Kvalifikuotas elektroninis parašas
MILDA KIAUŠINYTĖ
2024-05-31 16:37:28 GMT+3
Paskirtis: Parašas

Kvalifikuotas elektroninis parašas
MINDAUGAS LIAUDANSKAS
2024-05-31 16:38:56 GMT+3
Paskirtis: Parašas

Kvalifikuotas elektroninis parašas
DARIUS VAICEKAUSKAS
2024-05-31 17:28:55 GMT+3
Paskirtis: Parašas

CLOSED-END INVESTMENT UNDERTAKING FOR INFORMED INVESTORS CAPITALICA BALTIC REAL ESTATE FUND I UAB

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 2023 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED ANNUAL REPORT

UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: +370 5 274 2200
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of UAB Capitalica Baltic Real Estate Fund I

Opinion

We have audited the accompanying consolidated financial statements of UAB Capitalica Baltic Real Estate Fund I and its subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Other information

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

In connection to 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.

We also have to evaluate, if the consolidated financial information included in the Group's Annual Report corresponds to the consolidated financial statements for the same financial year and if the Group's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of the consolidated financial statements, in all material respects:

- The financial information included in the Group's Annual Report corresponds to the financial information included in the consolidated financial statements for the same year; and
- The Group's Annual Report was prepared in accordance with the requirements of the Law on Consolidated Reporting by Groups of Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

Building a better working world

accounting unless 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.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Darius Vaicekauskas
Auditor's licence
No. 000652

31 May 2024

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of financial position

	Notes	As at 31 December 2023	As at 31 December 2022
ASSETS			
Non-current assets			
Intangible assets		26	43
Property, plant and equipment		1	-
Investment property	3	146,077	129,781
Right-of-use assets	12	449	544
Total non-current assets		**146,553**	**130,368**
Current assets			
Receivables from contracts with customers	4	998	523
Other receivables		-	138
Prepaid income tax		9	4
Prepayments	5	781	644
Cash and cash equivalents	6	1,685	2,838
Total current assets		**3,473**	**4,147**
Total assets		**150,026**	**134,515**

(continued on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of financial position (continued)

	Notes	As at 31 December 2023	As at 31 December 2022
EQUITY AND LIABILITIES			
Equity			
Capital	7	18,362	18,362
Share premium		1,375	1,375
Legal reserve	8	1,687	1,006
Retained earnings		27,410	26,803
Total equity		**48,834**	**47,546**
Payables after one year and liabilities			
Non-current loans	9	72,221	36,188
Issued bonds	10	8,000	3,000
Lease liabilities	12	376	461
Deferred tax liability	18	6,198	5,397
Other non-current liabilities	11	1,788	2,371
Total payables after one year and liabilities		**88,583**	**47,417**
Payables within one year and liabilities			
Current portion of non-current loans	9	2,658	23,427
Issued bonds	10	5,228	8,100
Lease liabilities	12	86	86
Trade payables	13	2,565	4,573
Contract liabilities		1,224	1,118
Other current liabilities	14	848	2,248
Total payables within one year and liabilities		**12,609**	**39,552**
Total equity and liabilities		**150,026**	**134,515**

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

Director of Management Company CAPITALICA ASSET MANAGEMENT UAB	Mindaugas Liaudanskas		31 May 2024
Head of Accounting of UAB SBA Competence and Service Center	Milda Kiaušinytė		31 May 2024

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	2023	2022
Sales revenue	15	8,648	5,755
Cost of sales	16	(2,583)	(2,175)
Gross profit		**6,065**	**3,580**
Operating expenses	17	(2,139)	(3,212)
Gain (loss) on investment property valuation at fair value	3	1,881	14,999
Operating profit		**5,807**	**15,367**
Finance income			
Late payments received		2	37
Finance costs			
Interest		(3,450)	(2,028)
Other finance costs		(218)	(402)
Profit before tax		**2,141**	**12,974**
Income tax	18	(853)	(482)
Net profit		**1,288**	**12,492**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income after tax		**1,288**	**12,492**

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

Director of Management Company CAPITALICA ASSET MANAGEMENT UAB	Mindaugas Liaudanskas		31 May 2024
Head of Accounting of UAB SBA Competence and Service Center	Milda Kiaušinytė		31 May 2024

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of changes in equity

	Capital	Share premium	Legal reserve	Retained earnings	Equity Total
Balance as at 1 January 2022	**18,362**	**1,375**	**698**	**14,619**	**35,054**
Net profit for the year	-	-	-	12,492	12,492
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	**-**	12,492	**12,492**
Transfer to reserves	-	-	308	(308)	-
Balance as at 31 December 2022	**18,362**	**1,375**	**1,006**	**26,803**	**47,546**
Net profit for the year	**-**	**-**	**-**	1,288	1,288
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	1,288	**1,288**
Transfer to reserves	**-**	**-**	681	(681)	-
Balance as at 31 December 2023	**18,362**	**1,375**	**1,687**	**27,410**	**48,834**

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

Director of Management Company CAPITALICA ASSET MANAGEMENT UAB	Mindaugas Liaudanskas		31 May 2024
Head of Accounting of UAB SBA Competence and Service Center	Milda Kiaušinytė		31 May 2024

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows

	Notes	2023	2022
Operating activities			
Net profit		1,288	12,492
Adjustments to non-cash items and financing and investing activities:			
Income tax expense	18	853	482
Depreciation and amortisation		112	31
Interest expense		3,450	2,028
Change in accrued expenses		(1,918)	2,124
Change in fair value	3	(1,881)	(14,999)
Elimination of financing activity results		(100)	-
		1,804	2,158
Changes in working capital:			
(Increase) in trade and other receivables		(520)	(548)
(Increase) in prepayments		(142)	(600)
Increase (decrease) in trade payables		(2,268)	(554)
Increase in contract liabilities and other current liabilities		206	425
Income tax (paid)		(51)	(8)
Net cash flows from operating activities		**(971)**	**873**
Investing activities			
(Acquisition) of non-current assets	3	(13,079)	(23,578)
Net cash flows from investing activities		**(13,079)**	**(23,578)**
Financing activities			
Loans received	20	16,948	47,148
Loans (repaid)	20	(1,834)	(19,598)
Bonds placed	20	2,000	19,000
(Redeemed) bonds	20	-	(20,999)
Lease (payments)	20	(95)	(15)
Interest (paid)	20	(4,122)	(2,002)
Net cash flow from/used in financing activities		**12,897**	**23,534**
Net (decrease) increase in cash flows		**(1,153)**	**829**
Cash and cash equivalents at the beginning of the period		**2,838**	**2,009**
Cash and cash equivalents at the end of the period		**1,685**	**2,838**

(continued on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated statement of cash flows (continued)

	Notes	As at 31 December 2023	As at 31 December 2022
Additional information on cash flows:			
Non-cash investing activities:			
Acquisition of non-current assets not paid for in cash		2,013	1,650
Non-cash investing activities			
Bonds placed	10	8,000	-
(Redeemed) bonds	10	(8,000)	-

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

Director of Management Company CAPITALICA ASSET MANAGEMENT UAB	Mindaugas Liaudanskas		31 May 2024
Head of Accounting of UAB SBA Competence and Service Center	Milda Kiaušinytė		31 May 2024

(all amounts are in EUR thousand unless otherwise stated)

Notes to the consolidated financial statements

1 General information

The closed-end investment undertaking for informed investors CAPITALICA BALTIC REAL ESTATE FUND I UAB (hereinafter – the Company) is a limited liability company registered in the Republic of Lithuania on 5 October 2016. Its registered office address is Upės st. 21-1, Vilnius.

