Consolidated Annual Report

Start of financial year: 01/01/2022
End of financial year: 31/12/2022

Business name: UPP & CO KAUNO 53 OÜ

Commercial register number: 14194597

Address: Pärnu mnt 141
City: Tallinn
County: Harju County
Postal code: 11314

Telephone No.: +372 6616450

email address: property@unitedpartners.ee

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MANAGEMENT REPORT

General

The parent company UPP & CO Kauno 53 OÜ (hereinafter together with its subsidiaries referred to as the Group) was formed for the acquisition and management of investment property and for raising capital for this transaction.

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

On 21 February 2022, the subsidiary Promalita UAB extended the lease with Hakonlita UAB to the year 2031. Hakonlita UAB is the anchor tenant of the logistics centre owned by Promalita UAB, accounting for 93% of the revenues of the logistics centre.

Management report

The Group’s revenue for the financial year was EUR 1,277,056 (2021: EUR 1,309,432). The Group has no employees and therefore pays no employee salaries, however it remunerates its Management Board members. Such expenses including taxes amounted to EUR 448 (2021: EUR 390) for the year, no other benefits were granted.

The building is at full occupancy, all payments from customers are received on time and the Group has duly settled its liabilities as at the year-end.

On 21 February 2022, Promalita UAB extended the lease with Hakonlita UAB until the year 2031. Parties are entitled to prematurely terminate the lease from May 2026. Promalita UAB also assumed an obligation to conduct a technical audit of the building, carry out urgent repairs and invest EUR 100,000 in energy efficiency measures during the upcoming financial year.

On 30 March 2022, Promalita UAB extended its loan agreement with OP Corporate Bank plc Lithuania Branch until the year 2027. The loan amount was left unchanged, and the margin increased from 1.75% to 1.91% due to an increase in borrowing cost at the bank.

The Group sees the macroeconomic environment as uncertain due to high inflation and increasing interest rates. Finance costs are the primary driver of the Group’s expenses and even though the outstanding bonds bear a fixed rate of interest, the bank loan of Promalita UAB is at an interest rate tied to the Euribor, which has significantly increased finance costs for the subsidiary. During the period of low interest rates, the Group accumulated excess capital and substantially paid down its bank loan, therefore the increase in Euribor will affect the Group’s profit and liquidity but these developments will not pose any going concern risk to the Group. The Group is well-capitalised.

A rising Euribor rate impacts the discount rate of future cash flows, which will presumably lead to a halt in the growth of investment property value in the next financial year and, depending on how high Euribor will rise and how long a high Euribor will persist, there may also be some decline in value. The Group last appraised the value of investment property in March 2022 and then it was appraised at more than it stood in March 2021. The Group aims to appraise its investment property again at the end of 2023.

As the Group was formed solely to operate this business, no structural change in business is planned for the financial year following the reporting year. The group has also not assumed liabilities or issued guarantees that may materially impact the results of future financial years.

Key financial ratios	2022	2021
Debt to equity ratio (times)	5.32	7.67
Debt ratio (times)	0.84	0.88
Long-term debt ratio (times)	0.81	0.32
Return on equity (ROE) %	33.09%	22.85%
Equity ratio (times)	0.16	0.11
ROA %	4.53%	2.36%

Formulas used to calculate ratios:
Debt to equity ratio = liabilities/equity
Debt ratio (times) = liabilities/(liabilities+equity)
Long-term debt ratio = long-term borrowings/(long-term borrowings+equity)
Return on equity (ROE) % = 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
Management Board member

Financial statements

Consolidated balance sheet

(euros)

	31/12/2022	31/12/2021	Notes
Assets			
Current assets			
Cash	706,207	597,244	2
Receivables and prepayments	17,742	12,197	
Total current assets	**723,949**	**609,441**	
Non-current assets			
Investment property	16,150,000	15,750,000	5
Property, plant and equipment	404	2,941	6
Intangible assets	213,476	426,944	7
Total non-current assets	**16,363,880**	**16,179,885**	
Total assets	**17,087,829**	**16,789,326**	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	460,000	7,053,334	8
Payables and prepayments	104,893	154,786	9
Total current liabilities	**564,893**	**7,208,120**	
Non-current liabilities			
Borrowings	11,505,184	5,371,850	8
Provisions	2,314,006	2,273,216	10
Total non-current liabilities	**13,819,190**	**7,645,066**	
Total liabilities	**14,384,083**	**14,853,186**	
Equity			
Equity attributable to parent company's shareholders			
Share capital at nominal value	2,500	2,500	12
Retained earnings (accumulated deficit)	1,933,640	1,536,636	
Profit (loss) for the financial year	767,606	397,004	
Total equity attributable to parent company's shareholders	**2,703,746**	**1,936,140**	
Total equity	**2,703,746**	**1,936,140**	
Total liabilities and equity	**17,087,829**	**16,789,326**	

