are recognised in the income statement on an accrual basis.

2.8. Income tax

Income tax calculations are based on profit for the year after assessing deferred income tax. Income tax is calculated in accordance with the requirements set forth in the Lithuanian legislation.

In 2023, the corporate income tax rate applied to companies in the Republic of Lithuania was 15% (in 2022 - 15%).

Taxable losses can be carried forward to other reporting periods for an unlimited number of periods, except for the losses incurred through transfer of securities and (or) derivative financial instruments. Such carryforward 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. The losses from disposal of securities and (or) derivative financial instruments can be carried forward for 5 consecutive years and only be reduced by taxable income earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Deferred tax is calculated using the balance sheet liability method. Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset is recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.9. Impairment

An impairment loss is recognised whenever events or changes in circumstances indicate that the carrying amount may not be recovered. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is accounted for under the same article of the income statement as the impairment loss.

2.10. Recoverable amount

Recoverable amount is calculated as the higher of two values: the fair value less costs to sell and the asset's value in use. An asset's value in use is calculated by discounting future cash flows to their present value using a pre-tax discount rate that reflects current market assumptions about the time value of money and the risks specific to the asset.

2.11. Offsetting

Offsetting of receivables and payables with the same third party shall take place when there is a sufficient legal basis for doing so.

2.12. Subsequent events

Subsequent events that are not adjusting events are disclosed in the notes when material.

2.13. Contingencies

Contingent liabilities are not recognised in the financial statements. They are described in the financial statements, except those cases when the probability that resources generating economic benefit will be lost is very low.

2.14. Significant accounting estimates and judgments

The preparation of financial statements in accordance with Lithuanian financial reporting standards requires from the management to make certain judgments and estimates, based on assumptions that have effect on the application of policies and reported

amounts of assets and liabilities, income and expenses and the disclosure of uncertainties. The significant estimates in these financial statements are the valuation assumptions of investment assets. Future events may change the assumptions used in the estimates. The effect of such changes in estimates will be accounted for in the financial statements when determined.

2.15. Financial risk management

The Company is exposed to a variety of financial risks in the course of its operations. Risk management is performed by management.

The following main financial risk management procedures are applied in the Company's operations:

Credit risk

The Company is not subject to significant credit risk concentration. Credit risks or the risks of counterparties defaulting, are controlled by the application of credit terms and monitoring procedures. Credit risk is controlled by the Company itself and, if necessary, assisted by credit risk management companies.

Foreign exchange risk

The Company has no significant concentration of foreign exchange risk, because the major portion of settlements are conducted in the euro (EUR).

Liquidity risk

The Company is a special purpose development company that does not earn income on its own in the short term. The Company's activities are financed by the shareholder, taking into account the progress of the project and the need for working capital.

The Company's policy is to maintain sufficient cash and cash equivalents or to secure funding from the parent fund and credit institutions to meet the obligations set out in its strategic plans.

Interest rate risk

The Company's income and operating cash flows are substantially independent from changes in market interest rate. The Company has no significant interest-bearing assets.

The most significant balance sheet items of the Company sensitive to changes in interest rates are issued bonds and received loans. Liabilities are with fixed interest rates, but the fixed interest rate is calculated based on related party transfer pricing, which is as close as possible to the arm's length principle. The Company does not use any financial instruments to manage interest rate risk.

Related parties

The following are considered to be related parties: Lords LB Special Fund IV, UAB Orkelos valdymas and related natural person.