The main activity of the Company – collective investment of informed investor assets in the real estate market in order to spread risks and earn profit for the Company's shareholders. On 22 October 2016, the Bank of Lithuania issued a licence No 03-202 to the Company to operate as an investment company under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors. Before the issue of the licence, the Company operated as a private limited liability company and its shareholders had all the rights and obligations determined by the Law on Companies of the Republic of Lithuania.

The goal of the Company is to ensure a long-term growth of return to the shareholders by investing in the real estate market of the Baltic States, focusing on investing in commercial real estate. Investments in residential real estate are also possible. The Company invests in real estate objects which are in their early stages of development i.e. under construction, as well as in already completed real estate objects.

The Company is able to operate not longer than 10 years from the day on which the Bank of Lithuania issued the licence to operate as an investment company. This term can be extended by 2 years.

The Company is managed by CAPITALICA ASSET MANAGEMENT UAB (hereinafter "the Management Company"), registered as of 4 May 2016, company code 304234719, registered office address Laisvės ave. 3, Vilnius. On 17 August 2016, license No 03-118 was issued to the Management Company by the Bank of Lithuania, enabling it to manage collective investment undertakings intended for informed investors operating under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors.

As at 31 December 2023 and 2022, the shareholders of the Company were as follows:

Shareholder	Ownership interest as at 31 December 2023, %	Ownership interest as at 31 December 2022, %
SBA Grupė UAB	14.51	14.51
Minority shareholders	85.49	85.49
Total:	**100.00**	**100.00**

As at 31 December 2023 and 2022, the issued capital amounted to EUR 18,362,432, split into 18,362,432 units of ordinary registered shares, the nominal value of each was EUR 1. All the shares were fully paid.

The securities accounts of the investment company are managed by AB Swedbank, company code 112029651, registered office address Konstitucijos Ave. 20A, Vilnius, which is a direct participant of the Lithuanian Central Securities Depository, code No. 962, and AB SEB bankas, company code 112021238, registered office address Konstitucijos ave. 24, Vilnius. AB Swedbank also provides depository services for the Company.

<u>The structure of the Group</u>

As at 31 December 2023 and 2022, the group of Closed-End Investment Undertaking Intended For Informed Investors CAPITALICA BALTIC REAL ESTATE FUND I UAB consisted of the Company and the following directly controlled subsidiaries (hereinafter "the Group"):

Company	Country	Part of shares held by the Group (%) as at 31 December 2023	Part of shares held by the Group (%) as at 31 December 2022	Main activities
PC Luizė UAB	Lithuania	100	100	Lease of real estate
Žaliakalnio Parkas UAB	Lithuania	100	100	Real estate lease and development
Verslo Centras 135 UAB	Lithuania	100	100	Lease of real estate
Hanza 14 SIA	Latvia	100	100	Real estate lease and development
Hanza 14 LT UAB**	Lithuania	100	100	Financial service activities

* Hanza 14 LT UAB is indirectly fully (100%) controlled through the subsidiary Hanza 14 SIA.

1 General information (continued)

In 2023 and 2022, there was 1 employee (Director) working in all the Group companies.

The Group's management approved these financial statements on 31 May 2024. The shareholders of the Group have the right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 Summary of accounting policies

2.1. Basis for preparing financial statements

These consolidated financial statements of the Group for the year ended 31 December 2023 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter "the EU"). The Company's separate financial statements were prepared in accordance with Lithuanian Financial Reporting Standards (LFRS).

The Group has prepared these consolidated financial statements according to IFRS which are applicable to the periods starting from or after 1 January 2023.

Application of new and/or changed IFRS and interpretations issued by International Accounting Standards Board (IASB)

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as at 1 January 2023:

- **IFRS 17 Insurance Contracts**
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):**
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
- **IAS 12 Income tax: International Tax Reform - Pillar Two Model Rules (Amendments)**

The adoption of new and amended IFRS was not relevant to the Group except as described below.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The amendment applies to annual reporting periods beginning on or after 1 January 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Company made adjustments in the accounting policy disclosures. The Group removed accounting policy information that, in the management's opinion, was immaterial.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Group applied the requirements of IAS 12, as disclosed in Note 0.

The standards/amendments issued but not yet effective and not early adopted

The Group has not applied the following issued but not yet approved amendments to the standards and interpretations. The Group intends to adopt these amendments on their effective date.

2 Summary of accounting policies (continued)

2.1. Basis for preparing financial statements (continued)

1) The standards/amendments that are not yet effective, but they have been endorsed by the European Union

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The management has not made an assessment of the effect of application of the amendments on the Group's financial statements.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The management has not made an assessment of the effect of application of the amendments on the Group's financial statements.

2) The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The management has not made an assessment of the effect of application of the amendments on the Group's financial statements.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

The amendment applies to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. Based on the management made preliminary assessment and the fact that the Group does not have significant transactions denominated in foreign currencies, the amendments are not expected to have a material impact on the financial statements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group plans to adopt the above-mentioned standards and interpretations on their effective date provided they are endorsed by the EU.

2.2. Presentation currency

The amounts in these financial statements are presented in the national currency of the Republic of Lithuania, euro. The amounts in financial statements are rounded to thousand EUR if it is not otherwise stated and may not reconcile in notes due to rounding up. Such rounding bias is immaterial in these financial statements.

2 Summary of accounting policies (continued)

2.3. Principles of consolidation

The consolidated financial statements of the Group include the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Control is obtained when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date from which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated.

2.4. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

In 2023, EUR 973,615 of borrowing costs were capitalised (2022: EUR 144,818).

2.5. Investment property

Investment property at initial recognition is accounted for at acquisition cost including transaction costs. Subsequently the investment property is measured at fair value.

The market value of the Group's investment property is derived from reports prepared by independent property appraisers having appropriate recognised professional qualifications and necessary experience in valuation of property at certain location and of certain category, or the value is estimated on the basis of discounted future cash flows or market price of similar assets. Rentals earned are recognised in sales revenue. Gains or losses arising from changes in the fair values of investment properties are recognized in the statement of comprehensive income as a separate line item.

Maintenance expenses of investment property are recognized in the statement of comprehensive income during the financial period in which they are incurred. Costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the property can be reliably measured.

2.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and evaluation
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, at fair value through other comprehensive income (OCI), and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables and contract assets that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial asset is classified and measured at amortised cost or fair value through other comprehensive income, where cash flows arising from financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is known as the SPPI test and is performed for each financial instrument.

2 Summary of accounting policies (continued)

2.6. Financial instruments (continued)

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

After initial recognition, the Group measures a financial asset at:
(a) At amortised cost (debt instruments).

