

JOINT STOCK COMPANY PN PROJECT

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2023,
PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION

PN Project AS**Registration number: 40203063602, address: Republikas laukums 2A - 1, Riga, LV - 1010, Latvia****Consolidated Financial Statements for the year ended 31 December 2023**

(all amounts presented in EUR unless otherwise indicated)

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KPMG Baltics SIA
Commercial Company of
Certified Auditors, licence No 55
Roberta Hirsas street 1, Riga
Latvia, LV - 1045

Independent Auditor's Report

To the shareholders of joint stock company PN Project



KPMG Baltics SIA

Commercial Company of
Certified Auditors, licence No 55
Roberta Hirsas street 1, Riga
Latvia, LV - 1045



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PN Project AS

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Consolidated Financial Statements for the year ended 31 December 2023

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Financial Position

	Notes	31 December 2023	31 December 2022	1 January 2022
ASSETS				
Non-current assets				
Property, plant and equipment	3.1.	6 251	-	-
Investment property	3.2.	72 610 000	63 330 000	41 890 000
Prepayments related to investment property	3.4.	5 296 755	2 169 906	4 153 598
Total non-current assets		77 913 006	65 499 906	46 043 598
Current assets				
Inventory		280 921	-	-
Trade receivables	3.3.	66 696	45 508	52 222
Prepayments	3.4.	41 118	21 401	57 664
Other current assets	3.5.	52 199	63 412	69 791
Cash and cash equivalents	3.6.	30 972	81 909	57 496
Total current assets		471 906	212 230	237 173
TOTAL ASSETS		78 384 912	65 712 136	46 280 771

The following notes on pages from 11 to 33 form an integral part of these financial statements.

These reports have been electronically signed by:

Chairman of the Board
Member of the Board

Povilas Urbonavičius
Igors Danilovs

PN Project AS

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Consolidated Financial Statements for the year ended 31 December 2023

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Financial Position (cont'd)

	Notes	31 December 2023	31 December 2022	1 January 2022
EQUITY AND LIABILITIES				
Equity				
Share capital	3.7.	33 222 800	16 222 800	4 222 800
Retained earnings (losses)		(13 755 313)	(3 437 018)	1 542 908
Total equity		19 467 487	12 785 782	5 765 708
Non-current liabilities				
Loans received	3.8.	25 374 500	48 246 302	37 520 666
Other non-current liabilities	3.9.	1 471 309	-	463 492
Total non-current liabilities		26 845 809	48 246 302	37 984 158
Current liabilities				
Trade payables	3.10.	11 219 375	3 840 436	1 292 063
Income tax liabilities		2 022	364	1 213
Loans received	3.8.	20 094 463	-	-
Advance payments		47 674	490	490
Employment related liabilities	.	28 693	33 494	46 155
Other current liabilities	3.11.	679 389	805 268	1 190 984
Total current liabilities		32 071 616	4 680 052	2 530 905
TOTAL LIABILITIES		58 917 425	52 926 354	40 515 063
TOTAL EQUITY AND LIABILITIES		78 384 912	65 712 136	46 280 771

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Consolidated Financial Statements for the year ended 31 December 2023

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023	2022
Rental income		62 431	71 256
Investment property management expenses	3.12.	(87 331)	(9 016)
Changes in fair value of investment property	3.2.	(6 846 702)	(1 818 660)
Administrative expenses	3.13.	(215 018)	(335 715)
Operating loss		(7 086 620)	(2 092 135)
Finance expenses	3.14.	(3 228 300)	(2 884 969)
Loss before tax		(10 314 920)	(4 977 104)
Income tax	3.15.	(3 375)	(2 822)
Net loss		(10 318 295)	(4 979 926)
Other comprehensive income		-	-
Total comprehensive loss		(10 318 295)	(4 979 926)

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Consolidated Financial Statements for the year ended 31 December 2023