3. Notes

3.1. Investment property

	Land	Construction-in-progress	Total
Carrying amount as at the end of the previous financial year	2 522 547	16 560 132	19 082 679
a) Acquisition cost			
At the end of the previous financial year	4 601 561	21 405 440	26 007 001
Financial year changes:			
- acquisitions	-	3 403 528	3 403 528
- disposals and written-off assets (-)	-	-	-
- transfers from one heading to another +/-	-	-	-
At the end of financial year	4 601 561	24 808 968	29 410 529
b) Revaluation			
At the end of the previous financial year	-	-	-
Financial year changes:			
- increase (decrease) in value +/-	-	-	-
- disposed and written off assets (-)	-	-	-
- transfers from one heading to another +/-	-	-	-
At the end of financial year	-	-	-
c) Depreciation			
At the end of the previous financial year	-	-	-
Financial year changes:			
- depreciation in financial year	-	-	-
- written back (-)	-	-	-
- disposed and written off assets (-)	-	-	-
- transfers from one heading to another +/-	-	-	-
At the end of financial year	-	-	-
d) Impairment			
At the end of the previous financial year	(2 079 014)	(4 845 308)	(6 924 322)
Financial year changes:			
- decrease in value in financial year	-	-	-
- written back (-)	-	-	-
- disposed and written off assets (-)	-	-	-
- transfers from one heading to another +/-	-	-	-
At the end of financial year	(2 079 014)	(4 845 308)	(6 924 322)
e) Carrying amount at the end of financial year (a)+(b)-(c)-(d)	2 522 547	19 963 660	22 486 207

As at 31 March 2023 investment assets consist of a land plot and buildings under construction located on Vasario 16-osios st. 1, Vilnius. The investment property was purchased in March 2016. On 8 March 2021 the Company received a construction permit and in September 2021 has begun the construction works.

The recoverable value of all the Company's investment assets (i.e. land together with buildings under construction) as at 31 March 2023 was determined on the basis of the property valuation performed by the independent property valuer UAB "Newsec valuations" in November 2022, the asset was valued as of 31 October 2022. Investment property was valued using the discounted cash flow method, using a 16 percent discount rate (2021 – 16 percent) and a 6 percent capitalization rate (2021 – 6 percent). Cash flows are forecasted for a period of 2 years with the assumption that the average long-term vacancy rate will be 2-5 percent and the average income growth will be 6 percent. According to the report of an independent property valuer, the value of the Company's total investment assets, calculated using the discounted cash flow method, amounted to EUR 16 260 000. Due to the fact that the property's fair value was lower than its book value, during the year ended 31 December 2022, an impairment of investment assets in amount of EUR 3 081 010 was recognized. The impairment amount was assigned to individual groups of investment assets in proportion to their balance sheet value.

Sensitivity analysis of the value of investment property

The recoverable amount of the investment property was determined using a yield rate of 6%. An increase in the yield rate of 0,25% would reduce the recoverable amount of the investment property by EUR 1 840 000 and a decrease in the yield rate of 0,25% would increase the recoverable amount of the investment property by EUR 1 990 000. Other assumptions remain unchanged as the yield rate changes.

3.2. Amounts receivable within one year

	31 March 2023	31 December 2022
VAT receivable	28 404	166 522
Other amounts receivable	1 588	33 332
Total:	29 992	199 854

3.3. Cash and cash equivalents

31 March 2023	31 March 2023	31 December 2022
Cash in bank accounts	3 425 497	173 938
Cash in investment account	-	2 408 647
Total:	3 425 497	2 582 585

The company has opened an investment account, from which money can be transferred to a current bank account only after submitting a request to the bank.

3.4. Prepaid expenses and accrued income

	31 March 2023	31 December 2022
Prepaid insurance expenses	19 976	18 817
Total:	19 976	18 817

3.5. Structure of the authorised capital

The share capital of the Company as at 31 March 2023 is EUR 1 000 000 (31 December 2022 – EUR 1 000 000). The nominal value of one share is EUR 25. As at 31 March 2023 share premium amounted to EUR 8 935 500 (31 December 2022 – EUR 8 935 500). All shares of the Company are paid.

3.6. Project of profit distribution

At the time of approval of these financial statements, the profit (loss) distribution project has not been prepared by the Management.

3.7. Rights and commitments not disclosed in the balance sheet

Taxes

The Tax Authorities have not performed a full-scope tax investigation at the Company. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

3.8. Amounts payable and other liabilities

	Within one year	After one, but no later than five years	After five years
Financial debts:			
1. Financial debts	216 181	19 874 506	-
2. Intercompany amounts payable (note 3.13)	-	4 274 006	-
Other debts:			
1. Trade payables	1 273 488	1 722 766	-
2. Employment related liabilities	9 036	-	-
3. Other payables and short-term liabilities	1 301	-	-
Total:	1 500 006	25 871 278	-

The Company has signed an agreement for the distribution of the Company's bonds worth EUR 40 million. On January 2023 and on March 2023 the Company issued 5 571 units of secured non-convertible bonds with a par value of EUR 1 000 each. The maturity date of the bonds is 19 January 2025.