<u>Financial asset at amortised cost (debt instruments)</u>

The Group measures financial assets at amortised cost if both of the following conditions are met:
(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
(ii) Contractual terms and conditions of financial asset allow for obtaining cash flows, on certain dates, which are solely the payments of the principal or the interest on the outstanding principal.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method, less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Group's financial assets at amortized cost includes trade, other current and non-current receivables, receivables and loans granted.

Impairment of financial assets

Following IFRS 9, in common case scenario, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

(a) Estimation of the impairment of trade receivables

For the purpose of the estimation of doubtful amounts receivable, the Group has established a matrix of expected loss rates based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment (macroeconomic market indicators, employment rate, consumer price index, etc.).

Credit loss amount of trade receivables is accounted for through profit (loss) using a contrary account of doubtful receivables. A financial asset is derecognised when there is no reasonable expectation to recover contractual cash flows.

The Group considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Credit loss amount of receivable loans or trade receivables is accounted for through profit (loss) using a contrarian account of doubtful receivables. A financial asset is derecognised when there is no reasonable expectation to recover contractual cash flows.

2 Summary of accounting policies (continued)

2.6. Financial instruments (continued)

Financial liabilities

Initial recognition and evaluation
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans received and payables. All financial liabilities are recognised initially at fair value and, in the case of loans received and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans repaid including bank overdrafts.

Subsequent measurement
Measurement of financial liabilities depends on their classification as described below.

Loans received and other payables

After initial recognition, loans and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is an enforceable right to settle the amounts recognized and is intended to be settled net, i.e. to realize the assets and fulfil their obligations at the same time.

2.7. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; and
- the Group has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers the rights to cash flows but neither transfers the related risk nor the control of the asset, the asset is recognized to the extent that the Group is still related to. The relation to the asset which was transferred is accounted as a guarantee at the lower of accounted value of the asset and the highest of the forecasted amount that the Group may have to pay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective balances is recognised in the statement of comprehensive income.

2.8. Cash and cash equivalents

Cash includes cash in the bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less and that are subject to an insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are considered to be cash in the current bank accounts and deposits the terms of which on the day of signing the contract are no less than three months.

2 Summary of accounting policies (continued)

2.9. Leases

A. Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Land lease rights – from 23 to 99 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the estimates of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group apply the short-term lease recognition exemption to its non-current-asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.10. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognised as interest expenses.

2 Summary of accounting policies (continued)

2.11. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. Income tax is accounted for in the statement of comprehensive income.

The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and foreign countries where subsidiaries of the Group operate. The standard income tax rate in Lithuania was 15% in 2023 and 2022. The company operating in Latvia is subject to 0% income tax rate, unless the profit is distributed in the form of dividends, then 20% income tax rate applies. Based on the requirements of Article 12 of the Law on Income Tax of the Republic of Lithuania, the Company is not subject to income tax.

Tax losses in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the entity changes its activities due to which these losses incurred except when the entity does not continue its activities due to reasons which do not depend on the entity itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for five consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 1 January 2014, tax losses may be set off against not more than 70% of the current year’s taxable profit. In Latvia, the procedure for loss carry forward does not apply as from 2018.

Deferred taxes are calculated using the liability method. Deferred tax is recognized, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at a tax rate which will (as expected) be applied for the period during which the assets will be realized and the liability covered, based on the tax rates which were adopted or essentially adopted on the date of the statement of financial position.

Deferred tax assets are recognized in the statement of financial position to the extent that the management expects it to be realized in the near future, based on the taxable profit forecasts. If it is likely that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

In accordance with the amended Latvian Income Tax Act of 1 January 2018, income tax is not levied on companies’ profits but on dividends distributed. The tax rate in 2023 was 20/80 of the amount distributed as the net dividend (20/80 in 2022). The Company has undistributed profit in Latvia accrued after 1 January 2018, which would be taxed upon distribution. In accordance with paragraph 39 of IAS 12, the Company shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates except the cases than recognition exception apply. The Company has determined that the recognition exception in paragraph 39 of IAS 12 does apply to it because it is not probable that the temporary difference will reverse in the foreseeable future, i.e. no distribution of undistributed profits in Latvia are planned in the foreseeable future.

2.12. Sales revenue

The Group is engaged in lease and development of investment property.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Sales revenue is recognised less VAT and discounts.

Revenue from services is recognized when the services are rendered and when the control of services is transferred to the customer at the amount that the Group expects to receive as consideration for services, yet, such transactions are rear and insignificant.

Operating lease income from investment property are recognised in income on a straight-line basis over the lease term.

The Group earns major part of revenue from acting as lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. All lease agreements are long-term and for the majority of lessees the rent is indexed on January 1 of each year based on the Harmonised Indices of Consumer Prices (HICP) or the Consumer Price Index (CPI).

In relation to the Group’s business model besides what is discussed in this note, management has not made any other important accounting judgements, valuations or assumptions related to recognition of revenue from contracts with customers, except as disclosed in Note 2.16.

2 Summary of accounting policies (continued)

2.13. Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from such transactions and from the translation of balances of assets and liabilities denominated in foreign currencies at the reporting date are recognised in the statement of comprehensive income. These balances are translated using the closing rate.

2.14. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.15. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortized cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in the statement of comprehensive income. The reversal of impairment loss previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after impairment recognition. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

2.16. Use of estimations in preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements are discussed below:

2 Summary of accounting policies (continued)

2.16. Use of estimates in preparation of financial statements (continued)

Leases

Determination of the lease term

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group (supported by the advice of the independent valuation expert) determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

Property lease classification – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determination of performance obligations

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consume the benefits provided by the Group.

Principal versus agent considerations – services to tenants

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties (e.g. property maintenance services, repair works). The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

Investment company and consolidation

The management of the Group has assessed its activities to meet the definition of an investment company in the context of IFRS 10, and considers that Capitalica Baltic Real Estate Fund I does not meet the definition of an investment company as it has the characteristics of a real estate company rather than a pure investment company. Although investors in the Company expect both capital appreciation and operating profit from their capital investment, the Company also carries a significant amount of development risk in its investments, which is specific to a typical real estate company. An investment firm should also make direct investments in companies that are measured at fair value in accordance with IFRS 10. For the parent company of Capitalica Baltic Real Estate Fund I fair value measurement is indirect, the fair value is the value of assets held in subsidiaries, resulting in the fair value of the subsidiary not necessarily being the ultimate market price of the subsidiary. The Group also estimates its financial performance on the basis of rental income, profit margins, volume of assets and other financial indicators of the real estate business, which cannot be measured solely by the fair value of the subsidiary.

2 Summary of accounting policies (continued)

2.16. Use of estimates in preparation of financial statements (continued)

Other significant areas of estimation used in the preparation of the accompanying financial statements relate to determination of the fair value of investment property (Notes 2.14 and 3), assessment of application of going concern basis (Note 2.17), assessment of off-balance sheet liabilities and contingencies (Note 19). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.17. Going concern

As at 31 December 2023, the Group reported a net liability position of EUR 9.1 million. Part of the current liabilities consist (EUR 5.2 million) of placed bonds maturing on 3 June 2024 and 25 July 2024. These bond issues are scheduled to be redeemed through a new bond issue. On 24 January 2024, a bond placement agreement was signed with AB Šiaulių Bankas for the EUR 5.5 million bond placement.