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Changes in Equity

	Share capital	Retained earnings / (accumulated losses)	Total
Balance as at 31 December 2021	4 222 800	1 542 908	5 765 708
Net loss	-	(4 979 926)	(4 979 926)
Other comprehensive income	-	-	-
Transactions with owners	12 000 000	-	12 000 000
Shares issued	12 000 000	-	12 000 000
Balance as at 31 December 2022	16 222 800	(3 437 018)	12 785 782
Balance as at 1 January 2023	16 222 800	(3 437 018)	12 785 782
Net loss	-	(10 318 295)	(10 318 295)
Other comprehensive income	-	-	-
Transactions with owners	17 000 000	-	17 000 000
Shares issued	17 000 000	-	17 000 000
Balance as at 31 December 2023	33 222 800	(13 755 313)	19 467 487

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PN Project AS

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Consolidated Financial Statements for the year ended 31 December 2023

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Cash Flows

	Notes	2023	2022
Loss before tax		(10 318 295)	(4 979 926)
Adjustments for:			
Finance costs	3.14.	3 228 300	2 884 969
Depreciation of property, plant and equipment	3.1.	681	-
Decrease in fair value of investment property	3.2.	6 846 702	1 818 660
Operating cash flows before working capital adjustments		(242 612)	(276 297)
Increase in inventories		(280 921)	-
Decrease/(increase) in trade and other receivables	3.3. – 3.5.	(3 156 541)	2 033 048
Increase in trade and other payables	3.9. – 3.11.	17 120	1 164 822
Operating cash flows after working capital adjustments		(3 662 954)	2 921 573
Net cash flows from operating activities		(3 662 954)	2 921 573
Additions of investment property	3.2.	(7 883 051)	(23 258 660)
Purchase of property, plant and equipment	3.1.	(6 932)	-
Net cash flows used in investment activities		(7 889 983)	(23 258 660)
Interest paid	3.8.	(1 036 893)	(325 123)
Loans received	3.8.	12 627 000	20 772 500
Loans repaid	3.8.	(88 107)	(85 877)
Net cash flows from financing activities		11 502 000	20 361 500
Net change in cash and cash equivalents		(50 937)	24 413
Cash and cash equivalents at the beginning of the year		81 909	57 496
Cash and cash equivalents at the end of the year		30 972	81 909

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PN Project AS**Registration number: 40203063602, address: Republikas laukums 2A - 1, Riga, LV - 1010, Latvia****Consolidated Financial Statements for the year ended 31 December 2023**

(all amounts presented in EUR unless otherwise indicated)

Notes to the consolidated Financial Statements**1. General information**

The parent company of the Group PN Project AS (hereinafter – the Company) was registered with the Commercial Register of the Republic of Latvia on 18 April 2017 as a Limited Liability Company. On 24 May 2018 the Company changed its legal form to Joint Stock Company. The registered address of the Company is Republikas street 2A, Riga, LV - 1010, Latvia, the registration number is 40203063602. Shares of the Group belong to Lords LB Special Fund V, managed by Lords LB Asset Management, legal address is Jogailos g. 4, Vilnius, LT - 01116, Lithuania. Lords LB Special Fund V, as an investment entity, does not prepare consolidated financial statements.

The Group's purpose is to manage and develop multifunctional real estate centre on the controlled land plot in Riga, Balasta dambis 2.

As at 31 December 2023 the paid share capital of the Company is equal to EUR 33 222 800 (2022 - EUR 16 222 800). Share capital consists of 33 222 800 (2022 - 16 222 800) ordinary intangible shares with a nominal value of EUR 1 per share.

As at 31 December 2023 and 2022 the Company controlled the following subsidiaries:

Subsidiary	Country	Acquisition date	Ownership share	Number of shares	Nominal value, EUR
PN Management SIA	LV	2017-12-01	100%	2 800	1,00

As at 31 December 2023 the Group had 5 employees (2022 – 7 employees).

The audit of the Group is carried out by KPMG Baltics SIA, company code 40003235171, registered office at Roberta Hirsas street 1, Riga LV - 1045, Latvia, operating under licence No. 55 issued by the Latvian Association of Sworn Auditors.

The financial year of the Group coincides with the calendar year.

The Group has prepared annual consolidated financial statements, and these have to be approved by the shareholders. Shareholders have the right to approve or to reject and require the preparation of new consolidated financial statements. These are the annual consolidated financial statements of the Group.