Consolidated income statement

(euros)

	2022	2021	Notes
Revenue	1,277,056	1,309,432	13
Other income	400,000	0	14
Miscellaneous operating expenses	-74,412	-107,503	15
Staff costs	-448	-390	16
Depreciation, amortisation and impairment	-216,005	-218,234	6,7
Operating profit (loss)	**1,386,191**	**983,305**	
Interest expenses	-495,243	-514,551	17
Profit (loss) before income tax	**890,948**	**468,754**	
Income tax	-123,342	-71,750	18
Profit (loss) for the financial year	**767,606**	**397,004**	
Profit (loss) attributable to parent company shareholders	767,606	397,004	

Consolidated statement of cash flows

(euros)

	2022	2021	Notes
Cash flows from operating activities			
Operating profit (loss)	1,386,191	983,305	
Adjustments			
Depreciation, amortisation and impairment	216,005	218,234	6,7
Other adjustments	-400,000	0	14
Total adjustments	**-183,995**	**218,234**	
Change in receivables and prepayments related to operating activities	-5,545	-5,714	
Change in liabilities and prepayments related to operating activities	-3,639	9,775	
Corporate income tax paid	-128,806	-92,113	
Total cash flows from operating activities	**1,064,206**	**1,113,487**	
Cash flows from financing activities			
Repayment of borrowings	-460,000	-460,000	8
Interest paid	-495,243	-533,864	
Total cash flows from financing activities	**-955,243**	**-993,864**	
Total cash flows	**108,963**	**119,623**	
Cash and cash equivalents at the beginning of the period	597,244	477,621	2
Change in cash and cash equivalents	**108,963**	**119,623**	
Cash and cash equivalents at the end of the period	706,207	597,244	2

Consolidated statement of changes in equity

(euros)

	Equity attributable to parent company's shareholders		Total
	Share capital at nominal value	Retained earnings (accumulated deficit)	
31/12/2020	2,500	1,536,636	1,539,136
Profit (loss) for the financial year	0	397,004	397,004
31/12/2021	2,500	1,933,640	1,936,140
Profit (loss) for the financial year	0	767,606	767,606
31/12/2022	2,500	2,701,246	2,703,746

Notes to the financial statements

Note 1 Accounting policies

General information

UPP & CO Kauno 53 OÜ (hereinafter "Parent Company") is a company incorporated and operating in Estonia. The consolidated financial statements present the Parent Company's and its Lithuanian subsidiary's, Promalita UAB, (hereinafter collectively "Group") consolidated assets, liabilities, equity, results of their operations and cash flows.

The 2022 consolidated financial statements of UPP & CO Kauno 53 OÜ are prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard is based on internationally recognised accounting and reporting standards and is prescribed by the Accounting Act of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

The consolidated financial statements are presented in euros. The income statement has been prepared based on scheme No. 1.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Preparation of consolidated financial statements

The consolidated financial statements are prepared by combining the financial indicators of the Parent Company and its subsidiaries based on the assumption that they operate as a single economic entity.
Subsidiaries are all companies controlled by the Parent Company. Control is presumed when the Parent Company owns, directly or through subsidiaries, more than 50% of the voting rights in its subsidiary or the Parent Company is otherwise able to control the operational or financial policy of 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 intra-group receivables, payables and transactions, and the unrealised gains and losses arising thereby. Investments in subsidiaries reported in the balance sheet of the Parent Company are eliminated against the holdings of the Parent Company in the equity of the subsidiaries. In subsidiaries where the Parent Company's ownership interest is below 100%, minority interest in the net assets and profit/loss for the period of subsidiaries is reported separately.