As at the financial statements issue date, the Company has already issued 5,000 units of a 2-year bonds with a nominal value of EUR 1,000. The bonds bear 10% annual interest, payable quarterly.

Hanza 14 SIA liabilities to suppliers for construction works amounted to EUR 2 million as at 31 December 2023. These liabilities will be settled using the EUR 60 million loan from SEB Banka AS, EUR 31.3 million of which, as at 31 December 2023, was intended to finance the construction works (as at 31 December 2022, EUR 26 million). As at 31 December 2023, the portion of the loan drawn amounted to EUR 23 million.

The remaining undrawn portion of the EUR 60 million loan granted by AS SEB banka as at 31 December 2023 amounts to EUR 9,7 million (31 December 2022: EUR 15 million), which will be paid out subject to the fulfilment of the following two commitments: (1) the completion of the construction of Building B, (2) the ratio of liabilities to assets will not exceed 65% based on two independent valuations of the property to be performed after the completion of Building B. 26 April 2024 Hanza 14 SIA has successfully completed the construction of Building B. On 30 April 2024, two independent appraisals were carried out, allowing the use of the EUR 6,7 million loan granted by SEB banka AB. The remaining part of the loan of EUR 3 million will be used in future periods when new valuations of the property are carried out.

The management plans to continue earning profit in 2024 and believes that the Group will earn sufficient income and cash flows in order to carry out its activities and cover its current liabilities, therefore these financial statements were prepared based on the assumption of going concern.

(all amounts are in EUR thousand unless otherwise stated)

3 Investment property

	Land	Buildings	Investment property under construction	Total
Cost:				
Balance as at 1 January 2022	5,821	58,257	25,570	89,648
Additions	-	332	24,802	25,134
Reclassification	-	38,104	(38,104)	-
Gain arising from changes in fair value	1,548	13,451	-	14,999
Balance as at 31 December 2022	7,369	110,144	12,268	129,781
Additions	-	394	14,021	14,415
Reclassification	-	-	-	-
Gain arising from changes in fair value	-	1,881	-	1,881
Balance as at 31 December 2023	7,369	112,419	26,289	146,077
Net book value as at 31 December 2023	7,369	112,419	26,289	146,077
Net book value as at 31 December 2022	7,369	110,144	12,268	129,781
Net book value as at 1 January 2022	5,821	58,257	25,570	89,648

As at 31 December 2023 and 2022, the Group had no fully depreciated investment property still in use.

In 2023, the Group's rental income from investment property (Note 15) amounted to EUR 5,925 thousand (2022: EUR 3,774 thousand).

The fair value of investment property (shopping centre PC Luizė) estimated by independent appraiser Newsec Valuations UAB as at 31 December 2023 amounted to EUR 6,840 thousand (Level 3 in fair value hierarchy). The fair value of investment property estimated by independent appraiser Newsec Valuations UAB as at 31 December 2022 amounted to EUR 6,720 thousand (Level 3 in fair value hierarchy). The value of assets as at 31 December 2023 was estimated using the income method, assessing revenue from lease agreements, expecting annual revenue increase of 4.16-5.6% (as at 31 December 2022, 5.3-8.3%) (depending on the type of lessee) due to indexation in the first year, and 2.1-2.9% in subsequent years (as at 31 December 2022, 1.8-2.2% throughout the entire period).

Occupancy rate applied was 90% in the first year, 98% in subsequent years (2022: 91% and 95%, respectively). As at 31 December 2023 and 2022, capitalisation rate used in valuation was 8.0%, and discount rate – 10.5% and 10.7%, respectively. Evaluating the discount rate, applied to discounted future cash flows, increase by 0.5%, leaving the rest of the assumptions used for estimating discounted cash flows unchanged, as at 31 December 2023 the fair value of the investment property would decrease by EUR 180 thousand (as at 31 December 2022 – decrease by EUR 230 thousand). Applying 5% decrease of the rent price used for estimating discounted cash flows, the fair value of investment property as at 31 December 2023 and 2022 would decrease by EUR 340 thousand and EUR 360 thousand, respectively.

The fair value of investment property (business centre 135) was estimated by the independent appraiser Newsec Valuations UAB and amounted to EUR 22,120 thousand as at 31 December 2023 (Level 3 in fair value hierarchy). The fair value of investment property (business centre 135) was estimated by the independent appraiser Newsec Valuations UAB and amounted to EUR 21,280 thousand as at 31 December 2022 (Level 3 in fair value hierarchy). The value of assets was estimated using the income method, assessing revenue from lease agreements, expecting annual revenue increase of 4.91-5.6% (as at 31 December 2022, 4.4-5.9%) (depending on the type of lessee) due to indexation in the first year, and 2.25–2.4% in subsequent years (as at 31 December 2022, 1.8–2.3% throughout the entire period). In 2023 and 2022, actual occupation of the object was 95% in the first year and subsequently. As at 31 December 2023 and 2022, capitalisation rate used in valuation was 6.5%, and discount rate – 8.75% and 8.5%, respectively. Applying 0.5% increase of the discount rate leaving the rest of the assumptions used for estimating discounted cash flows unchanged, value of investment property as at 31 December 2023 and 2022 would decrease by EUR 770 thousand and EUR 750 thousand, respectively.
Applying 5% decrease of the rent price used for estimating discounted cash flows, the fair value of investment property as at 31 December 2023 and 2022 would decrease by EUR 1,100 thousand and EUR 1,110 thousand, respectively.

The fair value of investment property (business centre Kauno Dokas) was estimated by the independent appraiser Newsec Valuations UAB and amounted to EUR 34,360 thousand as at 31 December 2023 (Level 3 in fair value hierarchy). The fair value of investment property (business centre Kauno Dokas) was estimated by the independent appraiser Newsec Valuations UAB and amounted to EUR 32,860 thousand as at 31 December 2022 (Level 3 in fair value hierarchy).

(all amounts are in EUR thousand unless otherwise stated)

3 Investment property (continued)

The value of assets was estimated using the income method, assessing revenue from lease agreements, expecting annual revenue increase of 4.51-5.6 (as at 31 December 2022, 5.6-8.3%) due to indexation in the first year, and 2.23-2.9% in subsequent years (as at 31 December 2022, 2-2.4%). In 2023 and 2022, actual occupation of the object used in valuation was 95% and 100%, respectively. In 2023 and 2022, capitalisation rate used in valuation was 7%, and discount rate – 9.19% and 8.9%, respectively. Evaluating the discount rate, applied to discounted future cash flows, increase by 0.5%, leaving the rest of the assumptions used for estimating discounted cash flows unchanged, as at 31 December 2023 the fair value of the investment property would decrease by EUR 1,170 thousand (as at 31 December 2022 – decrease by EUR 1,110 thousand). Applying 5% decrease of the rent price used for estimating discounted cash flows, the fair value of investment property as at 31 December 2023 and 2022 would decrease by EUR 1,730 thousand and EUR 1,550 thousand, respectively.