2. Material accounting policies

The following are the main accounting principles used by the Group in preparing these consolidated financial statements.

2.1. Basis for preparation

Consolidated financial statements of the Group were prepared in accordance with general accounting principles as defined in IFRS Accounting Standards (hereinafter – IFRS) adopted for use in the European Union (hereinafter – EU).

The consolidated financial statements are prepared based on going concern and on the assumption that the Group will be able to continue its activities in the foreseeable future.

These consolidated financial statements are prepared on the basis of the historical cost of acquisition, adjusted for the remeasurement of investment property at fair value through profit or loss.

All amounts in these consolidated financial statements are denominated in euro. Transactions denominated in foreign currency are accounted for at the reference exchange rate published by the Bank of Latvia at the date of the transaction. Gains and losses on such transactions and on the revaluation of foreign currency monetary assets and liabilities at the date of the statement of financial position are recorded in the profit or loss account. Such monetary balances are revalued at the exchange rate at the end of the reporting period.

2.2. Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its controlled entities (subsidiaries) as at 31 December of each year. The Group is considered to have control when:

- Has the power to manage an investee;
- Is entitled to a variable return on investment; and
- Has the power to affect return on investment.

The Group reassesses whether it controls an investment entity if the facts and circumstances indicate a change in one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group acquires control of the subsidiary and ends when the Group loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date on which the Group obtains control until the date that the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the Group's owners.

Where necessary, the financial statements of subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

All the Group's assets and liabilities, equity, income, expenses and cash flows related to transactions between Group members are eliminated on consolidation.

2.3. Financial risk management

The Group is exposed to market, credit, liquidity and capital management risks. These risks shall be managed in accordance with the principles of best practice. Management continuously monitors these risks for the appropriateness of financing and hedging strategies.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings. Market risk comprises three types of risk: interest rate risk, foreign currency exchange risk and other price risk, such as equity price risk and commodity risk. The Group is not exposed to foreign exchange risk, as all transactions are carried out in EUR, and other price risk. However, based on the current maturities of the received loan from Matuda UAB, the Group is exposed to interest rate risk in the short-term from the repricing of liabilities. If the interest rate of the refinanced Matuda UAB loan would increase by 2% from current loan maturity 26th April 2024 to 31st December 2024, the Group's profit or loss and equity would decrease by EUR 170 565, and if the interest rate would decrease by 2%, the Group's profit or loss and equity would increase by EUR 170 565.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its renting activity. This risk is mitigated by the Group by due evaluation of the credit ability of the counterparty prior to entering into rent agreements and, if necessary, by obtaining guarantee deposits from lessees, monitoring debt repayments. Therefore, the Management believes that the Group is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to fully meet its obligations under the intended terms or may only do so under materially disadvantageous conditions. The purpose of the Group is to maintain sufficient liquidity resources to carry out its activities, cover its financial obligations and provide funds for capital expenditure and investment opportunities. The Group aims to achieve its goals in the following ways:

- Preparation of regular forecast cash flows to anticipate the use of funds; and
- Identification of future financing, including new debt opportunities.

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The table below summarizes the maturity of the Group's financial liabilities on the basis of undiscounted contractual payments:

31 December 2023

	Carrying amount	Cash flows				
		Total	Up to 1 year	In 1 - 2 years	In 2 - 5 years	After 5 years
Interest-bearing loans and liabilities	45 468 963	48 056 966	20 692 085	2 045 839	25 319 042	-
Trade payables	11 219 375	11 219 375	11 219 375	-	-	-
Other liabilities	2 229 087	2 229 087	757 778	-	-	1 471 309
	58 917 425	61 505 428	32 669 238	2 045 839	25 319 042	1 471 309

31 December 2022

	Carrying amount	Cash flows				
		Total	Up to 1 year	In 1 - 2 years	In 2 - 5 years	After 5 years
Interest-bearing loans and liabilities	48 246 302	54 554 030	-	13 941 084	40 612 946	-
Trade payables	3 840 436	3 840 436	3 840 436	-	-	-
Other liabilities	839 616	839 616	839 616	-	-	-
	52 926 354	59 234 082	4 680 052	13 941 084	40 612 946	-

The information on the Group's cash at bank is presented in Note 3.6. and amounts receivable from contracts with customers in Note 3.3.