Consolidated financial statements are prepared based on the accounting policies applied by the Parent Company and adjustments are made to subsidiaries' financial statements where necessary to ensure consistency with the policies adopted by the Parent Company. Subsidiaries are consolidated from the date of acquisition until the date of disposal in the consolidated financial statements.

Investments in subsidiaries and associates in the Parent Company's financial statements are accounted for using the equity method.

Dividends paid by the investee are recognised as a reduction in the investment when the investor becomes entitled to the dividends.

Financial assets

All financial assets are initially recognised at cost which is the fair value of the consideration paid for the financial asset. Cost also includes all directly attributable expenditure incurred in the acquisition, including fees and commissions paid to agents and advisers, non-refundable taxes arising from the transaction and other similar expenses, except for such financial assets that are measured at fair value through profit or loss.

Regular way purchases and sales of financial assets are recognised using trade date accounting, i.e. the date at which an entity commits itself (for example, concludes a contract) to purchase or sell a certain financial asset. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require the delivery of the asset within the time frame established or required by respective market regulations in the marketplace.

A financial asset is derecognised when the company loses its right to the cash flows arising from the financial asset or transfers to a third party the cash flows derived from the financial asset and substantially all risks and rewards of ownership of the financial asset.

Cash

The balance sheet item Cash comprises bank account balances. Cash payments are not accepted or made.

Cash flows from operations are prepared using the indirect method. Cash flows from investing and financing activities are presented by using the direct method, as gross receipts and payments for the reporting period.

Receivables and prepayments

Trade receivables, accrued income and other short and long-term receivables (including loans receivable and deposits) are measured at amortised cost. At each reporting date, an assessment is made whether there is any objective evidence that any such financial asset is impaired. If such evidence exists, financial assets measured at amortised cost are written down to the present value of estimated future cash flows. Impairment losses are recognised in profit or loss.

Investment property

Investment property is real estate which the Group holds mainly for the purpose of earning rental income and for capital appreciation, but not for the production of goods or services, administrative purposes or sale in the ordinary course of business.
Investment property is measured at fair value. The fair value method is applied by measuring investment property at fair value at each balance sheet date on the basis of the discounted cash flow method. Gains and losses from changes in fair value are presented in the income statement line Other income/Other expenses.

Property, plant and equipment and intangible assets

An item of property, plant and equipment is an asset the Group uses for production, provision of services or administrative purposes over a period longer than one year. Property, plant and equipment is initially measured at cost, comprising the purchase price and any costs directly attributable to the acquisition. The minimum threshold for recognition of property, plant and equipment is EUR 5,000. Property, plant and equipment is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis.
Property, plant and equipment is derecognised from the balance sheet if its continued use or sale is not expected to generate any economic benefits. The gain/loss from sale or write-off is the difference between the proceeds and the carrying amount.

Goodwill.

Goodwill arising from business acquisition is recognised at cost on the date of acquisition, less any impairment losses.

The Management Board has decided that from 1 January 2018 goodwill is amortised to zero over a 6-year period. Goodwill amortisation is presented in the income statement line item Depreciation, amortisation and impairment.

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

Non-current asset category name	**Useful life**
Land	Unspecified
Buildings and facilities	10-50
Machinery and equipment	2-12
Means of transport	4-10
Other fixtures and fittings	2-5

Leases

Any lease transactions which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases.

All other leases are classified as operating leases.

The Group leases its assets on operating lease terms and therefore reports the assets in the balance sheet similarly to other balance sheet assets.

The lessor recognises rent earned from operating leases as revenue in the income statement over the lease period. Payments due to the lessor are inflation-adjusted based on published indices to compensate the lessor for its presumed increase in expenses due to inflation.

Financial liabilities

Financial liabilities are initially recognised at cost which is the fair value of the consideration paid or received for the financial liability. Initial cost includes all transaction costs directly attributable to the financial liabilities.

Financial liabilities are thereafter measured depending on their type either at cost or amortised cost. A financial liability is classified as current if it is due within one year from the balance sheet date or if the Group does not have an unconditional right to defer settlement of the liability by more than one year after balance sheet date. Other liabilities are classified as non-current.
A financial liability is derecognised when it is discharged, cancelled or it expires.

Interest-bearing bank loans are recognised in the proceeds received, less incurred transaction costs.