The fair value of investment property (land located at Roberta Hirša iela 1, Riga, Latvia, in which the business centre will be developed) was estimated by the independent appraiser Colliers International Latvia and amounted to EUR 83,990 thousand as at 31 December 2023. The fair value of investment property (land located at Roberta Hirša iela 1, Riga, Latvia, in which the business centre will be developed) was estimated by the independent appraiser Newsec Valuations UAB and amounted to EUR 65,100 thousand as at 31 December 2022 (Level 3 in fair value hierarchy). In 2023 and 2022, the value of assets was estimated using the income method, assessing revenue receivable from the lease agreements of the developed business centre, expecting annual revenue increase of 2.1-2.8% due to indexation. In 2023, weighted average actual occupation rate of the object used in valuation was 96.5% for the entire project. The following occupancy rate applied in 2022: 82% in the first year for the first building and 0% for the second building, 88% in the second year for the project as a whole, and subsequently 100% for the project as a whole. As at 31 December 2023 and 2022, capitalisation rate used in valuation was 6.25% and 5.5%, respectively, and discount rate – 7.95% and 10%, respectively. Evaluating the discount rate, applied to discounted future cash flows, increase by 0.5%, leaving the rest of the assumptions used for estimating discounted cash flows unchanged, as at 31 December 2023 the fair value of the investment property would decrease by EUR 1,810 thousand (as at 31 December 2022 – decrease by EUR 1,655 thousand). Applying 5% decrease of the rent price used for estimating discounted cash flows, the fair value of investment property as at 31 December 2023 would decrease by EUR 4,420 thousand (as at 31 December 2022, decrease by EUR 4.304 thousand). The construction of the Verde Business Centre was completed at the end of April 2024.

As disclosed in Note 9, a shopping centre Luizė and a land plot (owned by PC Luizė UAB), a shopping centre Kauno Dokas (owned by Žaliakalnio Parkas UAB), a shopping centre 135 (owned by Verslo Centras 135 UAB) and a land plot (owned by Hanza 14 SIA) were pledged to banks as collateral for loans received.

4 Receivables from contracts with customers

	As at 31 December 2023	As at 31 December 2022
Receivables from contracts with customers, gross	998	523
Less: impairment of doubtful amounts receivable under contracts with clients	-	-
	998	523

Change in allowance for doubtful receivables was included in operating expenses.

Movement of impairment of the Group's receivables from contracts with customers:

	Individually impaired
Balance as at 1 January 2022	16
Write-offs	(16)
Impairment for the year	-
Balance as at 31 December 2022	-
Write-offs	-
Impairment for the year	-
Balance as at 31 December 2023	-

(all amounts are in EUR thousand unless otherwise stated)

4 Receivables from contracts with customers (continued)

The ageing analysis of the Group's receivables from contracts with customers:

	Receivables from contracts with customers neither past due nor impaired	Receivables from contracts with customers past due but not impaired					
		Less than 30 days	30–60 days	60–180 days	180–360 days	More than 360 days	Total
As at 31 December 2022	348	133	27	2	12	1	523
As at 31 December 2023	886	75	8	16	13	-	998

Trade receivables are non-interest bearing and are collectible on 20–30 days term.

5 Prepayments

	As at 31 December 2023	As at 31 December 2022
Deferred expenses	778	551
Prepayments to suppliers	3	93
	781	644

6 Cash and cash equivalents

As at 31 December 2023 and 2022, cash and cash equivalents comprised cash at banks.

As explained in Note 9, accounts at banks are pledged to banks as collateral for loans. As at 31 December 2023 and 2022, the Group did not have any restricted cash.

7 Capital

All 18,362 thousand of shares with the par value of EUR 1 each are ordinary and as at 31 December 2023 and 2022 were fully paid. There were no changes in the issued capital during 2023 and 2022.

8 Reserves

<u>Legal reserve</u>

The legal reserve is mandatory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the issued capital. As at 31 December 2023 and 2022, not all the Group companies complied with this requirement. During 2023, EUR 681 thousand were transferred to the legal reserve (2022: EUR 308 thousand).

(all amounts are in EUR thousand unless otherwise stated)

9 Loans

	As at 31 December 2023	As at 31 December 2022
Non-current loans:		
Bank loans	74,879	59,615
Current portion of non-current loans	(2,658)	(23,427)
	72,221	36,188

All borrowings of the Group are denominated in euros.

All borrowings of the Group are with variable interest rate which depends on EURIBOR. In 2023 and 2022, the period of repricing of variable interest rate of majority of the loans was every 3 and 6 months.

Weighted average interest rates of borrowings outstanding at the year-end were as follows:

	As at 31 December 2023	As at 31 December 2022
Non-current loans	6.17	3.32
Current loans	-	1.93

The repayment schedule of non-current borrowings is as follows:	As at 31 December 2023	As at 31 December 2022
Within one year	2,658	23,427
After one but no later than five years	72,221	36,188
	74,879	59,615

On 24 February 2022, Verslo Centras 135 UAB and Žaliakalnio Parkas UAB concluded the loan refinancing agreements/made amendments to the loan agreements with SEB Bank AB, on the basis of which the maturity of the loans is extended until 24 February 2027.

On 15 July 2022, Hanza 14 SIA signed a loan agreement with SEB Banka AS for the grant of financing of EUR 60 million. The loan is released in installments until 30 December 2023, and for payments to contractors under retention guarantee – until 30 December 2026. The final term of the loan repayment is by 14 July 2027. As at 31 December 2023, the balance of the loan received but not yet repaid was EUR 42,780,746 (as at 31 December 2022, EUR 26,207,860).

On 27 December 2023, PC Luizė UAB concluded the loan refinancing agreements/made amendments to the loan agreements with Luminor Bank AS, on the basis of which the maturity of the loans is extended until 30 November 2028.

In order to secure repayment of the loans, the Group has pledged to banks 100% of shares in the Company's subsidiaries PC Luizė UAB, Žaliakalnio Parkas UAB, investment property of Verslo Centras 135 UAB and Hanza 14 SIA (Note 3), claim to receivables and cash at banks (Note 4). Also, land lease rights of the Group companies Žaliakalnio Parkas UAB and Verslo Centras 135 UAB are pledged to banks.

Compliance with covenants

According to the loan agreements, during all loan period the Group entities have to comply with financial debts to EBITDA ratio (earnings before taxes, interest expense, depreciation, amortization and non-operating expenses), debt service coverage ratio and debt to total assets ratio, calculated based on the separate Group entities' financial statements. As at 31 December 2023 and 2022, the Group complied with these covenants, except for Žaliakalnio Parkas UAB, which failed to maintain a sufficient cash balance in the bank account as at 31 December 2022. On 6 April 2023, a waiver was received from AB SEB Bank regarding non-compliance with financial debt covenants, by which the Bank decided not to impose any sanctions for non-compliance. As at 31 December 2022, the bank loan granted to Žaliakalnio Parkas UAB was reclassified from non-current to current liabilities.
As at 2023 and 2022, the Group companies were in compliance with the covenant requiring to execute certain volume of cash transactions through the bank accounts.

In 2023, the additional loans granted to the Group totalled EUR 16,948 thousand (2022: EUR 47,148 thousand).