The Group does not have any unused credit lines. The information on the Group's going concern is presented in Note 3.18.

Capital management

The Group's objectives in the management of capital are to safeguard the Group's ability to continue its activities as a going concern in order to provide returns to investors and benefits other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group performs the following in order to maintain capital structure and ensure effective capital management:

- Regularly monitor the performance of the Group and adjust distributions the Group pays to shareholders;
- Issue new shares in accordance with the constitutional documents of the Group to existing or new shareholders;
- Restrict redemption of shares in accordance with the constitutional documents.

2.4. Income tax

Income tax is calculated in accordance with the requirements of the tax laws of the Republic of Latvia.

The corporate income tax rate applicable to companies of the Republic of Latvia is 20 % of the taxable base determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8.

In accordance with the Law of the Republic of Latvia on Corporate Income Tax, taxation period is one month and current tax for the reporting period is the expected tax payable on the taxable base for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. The amounts taxable by corporate income tax include:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends); and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering transactions at prices other

than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers of Republic of Latvia, other expenses as specified in the Law on Corporate Income Tax of Republic of Latvia).

Deferred income tax is recognized for on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax calculations are based on the tax rates effective on the balance sheet date expected to be effective in the periods when the Group will realize the deferred tax asset or settle deferred tax liabilities. Under IAS 12 Income taxes, whenever there is a difference to tax rates being applied to distributed and undistributed profits, deferred tax assets and liabilities should be recognised by applying the rate applicable to undistributed profits.

According to the Law on Corporate Income Tax of Republic of Latvia, a 20% rate is applied only to distributed profits, while a 0% rate is to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount.

2.5. Income and expenses from financial activities

The Group's financial income and expenses include interest income, interest expense, and the positive or negative impact of changes in foreign exchange rates on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments of receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

The positive or negative effect of a change in a foreign exchange rate on financial assets and financial liabilities is recognized on a net basis as income from financing activities or as an expense from financing activities, depending on whether the change in foreign exchange rate results in a net gain or loss.

2.6. Investment property

The investment property of the Group consists of commercial buildings and land.

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is initially recognized at cost including all relevant transaction costs. Subsequently, after initial recognition, investment property is measured at fair value by an independent appraiser. Gains or losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of investment property comprises the cost of materials, direct labour and other costs directly attributable to bringing the investment property to working condition for its intended use. The Group has elected not to capitalize borrowing costs as the qualifying asset – investment property – is measured using the fair value model.

An investment property is derecognised upon disposal or when the investment property ceases to be used in its entirety and no future economic benefits are expected from its sale. Any gain or loss arising on derecognition of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the investment property is derecognised.

2.7. Financial assets

Financial assets are classified into the following specified categories: financial asset at amortised cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group applies when managing its financial assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group. The intentions of the Group's management regarding separate instruments have no effect on the applied business model. The Group may apply more than one business model to manage its financial assets.

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The business model for managing financial assets is a matter of fact and not merely an assertion. It is typically observable through the activities that the Group undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Group justifies its decision not by a single factor or activity, but in view of all relevant evidence that is available at the date of the assessment.

The Group recognises a financial asset in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

At initial recognition, the Group measures financial assets at fair value, except for trade receivables that do not have a significant financing component. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are added to the amount initially recognised.

Transaction costs comprise all charges and commission that the Group would not have paid if it had not entered into an agreement on the financial instrument. If the fair value of the financial asset at initial recognition differs from the transaction price and such fair value measurement is evidenced by a quoted price in an active market for an identical asset or liability or is based on another valuation technique that uses only data from observable markets, the difference is recognised in profit or loss.

Trade receivables

Trade receivables are amounts receivable from customers for services rendered in the ordinary course of business. If receivables are expected to be receivable within one year or less (or during the normal period of business, if later), trade receivables are classified as current assets. Otherwise, these amounts are classified as non-current assets.