Such financial liabilities are thereafter measured at amortised cost, adjusted by principal repayments. Interest expenses are presented in the income statement line item Interest expenses as incurred.
Amortised transaction costs are expensed in the interest expenses line of the income statement.

Intra-group long-term loans received are accounted for at amortised cost, adjusted by contractual repayments over the loan term. Interest expenses are presented as incurred in the income statement line item Interest expenses at the interest rate stipulated in the relevant loan agreement.

Income

Revenue from rendering services is recognised in the period that the service is rendered if the revenue receivable can be measured reliably, receipt of payment is probable, and costs incurred in respect of the transaction can be estimated reliably.
Revenue comprises sale of goods and services related to operating activities and the net method is applied to the recognition of resale of utility services.
Other income comprises irregular income outside of the ordinary course of business.

Interest income is recognised on an accrual basis when it is probable that future economic benefits associated with the transaction will flow to the Group and the interest income can be measured reliably.

Expenses

Expenses are recognised on an accrual basis, i.e. when the transaction occurs as opposed to settlement.

Expenses are recognised in the same period as the associated income. Expenses expected to participate in the generation of future economic benefits are capitalised when incurred and expensed in the same period(s) as the corresponding income.
The income statement line item Goods, raw materials and services comprises the cost of goods and services purchased directly for the purpose of operating activities. Miscellaneous operating expenses are expenses not directly attributable to services rendered. Other income comprises irregular income outside of the ordinary course of business. Interest expense is recognised on an accrual basis in the reporting period.

Taxation

Pursuant to the Income Tax Act, legal entities incorporated in Estonia are not subject to income tax on profits earned and profits distributed through bonus issue are also not taxable. Companies are subject to income tax on profit distributed as dividends or other distributions of earnings, including distributions from equity in excess of monetary and non-monetary contributions to equity upon monetary or non-monetary distribution. On this basis of the Act, profits distributed by the Company as dividends or other distributions are subject to income tax at the rate of 20/80 on the distribution amount. According to Estonian tax legislation the Company is unable to distribute all of its available equity without additional expenditure as some of the equity will cover the dividend tax. No provisions are made to cover future dividend taxes before such dividends are declared. However, disclosures are provided in the notes to the financial statements.
Corporate income tax arising from the payment of dividends or other distributions from equity is recognised as a liability and expensed when dividends or other distributions from equity are declared. Dividend tax is recognised as income tax expense in the income

statement in the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date.

Taxation of subsidiaries with foreign incorporation.

Pursuant to income tax legislation, corporate net income adjusted by temporary and permanent differences set out in the income tax legislation is taxed at the income tax rate of 15% in Lithuania. Deferred income tax is provided, using the asset and liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised only when it is probable that profit will be available against which the deferred tax assets can be utilised.

Related parties

Entities are considered to be related if one party either controls the other party or has significant influence over the business decisions of the other party, including the parent entity, other companies in the same group, management board members of the group entities, their family members and companies under the control or significant influence of the aforementioned persons.

Note 2 Cash
(euros)

	31/12/2022	31/12/2021
Bank account balances	706,207	597,244
Total cash	**706,207**	**597,244**

The Group banks with OP Bank in Estonia and Lithuania. Cash payments are not accepted or made. No term deposits were used during the reporting period.

Note 3 Prepaid taxes and tax liabilities
(euros)

	31/12/2022	31/12/2021
	Tax liability	Tax liability
Corporate income tax	6,367	52,620
Value added tax	21,821	22,285
Other prepaid taxes and tax liabilities	9,382	9,381
Total prepaid taxes and tax liabilities	**37,570**	**84,286**

See Note 9.

Note 4 Shares in subsidiaries
(euros)

Shares in subsidiaries, general information					
Reg. No. of subsidiary	Name of subsidiary	Domicile	Main activity	Ownership interest (%)	
				31/12/2021	31/12/2022
30440634	Promalita UAB	Lithuania	Property management	100	100

Note 5 Investment property
(euros)

Fair value method	
31/12/2020	15,750,000
31/12/2021	**15,750,000**
Gain (loss) on change in fair value	400,000
31/12/2022	**16,150,000**

	2022	**2021**
Rental income earned on investment property	1,277,056	1,309,432

Only costs borne by the Group itself are deemed direct administrative costs. The majority of costs are passed onto customers under agreement.