(all amounts are in EUR thousand unless otherwise stated)

10 Issued bonds

On 2 May 2019, a bond placement agreement was signed between the Group company and Šiaulių Bankas AB, company code 112025254, registered office address Tilžės st. 149, Šiauliai. On the basis of this agreement, it was decided to issue 49,990 bonds at a rate of 5% annual interest and with maturity of 3 years, each with a nominal value of EUR 100. In May 2022, 19,990 bonds were redeemed, and remaining 30,000 bonds were refinanced by AB Šiaulių Bankas through new issue of 2-year bonds, each with a nominal value of EUR 100. The bonds earn 5.0% annual interest.

On 10 September 2020, a commitment was signed between the Company, Šiaulių Bankas AB, company code 112025254, registered address Tilžės st. 149, Šiauliai, and Luminor Bank AS, company code 11315936, registered address Liivalaia 45, Tallinn, on the basis of which 30,000 units of bonds with a nominal value of EUR 100 were issued. These 3-year bonds earn 6.5% annual interest. Additional 50,000 bonds were issued in 2021 under the same bond placement agreement. On 30 October 2023, 80,000 units of bonds were refinanced by Šiaulių bankas AB through a new issue of bonds with annual interest rate of 5.5% + 6-month EURIBOR and maturing in 2 years.

	As at 31 December 2023	As at 31 December 2022
Non-current bonds:		
Bonds	13,228	11,100
Current portion of non-current bonds	(5,228)	(8,100)
	8,000	3,000

The Company is committed that the total amount of the Group's borrowings will not exceed 75–85% of the total Group's assets. As at 31 December 2023 and 2022, the Company was in compliance with this requirement.

The Company confirms that during 2023 and 2022 the Company did not grant loans to third parties, did not provide guarantee or warranty for the fulfilment of the obligations of third parties, nor did it provide assurance for the fulfilment of the obligations of third parties by pledging or mortgaging the Company's assets, except for securing the fulfilment of obligations of legal entities controlled by the Company.

11 Other non-current liabilities

A success fee is paid to CAPITALICA ASSET MANAGEMENT, the management company, if the annual return of the Company's investments exceeds 10%. In such case, 15% of the amount by which the minimum Company's investment return exceeds the minimum threshold is paid as a fee. The success fee is paid after the life of the Company comes to the end or 50% of accrued success fee can be paid in advance. During 2023, the paid success fee amounted to EUR 300,000, and the repaid – EUR 150,000 (2022: EUR 323,002 and EUR 85,000, respectively).

	As at 31 December 2023	As at 31 December 2022
Accrued success fee	1,788	2,371
	1,788	2,371

12 Right-of-use assets, lease and lease liabilities

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Land	Structures	Other property plant and equipment	Total
As at 1 January 2022	118	-	7	125
Additions	-	434	-	434
Effect of change in contract period	-	-	-	-
Depreciation expenses	(6)	(7)	(2)	(15)
As at 31 December 2022	**112**	**427**	**5**	**544**
Depreciation expenses	(6)	(87)	(2)	(95)
As at 31 December 2023	**106**	**340**	**3**	**449**

(all amounts are in EUR thousand unless otherwise stated)

12 Right-of-use assets, lease and lease liabilities (continued)

EUR 95 thousand of depreciation of the right-of-use assets was recognised in the cost of sales.

Set out below are the carrying amounts of lease liabilities and their change during the period:

	2023	2022
Balance as at 1 January	**547**	**126**
Additions	-	434
Effect of change in contract period	-	-
Increase in interest	23	5
Payments	(108)	(18)
Balance as at 31 December	**462**	**547**
Current	86	86
Non-current	376	461

The maturity analysis of lease liabilities is disclosed in Note 20 .

The following amounts are recognised in profit (loss):

	2023	2022
Depreciation expenses of right-of-use assets	95	15
Lease liability interest expenses	23	5
Total recognized in profit (loss)	**118**	**20**

The Group's lease payments totalled EUR 118 thousand in 2023 (EUR 20 thousand in 2022).

13 Trade payables

Conditions for trade payables are the following: for current trade payables, interest is not applicable and they are usually settled within a period of 30 days. Non-current loans to suppliers, paid following an agreed schedule, are accounted as non-current payables.

14 Other current liabilities

	As at 31 December 2023	As at 31 December 2022
Accrued expenses	662	2,084
Taxes payable	182	161
Other payables and current liabilities	4	3
	848	2,248

Interest is not charged for other payables and they are usually paid for within 1 month.

(all amounts are in EUR thousand unless otherwise stated)

15 Sales revenue

	2023	2022
Lease income	5,925	3,774
Income from resale of utility services	2,064	1,647
Income from parking services	325	78
Income from conference arranging services	199	162
Income from marketing services	80	57
Income from other services	55	37
	8,648	5,755

16 Cost of sales

	2023	2022
Utilities	1,219	1,306
Assets operating expenses	557	348
Tax expenses	323	190
Stationery, office equipment and other administrative expenses	237	169
Conference arranging expenses	123	115
Depreciation and amortisation expenses	96	16
Marketing expenses	28	31
	2,583	2,175

17 Operating expenses

	2023	2022
Consultation services	891	56
Services from other companies	433	2,390
Wages and social security	229	123
Intermediary services	201	297
Services of financial institutions	77	52
Marketing, representation expenses	64	85
Taxes (other than income tax)	62	55
Trainings, other employee-related expenses	46	33
Audit services	41	38
Costs of premises	34	27
Communications and information technologies	18	10
Depreciation and amortisation	16	15
Insurance (except for car insurance)	15	17
Penalties and default interest	12	1
Other	-	13
	2,139	3,212

(all amounts are in EUR thousand unless otherwise stated)

18 Income tax

	2023	2022
Income tax expenses comprised as follows:		
Current income tax expenses	52	8
Deferred income tax expenses	801	474
Income tax expenses charged to statement of comprehensive income	853	482

	As at 31 December 2023	As at 31 December 2022
Deferred tax assets		
Tax losses	1,305	1,078
Lease liabilities	69	82
Deferred income tax asset before valuation allowance	1,374	1,160
Less: valuation allowance	-	-
Deferred tax asset, net	1,374	1,160
Deferred tax liability		
Investment property	(7,503)	(6,475)
Right-of-use assets	(69)	(82)
Deferred tax liability	(7,572)	(6,557)
Deferred income tax, net	(6,198)	(5,397)

Deferred income tax assets and liability, related to the entities of the Group operating in Lithuania, were accounted at 15% rate as at 31 December 2023 and 2022.

The income tax amount from continued operations can be reconciled to income tax expenses, calculated by applying the statutory income tax rate to the Group's profit before income tax as follows:

	2023	2022
Income tax expenses computed at rate of 15%	768	1,946
Permanent differences	13	520
Effect of lower tax rates in other countries (Latvia) (Note 2.11)	72	(1,984)
Income tax expenses charged to statement of comprehensive income	853	482

19 Off-balance sheet liabilities and contingencies

<u>Operating lease liabilities – Group as a lessor</u>

The Group has leased premises (investment property) under non-cancellable operating lease agreements. As at 31 December 2023, the remaining lease periods under effective agreements were 1-12 years (as at 31 December 2022, 1-10 years). Receivable lease fees are either variable depending on the lease term or are revised annually depending on the consumer price index change.