After initial recognition, trade receivables are measured at amortized cost using the effective interest method, including impairment losses, and trade receivables with a maturity of less than 12 months from the date of recognition (i.e. without a financing element) that are not factored are not discounted and are valued at nominal value. Impaired receivables are written off when considered uncollectible.

Cash and cash equivalents

Cash consists of cash on hand and in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. The initial term of such investments does not exceed three months and the risk of changes in value is negligible.

Derecognition of financial assets

Financial assets are derecognised when:

- The rights to cash flows of the asset have expired;
- The Group has retained the right to the cash flows but has undertaken to pay the full amount to a third party under the assignment agreement within a short period of time;
- The Group has transferred its right to receive cash inflows from the assets or has transferred substantially all the risks and rewards of ownership of the financial assets, or has neither transferred nor retained substantially all the risks and rewards of ownership but has transferred control of the assets.

When the Group transfers rights to the cash flows of an asset but neither transfers nor retains the risks and rewards of ownership of the asset and does not transfer control of the asset, the asset is recognized to the extent that the Group is still a party to the asset.

Impairment of financial assets – expected credit loss

Impairment requirements are applied to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, an entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses (ECL).

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The Group considers a financial asset in default when contractual payment is 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group monitors the increase in credit risk by monitoring the timely execution of debts. A significant increase in credit risk is considered when the debt is overdue and there is no reason to believe that the debt will be repaid soon.

In line with the Group's limited operations, expected credit losses are assessed as immaterial and not presented separately.

2.8. Financial liabilities

All financial liabilities are initially recognized at fair value and, in the case of loans and payables, are net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans.

Subsequent measurement

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

Loans and other borrowings

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost and any difference between proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loan.

Loans are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade payables

Trade payables are liabilities paid for goods or services provided by suppliers during the normal course of business. Trade payables are classified as current liabilities if they are due to be settled within one year or less (or during the normal operating cycle, whichever is longer). Otherwise, they are classified as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

When one existing financial liability is replaced by another financial liability towards the same lender but on substantially different terms, or when the terms of an existing financial liability are substantially modified, such a change is accounted for as a derecognition of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognized in the income statement. If the exchange or modification is not accounted for as an extinguishment, then the amortised cost of the financial liability is recalculated by discounting the revised estimated future cash flows at the financial liability's original effective interest rate and the resulting gains or losses are recognised in the income statement.

2.9. Provisions

A provision is recognized when the Group has a present legal or constructive obligation 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 determined by discounting the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The reversal of the discount is recognized as a finance cost.

2.10. Methods and assumptions of fair value of asset and liability estimates

The Group measures investment property at fair value. None of the Group's financial assets or financial liabilities are measured at fair value. The financial statements include, for disclosure purposes, the fair value of the Group's financial assets measured under the amortised cost method and the fair value of the Group's financial liabilities measured under the amortised cost method at the end of the reporting period.

Group's financial instruments as at 31 December 2023 is presented in the table below:

	Carrying amount	Fair value
Financial assets not measured at fair value		
Trade receivables	66 696	66 696
Other current assets	52 199	52 199
Cash and cash equivalents	30 972	30 972
	149 867	149 867
Financial liabilities not measured at fair value		
Loans received	45 468 963	41 656 234
Other liabilities	2 150 698	2 150 698
Trade payables	11 219 375	11 219 375
Income tax liabilities	2 022	2 022
Employment related liabilities	28 693	28 693
	58 869 751	55 057 022

Group's financial instruments as at 31 December 2022 is presented in the table below:

	Carrying amount	Fair value
Financial assets not measured at fair value		
Trade receivables	45 508	45 508
Other current assets	63 412	63 412
Cash and cash equivalents	81 909	81 909
	190 829	190 829
Financial liabilities not measured at fair value		
Loans received	48 246 302	41 076 270
Other liabilities	805 268	805 268
Trade payables	3 840 436	3 840 436
Income tax liabilities	364	364
Employment related liabilities	33 494	33 494
	52 925 864	45 755 832

The fair value hierarchy based on IFRS 13 is used to determine fair value in a consistent and comparable manner. All assets and liabilities whose fair value is determined or disclosed in the financial statements are classified according to a fair value hierarchy based on the significant lowest level data used to determine fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements, the Group determines, when reassessing the distribution, whether the transfers of amounts have occurred between levels of the fair value hierarchy.