The Group had entered into agreement with Colliers International Advisors UAB for investment property fair value appraisal, which carried it out as at 31 December 2021. The report was issued on 14 April 2022. Investment property was appraised at EUR 16,150,000, assuming a vacancy rate of 3.4%, capitalization rate of 7.5% and discount rate of 8.6%. Valuation precision according to the appraisal report was +/-5%. Management estimates that the composition of investment property, cash flows or market conditions have not changed to a degree that would cause fair value to change by more than 5%. Management is of the view that the fair value of investment property as at 31 December 2022 does not differ materially from the fair value of investment property as at 31 December 2021.

See Note 13 and Note 14.

Note 6 Property, plant and equipment
(euros)

		Total
	Other property, plant and equipment	
31/12/2020		
Acquisition cost	50,080	50,080
Accumulated depreciation	-42,373	-42,373
Carrying amount	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
Carrying amount	2,941	2,941
Depreciation	-2,537	-2,537
31/12/2022		
Acquisition cost	50,080	50,080
Accumulated depreciation	-49,676	-49,676
Carrying amount	404	404

Note 7 Intangible assets
(euros)

		Total
	Goodwill	
31/12/2020		
Acquisition cost	1,280,818	1,280,818
Accumulated amortisation	-640,406	-640,406
Carrying amount	640,412	640,412
Depreciation cost	-213,468	-213,468
31/12/2021		
Acquisition cost	1,280,818	1,280,818
Accumulated amortisation	-853,874	-853,874
Carrying amount	426,944	426,944
Amortisation	-213,468	-213,468
31/12/2022		
Acquisition cost	1,280,818	1,280,818
Accumulated amortisation	-1,067,342	-1,067,342
Carrying amount	213,476	213,476

Note 8 Borrowings
(euros)

	31/12/2022	Classification by remaining maturity			Interest rate	Underlying currency	Maturity	Note
		Within 12 months	From 1 to 5 years	Over 5 years				
Long-term loans								
OP Corporate Bank	6,593,334	460,000	6,133,334		3 month Euribor +1.75%	EUR	31/03/2027	
Parent company	671,850	0	671,850		8%	EUR	Unspecified term	19
Total long-term loans	7,265,184	460,000	6,805,184					
Long-term bonds								
UPP&CO Kauno 53 subordinated bond	4,700,000	0	4,700,000		6%	EUR	17/07/2024	
Total long-term bonds	4,700,000	0	4,700,000					
Total borrowings	**11,965,184**	**460,000**	**11,505,184**					

	31/12/2021	Classification by remaining maturity			Interest rate	Underlying currency	Maturity	Note
		Within 12 months	From 1 to 5 years	Over 5 years				
Short-term loans								
OP Corporate Bank	7,053,334	7,053,334			6 month 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	19
Total long-term loans	671,850	0	671,850					
Long-term bonds								
UPP&CO Kauno 53 subordinated bond	4,700,000	0	4,700,000		6%	EUR	17/07/2024	
Total long-term bonds	4,700,000	0	4,700,000					
Total borrowings	**12,425,184**	**7,053,334**	**5,371,850**					

Collateral for loans and mortgages are set out below:
1.First lien mortgage on RIMI LC Property of EUR 11,960,000 with a minimum property market value requirement of EUR 15,300,000;
2.Second lien mortgage on RIMI LC Property of EUR 6,110,000 in favour of the collateral agent as the pledgee (established in favour of the investors pursuant to the collateral agent agreement and terms and conditions);

On 30 March 2022, the subsidiary Promalita UAB extended its loan agreement with OP Corporate Bank plc Lithuania Branch to 31 March 2027.

Total interest accrued on loans and bonds during the reporting period was EUR 485,243 (2021: EUR 514,551).