Future minimal lease payments receivable according to the signed lease contracts are as follows:

	2023	2022
Within one year	5,948	4,140
From one to five years	21,636	7,424
After five years	4,910	2,797
	32,494	14,361

(all amounts are in EUR thousand unless otherwise stated)

20 Financial assets and liabilities and risk management

The Group faces various financial risks when performing its activity. Risk management is conducted by the Board. The main financial risk management procedures applied in the Group's activity were as follows:

Interest rate risk

The Group's loans consist of loans received with a variable interest rate, which is linked to EURIBOR and creates interest rate risk (Note 9). The Group did not have any financial instruments with the purpose to manage interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit before tax. Except for the current year's profit, there is no impact on the equity of the Group.

	Increase/decrease in basis points	Impact on profit before tax
2023		
EUR	+50	(374)
EUR	-10	75
2022		
EUR	+50	(298)
EUR	-10	60

Foreign exchange risk

The Group's operations and transactions are denominated in euros, therefore the Group is not exposed to foreign exchange risk.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its obligations at a given date in accordance with its strategic plans. The Group's liquidity (current assets / current liabilities) and quick ratios ((current assets – inventory) / current liabilities) as at 31 December 2023 were 0.28 and 0.28 (0.10 and 0.10 as at 31 December 2022, respectively). The level of these indicators in 2022 was affected by the reclassification of bonds to the current portion, and the bank loan of PC Luizė UAB, which was refinanced during 2023, as well as non-compliance of Žaliakalnio Parkas UAB with contractual covenants.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted payments:

	On demand	Less than 3 months	From 3 to 12 months	From one to five years	More than 5 years	Total
Lease liabilities	-	14	74	291	134	513
Interest bearing loans	-	1,066	5,603	89,767	-	96,436
Non-current bonds issued	-	-	3,044	16,083	-	19,127
Trade payables	95	2,470	-	-	-	2,565
Other current payables	-	656	-	-	-	656
Balance as at 31 December 2023	**95**	**4,206**	**8,721**	**106,141**	**134**	**119,297**
Lease liabilities	-	22	108	452	219	801
Interest bearing loans	-	788	7,433	63,515	-	71,736
Non-current bonds issued	-	109	8,473	3,063	-	11,645
Trade payables	3,511	1,035	27	-	-	4,573
Other current payables	-	1,992	-	-	-	1,992
Balance as at 31 December 2022	**3,511**	**3,946**	**16,041**	**67,030**	**219**	**90,747**

(all amounts are in EUR thousand unless otherwise stated)

20 Financial assets and liabilities and risk management (continued)

It is not expected that the cash flows presented in the term analysis can appear early or that their amounts can differ significantly.

Changes in financial liabilities:

	As at 1 January 2023	**Received**	**Interest charged**	**Payments**	**Effect of change in contract period**	**As at 31 December 2023**
Loans	59,615	16,948	3,602	(5,286)	-	74,879
Issued bonds	11,100	2,000	798	(670)	-	13,228
Leases	545	-	22	(118)	-	449
Total	**71,260**	**18,948**	**4,422**	**(6,074)**	**-**	**88,556**

	As at 1 January 2022	**Received**	**Interest charged**	**Payments**	**Effect of change in contract period**	**As at 31 December 2022**
Loans	32,065	47,148	940	(20,538)	-	59,615
Issued bonds	13,073	19,000	1,083	(22,056)	-	11,100
Leases	126	434	5	(20)	-	545
Total	**45,264**	**66,582**	**2,028**	**(42,614)**	**-**	**71,260**

Fair value of financial assets and liabilities

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities:

(a) The carrying amount of current trade and other accounts receivable, current accounts payable and current borrowings (granted/received at arm's length transactions) approximates fair value (estimated based on Level 3 of fair value hierarchy);

(b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of non-current borrowings as at 31 December 2023 approximates their fair value, because they are already measured at a floating rate in line with market conditions. The fair value of bonds with fixed interest rates estimated using discount rate of 8.5%, would amount to EUR 13,169 thousand as at 31 December 2023 (EUR 10,573 thousand as at 31 December 2022) (estimated based on Level 3 of fair value hierarchy).

21 Capital management

"Capital" in the meaning of IAS 1 comprises the equity presented in the financial statements.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2023 and 2022.

The Company is obliged to keep its equity at not less than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2023 and 2022, all the Group companies operating in Lithuania complied with the aforementioned requirement for equity.

The Group monitors capital using debt to equity ratio. The capital consists of ordinary shares, reserves, and retained earnings. The management of the Group has not set a specific target for debt to equity ratio, but below presented actual figures are assessed as rather good performance indicators:

(all amounts are in EUR thousand unless otherwise stated)

21 Capital management (continued)

	As at 31 December 2023	As at 31 December 2022
Non-current liabilities	88,583	47,417
Current liabilities	12,609	39,552
Total liabilities	**101,192**	**86,969**
Equity	**48,834**	**47,546**
Liabilities to equity ratio	**2.07**	**1.83**

22 Related party transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions. The related parties of the Group are as follows:

- SBA Grupė UAB (the main shareholder of the Company)
- Other companies managed by SBA group

Transactions with related parties during 2023 and 2022, and balances as at 31 December 2023 and 2022:

2023	**Purchases**	**Sales**	**Receivables**	**Payables**
SBA Grupė UAB	2	1	-	-
Other companies managed by SBA Group	7,739	5	-	2,141
	7,741	6	-	2,141

2022	**Purchases**	**Sales**	**Receivables**	**Payables**
SBA Grupė UAB	-	1	1	-
Other companies managed by SBA Group	972	-	-	492
	972	1	1	492

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.

Remuneration to management and other benefits

The Group's management is considered to be directors of all subsidiaries.

The Group's management remuneration amounted to EUR 2 thousand in 2023 (2022: EUR 2 thousand).

In 2023 and 2022, the management of the Group did not receive any loans, guarantees, no other significant payments made or accrued, no property transfers were made.

23 Events after the reporting period

In line with the bond placement agreement signed with Šiaulių Bankas AB on 24 January 2024, 5,000 units of 2-year bonds with the nominal value of EUR 1,000 were placed on 7 February 2024. The bonds earn 10% annual interest paid quarterly.

At the end of April 2024, the construction completion certificate was signed and the construction of Verde Business Centre in Riga was completed.

There were no other significant subsequent events after the financial year-end in the Group.

ANNUAL REPORT FOR 2023 OF Closed-End Investment Undertaking Intended For Informed Investors CAPITALICA BALTIC REAL ESTATE FUND I UAB

GENERAL INFORMATION

Closed-end investment undertaking intended for informed investors CAPITALICA BALTIC REAL ESTATE FUND I UAB (hereinafter – the Company) was incorporated on 5 October 2016. The Company's issued capital as at 31 December 2023 amounted to EUR 18,362,432, split into 18,362,432 units of ordinary registered shares with nominal value of EUR 1 each. 14.51% of the Company was controlled by SBA Grupė UAB. The remaining shares are controlled by minority shareholders, each holding less than 10% of all shares.

The main activity of the Company – collective investment of informed investor assets in the real estate market in order to spread risks and earn profit for the Company's shareholders. On 22 December 2016, the Bank of Lithuania issued a licence to the Company to operate as an investment company. Before the issue of the licence, the Company operated as a private limited liability company.