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As at 31 December 2023 and 31 December 2022 the carrying amount of the Group's financial assets and financial liabilities, except for loans received, is a reasonable approximation of a fair value for the Level 3 valuation methodology as due to the short maturities the effect of discounting is assessed immaterial.

Fair value of financial liabilities – loans received is estimated based on the present value of future principal and interest cash flows, discounted using the market interest rate at the measurement date for companies similar to the Group, and classified as Level 3 in fair value hierarchy.

The fair value of cash and cash equivalents in credit institutions is equal to their nominal value.

The fair value of real estate objects is determined according to the data provided by an independent property appraiser entitled to perform valuation.

2.11. Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires Management to make certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of uncertainties. Future events may change the assumptions used in making the estimates. The effect of changes in such estimates will be recognized in the financial statements when determined.

The Group is making estimates for the estimation of investment property fair value. Details on the fair value estimate are provided in Note 3.2.

With respect to the legal dispute on the termination of the construction agreement with the general contractor responsible for the 1st stage development of the Preses Nama Kvartāls, the Group believes that there is no past obligating event, thus, expected future legal costs to be incurred in defending the claim are not accrued as a provision, but will be treated as future operating expenses and expensed when incurred. Additional details on the litigation are provided in Note 3.19.

The Group's management evaluates the actual and potential impact of economic situation on the financial results and forecasts of the Group. The Group's management has prepared the projected cash flows for 2024 and 2025, and has already begun to take steps to ensure the Group's ability to continue as a going concern. Additional details on the going concern assessment are provided in Note 3.18.

2.12. New and revised IFRS Standards in issue but not yet effective

The standards provided below are adopted, but not yet in force and have not been applied. In preparing these financial statements, the Group decided not to apply the new standards or amendments in advance. It is considered that the following revised standards and interpretations will not have a material impact on the financial statements of the enterprise.

- 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 January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8.
- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments). The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments). The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.
- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments). The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.
- 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.

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2.13. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2023, are the first the Group has prepared in accordance with IFRS Accounting Standards. For periods up to and including the year ended 31 December 2022, the Group prepared its financial statements in accordance with local generally accepted accounting principles (hereinafter – local GAAP).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2023, together with the comparative period data for the year ended 31 December 2022. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2022, the Group's date of transition to IFRS.

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Group's reconciliation of equity as at 1 January 2022 (date of transition to IFRS)

	Notes	Local GAAP	Reclassification and Remeasurements	IFRS as at 1 January 2022
ASSETS				
Non-current assets				
Investment property		41 890 000	-	41 890 000
Prepayments related to investment property		-	4 153 598	4 153 598
Total non-current assets		41 890 000	4 153 598	46 043 598
Current assets				
Trade receivables		52 171	51	52 222
Prepayments		57 664	-	57 664
Other current assets		4 223 389	(4 153 598)	69 791
Cash and cash equivalents		57 496	-	57 496
Total current assets		4 390 720	(4 153 547)	237 173
TOTAL ASSETS		46 280 720	51	46 280 771
EQUITY AND LIABILITIES				
Equity				
Share capital		4 222 800	-	4 222 800
Retained earnings (losses)		1 542 909	(1)*	1 542 908
Total equity		5 765 709	-	5 765 708
Non-current liabilities				
Loans received		37 520 665	1	37 520 666
Other non-current liabilities		463 492	-	463 492
Total non-current liabilities		37 984 157	1	37 984 158
Current liabilities				
Trade payables		1 292 012	51	1 292 063
Income tax liabilities		-	1 213	1 213
Advance payments		-	490	490
Employment related liabilities		-	46 155	46 155
Taxes and social insurance contributions		21 278	(21 278)	-
Accrued liabilities		1 190 984	(1 190 984)	-
Other current liabilities		26 580	1 164 404	1 190 984
Total current liabilities		2 530 854	51	2 530 905
TOTAL LIABILITIES		40 515 011	52	40 515 063
TOTAL EQUITY AND LIABILITIES		46 280 720	51	46 280 771

*Due to rounding differences.