Note 9 Payables and prepayments

(euros)

	31/12/2022	Within 12 months	Notes
Trade payables	9,266	9,266	
Payables to employees	90	90	
Tax liabilities	37,570	37,570	3
Other payables	57,967	57,967	
Interest payable	57,967	57,967	
Total liabilities and prepayments	**104,893**	**104,893**	
	31/12/2021	**Within 12 months**	**Notes**
Trade payables	12,483	12,483	
Payables to employees	50	50	
Tax liabilities	84,286	84,286	3
Other payables	57,967	57,967	
Interest payable	57,967	57,967	
Total liabilities and prepayments	**154,786**	**154,786**	

Note 10 Provisions

(euros)

	31/12/2021	Recognition/ adjustment	31/12/2022
Total provisions	**2,273,216**	**40,790**	**2,314,006**
Long-term	**2,273,216**	**40,790**	**2,314,006**
Tax provision	2,273,216	40,790	2,314,006
	31/12/2020	**Recognition/ 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

Provisions are comprised of the Lithuanian subsidiary’s deferred tax liabilities.

Note 11 Contingent liabilities and assets

(euros)

	31/12/2022	31/12/2021
Contingent liabilities		
Potential dividends	2,701,246	1,933,640
Income tax liability on potential dividends	-540,249	-386,728
Total contingent liabilities	**2,160,997**	**1,546,912**

The Group's potential income tax liability.

The calculation of the maximum potential income tax liability is based on the assumption that the net dividends distributed and the arising income tax expense in total cannot exceed the profit eligible for distribution at 31 December 2022.

Note 12 Share capital

(euros)

	31/12/2022	31/12/2021
Share capital	2,500	2,500
Number of shares	1	1

Note 13 Revenue

(euros)

	2022	2021	Notes
Revenue by geographic region			
Sales to European Union Member States			
Lithuania	1,277,056	1,309,432	5
Total sales to European Union countries	**1,277,056**	**1,309,432**	
Total revenue	**1,277,056**	**1,309,432**	
Revenue by industry sector			
Lease of premises	1,277,056	1,309,432	5
Total revenue	**1,277,056**	**1,309,432**	

Note 14 Other income

(euros)

	2022	2021	Notes
Gain on change in fair value of investment property	400,000	0	5
Total other income	**400,000**	**0**	

Note 15 Miscellaneous operating expenses

(euros)

	2022	2021	Notes
Miscellaneous office expenses	-3,160	-4,368	
Management services	-48,732	-56,634	19
Securities custodian and commission fees	-8,692	-23,906	
Legal and other advisory service fee expenses	-13,828	-22,595	
Total miscellaneous operating expenses	**-74,412**	**-107,503**	

Note 16 Labour costs
(euros)

	2022	2021
Wages and salaries	-441	-381
Social taxes	-7	-9
Total labour costs	**-448**	**-390**
Average number of employees by employment type:		
Legal entity's management or supervisory body member	1	1

Note 17 Interest expenses
(euros)

	2022	2021
Interest expense on bonds	-282,000	-331,275
Interest expense on loans	-213,243	-183,276
Total interest expenses	**-495,243**	**-514,551**

Note 18 Income tax
(euros)

The Group’s income tax expense for the financial year was EUR 123,342 (2021: 71,750), arising from the Lithuanian subsidiary’s tax liability.

Note 19 Related parties
(euros)

Name of parent of reporting entity	UPP Logistics Properties OÜ
Country of incorporation of reporting entity's parent	Estonia
Name of group of reporting entity's parent	United Partners Group OÜ
Country of incorporation of group's parent entity	Estonia

Related party balances by category

LONG-TERM	31/12/2022	31/12/2021	Notes
Borrowings			
Parent entity	671,850	671,850	8
Total borrowings	**671,850**	**671,850**	

PURCHASES	2022	2021
	Services	Services
Parent entity	48,732	56,634
Total purchases	**48,732**	**56,634**

Compensation and other significant benefits calculated to the management and senior management		
	2022	**2021**
Calculated compensation	448	390

Total interest accrued on the parent company loan during the reporting period was EUR 53,748 (2021: EUR 53,748). Interest was paid in full during the reporting period. There is no outstanding interest payable to the parent company as at 31 December 2022.

The company did not enter into discounted transactions with related parties during the period. No additional benefits are due to Management Board members.