The Company is managed by CAPITALICA ASSET MANAGEMENT UAB (hereinafter the "Management Company"), which on 17 September 2016 gained a permit to act as a management company of collective investment subjects for informed investors, issued by the Bank of Lithuania.

As at 31 December 2023, the Company had control over the following subsidiaries: PC Luizė UAB, Žaliakalnio parkas UAB, Verslo Centras 135 UAB and Hanza 14 SIA and Hanza 14 LT UAB.

Review of activities in 2023

The Group's consolidated sales in 2023 amounted to EUR 8,648 thousand, consolidated gross profit was EUR 6,065 thousand. Having assessed the operating expenses and loss from investment activities, consolidated profit before tax amounted to EUR 2,141 thousand.

In 2023, the Group earned EUR 1,288 thousand of net profit.

As at 31 December 2023, the Group's consolidated assets amounted to EUR 150,026 thousand.

In 2023, there was 1 employee working in all the Group companies.

Description of main risks

In its activities, the Group is exposed to various risks. The Management company's Board is responsible for managing the Group's risks and assessing the adverse effect on its objectives and performance. The identification and management of specific risks is assigned to the relevant functions within the Group. Given the external and internal environment, the risk level is assessed when adopting both strategic and operational decisions. Risk management forms an integral part of the Group's operational processes, therefore potential risks are under permanent monitoring and evaluation.

Financial risk management is carried out by the Board. For more information on financial risk management see the Group's Notes to the Financial Statements, Note 20.

Environmental risk. The environmental risk is relatively low: office-based operations without using hazardous substances and with minimum waste generation. However, the Fund is committed to reduce environmental impact by saving energy, choosing environmental goods and promoting public transport at work. The data centres managed by the Fund designed to ensure high energy efficiency standards, the Fund continuously invests in technologies for reducing energy consumption and heat release. To reduce pollution, we are constantly renewing our vehicle fleet with greener cars. The Group is nearly paper-free in almost every area, and has switched to digital process and document management. The Group's declared values highlight the environmental aspect, and its social campaigns are related to environmental issues, e.g. tree planting, dune cleaning.

Corruption risk. The Group complies with international legal norms governing human rights and labour relations, and the highest anti-corruption and environmental standards. SBA Group and its companies are guided by the SBA Group Code of Corporate Culture, which establishes standards and norms for transparent work, business ethics and anti-corruption behaviour for all employees (avoidance of conflict of interests, neutrality in political processes, and prohibition of gifts or services if they are intended to unfairly confer an advantage or a bias on the decisions made). Across all countries where the companies part of the SBA Group operate, we base our business on statutory and regulatory requirements, including but not limited to anti-corruption legislation. Acting in the business interests of the companies part of the SBA Group, we shall not offer bribes or make any other unlawful payments to the representatives of public authorities, including facilitation payments (low value informal payments). Both internal and external reporting channels (pasitikejimolinija@sba.lt) are also in place and available to employees and/or business partners of SBA Group companies to report potentially corrupt practices.

The Company and the Group companies did not hold any shares of the Company in 2023.
Significant events after the end of the financial year.

There were no significant events after the financial year-end, except for the ones disclosed in Note 23 to the financial statements.

The Group did not perform any research and development activities.

Plans and forecasts of operations of the Group.

In 2024, the Group will continue to develop the controlled businesses, pursuing sustainable and profitable growth.

Hanza 14 SIA, the Group company, intends to complete the second building stage of business centre Verde in May 2024. The business centre is being built in an effort to meet the BREEAM Excellent standard.

Other managing positions of the Company's manager and members of the Board

Mr. Mindaugas Liaudanskas, a director of Management Company, also serves as a chair of the Board at SIA Verde Development, company code 40203395348, address Rigas iela 25C, Valmiera. He also serves as a member of the Board of TanaHub OU, company code 16402226, address Harju maakond, Tallinn, Põhja-Tallinna linnaosa, Põhja pst 25 and S911 OU, company code 16219640, address Harju maakond, Tallinn, Põhja-Tallinna linnaosa, Põhja pst 25, Marupe Hub SIA, company code 40203396790, address Audeju iela 15-4, Riga and Dreilini HUB SIA, company code 40203461770, address Audeju iela 15-4, Riga.

Mr. Andrius Barštys, a chair of the Board, also serves as a chair of the Board at SIA Hanza 14, company code 40203157541, address Miera iela 93-27, Ryga, and a chair of the Investment Committee at Koinvesticinis Fondas KŪB, company code 304537659, address Konstitucijos ave. 7, Vilnius. He also holds managerial positions in the following companies: Fox Holdings UAB, company code 303016870, address Šiaulių st. 97, Bajorų village. Vilnius city municipality, PC Luizė UAB, company code 302761548, address Šiaurės ave. 15-1, Klaipėda, Žaliaklanio parkas UAB, company code 304287223, address K. Donelaičio st. 62-1, Kaunas, Verslo Centras 135 UAB, company code 301733282, address: Žalgirio st. 135, Vilnius, Hanza 14, company code 305966736, address Jogailos st. 9, Vilnius, and at Savanorių 18 UAB, company code 304118472, address Upės st. 21-1, Vilnius. He also a member of the Board at SIA Verde Development, company code 40203395348, address 25C Rigas iela, Valmiera.

The member of the Board Jolanta Grašienė is also the member of the Boards of SBA Urban UAB, company code 302675889, address Upės g. 21-1, Vilnius, UAB SBA Modular, company code 305283904, address Upės st. 23, Vilnius, SBA Grupė UAB, company code 132206739, address Upės st. 21-1, Vilnius, SBA Home UAB, company code 242131620, address Joniškės st. 21, Klaipėda and the Chair of Board of SBA Competence and Service Center UAB, company code 304960328, address Upės st. 23, Vilnius. The main position of Jolanta Grašienė is the vice president of SBA Grupė UAB, company code 132206739, address Upės st. 21-1, Vilnius.

The member of the Board Adam Saulius Vaina is also the member of the Board of SBA Grupė UAB, company code 132206739, address Upės st. 21-1, Vilnius, GAUMINA UAB, company code 224497630, address Gedimino ave. 27 Vilnius, Mobilios Aplikacijos UAB, company code 303105746, address Gedimino ave. 27, Vilnius, Mediapark Grupė UAB, company code 304050320, address Gedimino ave. 27, Vilnius, ME Investicija UAB, company code 302489393, address Račių st. 1, Vilnius, OU Civitta International, company code 12241708, address Ria tn 24a, Tartu. Adam Saulius Vaina is also a partner of CIVITTA UAB, company code 302477747, address Gedimino ave. 27, Vilnius, he is also the head of VŠĮ Civitta foundation, company code 303363287, address Gedimino ave. 27, Vilnius, Kavija UAB, company code 303091773, address Gedimino ave. 27, Vilnius, Mediapark Grupė UAB, company code 304050320, address Gedimino ave. 27, Vilnius, Entra holdings UAB, company code 302790286, address Gedimino ave. 27, Vilnius.

Director of management company CAPITALICA ASSET MANAGEMENT UAB Mindaugas Liaudanskas

31 May 2024