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Group's reconciliation of equity as at 31 December 2022

	Notes	Local GAAP	Reclassification and Remeasurements	IFRS as at 31 December 2022
ASSETS				
Non-current assets				
Investment property		63 330 000	-	63 330 000
Prepayments related to investment property		-	2 169 906	2 169 906
Total non-current assets		63 330 000	2 169 906	65 499 906
Current assets				
Trade receivables		45 457	51	45 508
Prepayments		21 401	-	21 401
Other current assets		2 233 318	(2 169 906)	63 412
Cash and cash equivalents		81 900	9	81 909
Total current assets		2 382 076	(2 169 846)	212 230
TOTAL ASSETS		65 712 076	60	65 712 136
EQUITY AND LIABILITIES				
Equity				
Share capital		16 222 800	-	16 222 800
Retained earnings (losses)		(3 437 017)	(1)*	(3 437 018)
Total equity		12 785 783	(1)	12 785 782
Non-current liabilities				
Loans received		48 246 301	1	48 246 302
Total non-current liabilities		48 246 301	1	48 246 302
Current liabilities				
Trade payables		3 840 376	60	3 840 436
Income tax liabilities		-	364	364
Advance payments		-	490	490
Employment related liabilities		-	33 494	33 494
Taxes and social insurance contributions		15 170	(15 170)	-
Accrued liabilities		805 268	(805 268)	-
Other current liabilities		19 178	786 090	805 268
Total current liabilities		4 679 992	60	4 680 052
TOTAL LIABILITIES		52 926 293	59	52 926 354
TOTAL EQUITY AND LIABILITIES		65 712 076	60	65 712 136

*Due to rounding differences.

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Group's reconciliation of total comprehensive income for the year ended 31 December 2022

	Notes	Local GAAPT	Reclassifi- cation	Remeasure ments	IFRS for the year ended 31 December 2022
Rental income/Net sales		71 256	-	-	71 256
Investment property management expenses			(9 016)	-	(9 016)
Changes in fair value of investment property			(1 818 660)	-	(1 818 660)
Cost of services		(34 058)	34 058	-	-
Other operating income		21 440 000	(21 440 000)	-	-
Other operating expenses		(23 258 661)	23 258 661	-	-
Administrative expenses		(575 730)	240 015	-	(335 715)
Operating loss		(2 357 193)	265 058	-	(2 092 135)
Finance expenses		(2 619 911)	(265 058)	-	(2 884 969)
Loss before tax		(4 977 104)	-	-	(4 977 104)
Income tax		(2 822)	-	-	(2 822)
Net loss		(4 979 926)	-	-	(4 979 926)
Other comprehensive income		-	-	-	-
Total comprehensive income		(4 979 926)	-	-	(4 979 926)

There are no differences in equity as at 1 January 2022 and 31 December 2022, as well as total comprehensive income for the year ended 31 December 2022 under IFRS.

In order to present correctly different balance sheet, statement of profit/loss and other comprehensive income items, a reclassification was made as presented above.

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3. Notes**3.1. Property plant and equipment**

	IT equipment	Total
Acquisition cost:		
As at 1 January 2022	-	-
As at 31 December 2022	-	-
Additions	6 932	6 932
As at 31 December 2023	6 932	6 932
Accumulated depreciation:		
As at 1 January 2022	-	-
As at 31 December 2022	-	-
Charge for the year	681	681
As at 31 December 2023	681	681
As at 1 January 2022	-	-
As at 31 December 2022	-	-
As at 31 December 2023	6 251	6 251

At initial recognition, property, plant and equipment are accounted for at the acquisition price. After initial recognition, property, plant and equipment are accounted for using a cost method, with the initial value of property, plant and equipment reduced by accrued depreciation and impairment, if any.