Note 20 Parent company’s balance sheet

(euros)

	31/12/2022	31/12/2021
Assets		
Current assets		
Cash	152,662	87,832
Receivables and prepayments	3,900	3,900
Total current assets	**156,562**	**91,732**
Non-current assets		
Investments in subsidiaries and associates	2,670,776	1,971,850
Receivables and prepayments	5,306,350	5,306,350
Total non-current assets	**7,977,126**	**7,278,200**
Total assets	**8,133,688**	**7,369,932**
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	58,092	61,942
Total current liabilities	**58,092**	**61,942**
Non-current liabilities		
Borrowings	5,371,850	5,371,850
Total non-current liabilities	**5,371,850**	**5,371,850**
Total liabilities	**5,429,942**	**5,433,792**
Equity		
Share capital at nominal value	2,500	2,500
Retained earnings (accumulated deficit)	1,933,640	1,536,636
Profit (loss) for the financial year	767,606	397,004
Total equity	**2,703,746**	**1,936,140**
Total liabilities and equity	**8,133,688**	**7,369,932**

Note 21 Parent company’s income statement
(euros)

	2022	2021
Miscellaneous operating expenses	-20,087	-40,044
Total operating profit (loss)	**-20,087**	**-40,044**
Profit (loss) from subsidiaries	698,926	406,588
Interest income	424,515	415,477
Interest expenses	-335,748	-385,017
Profit (loss) before income tax	**767,606**	**397,004**
Profit (loss) for the financial year	**767,606**	**397,004**

Note 22 Parent company’s cash flow statement
(euros)

	2022	2021
Cash flows from operating activities		
Operating profit (loss)	-20,087	-40,044
Change in receivables and prepayments related to operating activities	0	-3,900
Change in liabilities and prepayments related to operating activities	-3,850	3,981
Total cash flows from operating activities	**-23,937**	**-39,963**
Cash flows from investing activities		
Loans granted	0	-800,000
Loan repayments received	0	850,000
Interest received	424,515	415,679
Total cash flows from investing activities	**424,515**	**465,679**
Cash flows from financing activities		
Interest paid	-335,748	-404,530
Total cash flows from financing activities	**-335,748**	**-404,530**
Total cash flows	**64,830**	**21,186**
Cash and cash equivalents at the beginning of the period	87,832	66,646
Change in cash and cash equivalents	**64,830**	**21,186**
Cash and cash equivalents at the end of the period	152,662	87,832

Note 23 Parent company's statement of changes in equity

(euros)

				Total
	Share capital at nominal value	Statutory reserve capital	Retained earnings (accumulated deficit)	
31/12/2020	2,500	0	1,536,636	1,539,136
Profit (loss) for the financial year	0	0	397,004	397,004
31/12/2021	2,500	0	1,933,640	1,936,140
Carrying amount of holdings under control or significant influence	-2,500	-250	-1,969,100	-1,971,850
Value of holdings under control or significant influence under 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**
Profit (loss) for the financial year	0	0	767,606	767,606
31/12/2022	2,500	0	2,701,246	2,703,746
Carrying amount of holdings under control or significant influence	-2,500	-250	-2,668,026	-2,670,776
Value of holdings under control or significant influence under the equity method	2,500	250	2,668,026	2,670,776
Adjusted unconsolidated equity 31/12/2022	**2,500**	**0**	**2,701,246**	**2,703,746**

Digital signatures to the report

End date of report: 23.03.2023

The accuracy of the data in the annual report of UPP & CO KAUNO 53 OÜ (registry code: 14194597) for the period of 1 January 2022 to 31 December 2022 has been confirmed electronically by:

Name of signatory	Role of signatory	Date of signature
MARKO TALI	Member of Management Board	24.03.2023

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 2022, 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 2022, 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
24.03.2023

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 1 January 2022 – 31 December 2022 has been signed digitally by:

Name of signatory	Role of signatory	Date of signature
MART NÕMPER	Certified Auditor	24.03.2023

Profit distribution proposal

(euros)

	31.12.2022
Retained earnings (loss)	1,933,640
Profit (loss) for financial year	**767,606**
Total	2,701,246
Distribution	
Retained earnings (loss) after distribution (covering)	2,701,246
Total	**2,701,246**

Profit distribution resolution

(euros)

	31.12.2022
Retained earnings (loss)	1,933,640
Profit (loss) for financial year	**767,606**
Total	2,701,246
Distribution	
Retained earnings (loss) after distribution (covering)	2,701,246
Total	**2,701,246**

Means of communication

Type	Content
Telephone	**+372 6616450**
Email address	**property@unitedpartners.ee**