After one year, but no later than five years, trade payables are retained amounts payable to contractors, which will be paid after construction is completed. These long-term liabilities are non-interest bearing.

3.9. Accrued expenses and deferred income

	31 March 2023	31 March 2022
Accrued audit expenses	11 050	13 000
Accrued expenses of securities account keeping	150	600
Total:	11 200	13 600

3.10. General and administrative expenses

	31 March 2023	31 March 2022
Donations	92 000	-
Legal services	35 797	19 301
Remuneration and other related expenses	33 853	14 447
Operating taxes	11 118	12 503
Accounting and audit expenses	5 800	1 890
Insurance	5 557	5 010
Other	2 580	2 553
Total:	186 705	55 704

3.11. Interest and other similar expenses

	31 March 2023	31 March 2022
Bond interest expenses	300 474	172 291
Other financial and investment expenses	57 628	43 566
Total:	358 102	215 857

3.12. Income tax and deferred income tax

Deferred income tax is calculated at the rate of 15%.

As at 31 March 2023 the Company had EUR 693 853 (31 December 2022 – EUR 612 999) of unrecognised deferred tax asset from accumulated tax losses and EUR 1 038 648 (31 December 2022 – EUR 1 038 648) of unrecognised deferred tax asset from impairment of investment property. Deferred tax asset has not been recognised due to future uncertainties related to generation of sufficient taxable profit. Accumulated tax losses are carried forward for an indefinite time.

3.13. Financial relations with the company's management and other related parties

The average number of executives in 2023 is 1. The Company's management is considered to be a director with whom there were no transactions other than salaries in 2023 and 2022.

Transactions with other related parties

The following transactions were made with other related parties and their balance as at the end of the year:

Title of article	Revenue from intercompany transactions	Intercompany transaction costs	Amounts receivable	Amounts payable
31 March 2023	-	35 662	-	4 274 006
Related party 1	-	35 662	-	4 274 006
31 December 2022	-	113 124	-	4 238 343
Related party 1	-	113 124	-	4 238 343

As at 31 March 2023 the amount of unredeemed bonds was EUR 3 548 512 (31 December 2022 – EUR 3 548 512) and accrued interest payable was EUR 725 494 (31 December 2022 – EUR 689 831). The interest rate is fixed, the maturity date of the bonds is 21 April 2024.

3.14. Subsequent events

After 31 March 2023 until the date of signing these financial statements, there were no subsequent events.

3.15. Going concern

As at 31 March 2023 and 31 December 2022 the Company's equity was negative and did not meet the requirements set out in the Law on Companies of the Republic of Lithuania (total equity shall not be lower than ½ of the authorised share capital specified in the Articles of Association). The Company's shareholder Lords LB Special Fund IV considers the Company's project under development to be a going concern and plans to apply to the Fund's participants for the additional financing necessary to ensure the Company's ability to meet its legal and financial obligations and to ensure the continuity of the project under development.

The Company is a special purpose development company that does not earn income on its own in the short term. The Company's activities are financed by the shareholder, considering the progress of the project and the need for working capital. Additionally, the Company has signed the agreement for the external distribution of the Company's bonds amounting to EUR 40 million and in 2022 has distributed bonds with par value of EUR 14,5 million. During the first quarter of 2023 the Company has distributed another 2 bond tranches with a par value of EUR 5,6 million. The Company plans to attract additional external financing during year 2023, amounting to par value of EUR 12,3 million, however this financing is not committed yet.

The interim financial statements for the quarter ended 31 March 2023 have been prepared on the assumption that the Company will be able to continue as a going concern in the foreseeable future. The going concern assessment is based on assumption that in 2023 the Company will successfully raise EUR 25 million financing from bond emission and equity contribution. However, the above events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements were signed electronically:

Director
Company representative in charge of accounting

Anastasija Pocienė
Agnė Jasinskienė