3.2. Investment property

The Group holds one investment property - land and building under development in Riga, Balasta dambis 2. The investment property is measured at fair value based on valuation performed by Newsec.

	31 December 2023	31 December 2022
Opening balance	63 330 000	41 890 000
Capitalized development expenses	16 126 702	23 258 660
Changes in fair value	(6 846 702)	(1 818 660)
Closing balance	72 610 000	63 330 000

To determine the value of a vacant land site, or a site with existing buildings either prepared for redevelopment or under construction (collectively referred to as "the Property"), the residual value method was applied. Residual (DCF) approach is considered to be the most reflective method for the valuation considering confirmed Detail Plan, issued Building permit and approved technical project of the Stage 1 and issued Building permit of Stage 2.

Under this approach, estimated construction costs, development-related expenses, projected operating and sales revenues post-development, as well as a developer's profit margin, were all considered. The valuation reflects a six-year timeline for development and operation, with Stage 1 scheduled for construction in 2024 through the first half of 2025, the Hotel in 2025-2026, Stage 2 in the late 2024 through 2025, Stage 3 in 2026-2027, and Stage 4 in 2027-2028.

According to confirmed Detail Plan potential development of maximum 246 799 sqm on ground Gross Building Area ("GBA") is allowed. According to Technical project (Stage 1) and confirmed Detail Plan (Stage 2 – 4) total planned development volume of 187 307 sqm. hotel / retail / office complex is considered.

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	GBA (SQM), 31 December 2023	GBA (SQM), 31 December 2022	Change (SQM)	Change (%)	Proportion of portfolio (%)
Office - Stage I	26,220	26,220	-	-	14%
Retail - Stage I	8,150	8,150	-	-	4%
Hotel - Stage I	17,083	17,083	-	-	9%
Parking - Stage I	33,530	33,530	-	-	18%
Stage I	84,983	84,983	-	-	45%
Office - Stage II	31,200	31,200	-	-	17%
Parking - Stage II	-	-	-	-	0%
Stage II	31,200	31,200	-	-	17%
Office - Stage III-IV	66,131	66,131	-	-	35%
Parking - Stage III-IV	4,994	4,994	-	-	3%
Stage III-IV	71,124	71,124	-	-	38%
TOTAL	187,307	187,307	-	-	100%

The fair values of the property for each stage at both reporting dates are summarized below:

	Fair value (EUR) 31 December 2023	Fair value (EUR) 31 December 2022	Change (EUR)	Change (%)	Proportion of portfolio (%)
Office, Retail, Parking - Stage 1	37,300,000	35,870,000	1,430,000	4%	51%
Hotel - Stage 1	2,490,000	2,960,000	-470,000	-16%	3%
Office, Parking - Stage 2	11,600,000	8,190,000	3,410,000	42%	16%
Office, Parking - Stage 3	11,370,000	9,420,000	1,950,000	21%	16%
Office, Parking - Stage 4	9,850,000	6,900,000	2,950,000	43%	14%
Total	72,610,000	63,340,000	9,270,000	15%	100%

The increase in values for stages 2-4 is attributed to the rise in market rent rates, as well as a reduction in the discount rate applied to Stage II, following the attainment of its construction permit in 2023.

The table below presents the following for each investment property:

- A description of the valuation techniques applied.
- The inputs used in the fair value measurement.
- Quantitative information about the significant unobservable inputs used in the fair value measurement.

Property	Valuation technique	Key unobservable inputs	Range 31 December 2023	Range 31 December 2022
Preses Nams project development	DCF	Discount rate	16 - 18%	16 - 18%
Riga (Latvia)		Rental growth	2.0 - 2.4%	2.0 - 3.0%
Segment - multifunctional		Long-term vacancy rate	2.0 - 5.0%	2.0 - 5.0%
GBA - 187,307 SQM		Exit yield	5.75% - 7.25%	5.75% - 7.25%
		Average rent	11.0-15.8	11.0-15.0
		Construction cost (EUR/ sqm)	1,700-2,000	1,700-2,000

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Sensitivity on estimates as at 31 December 2023:

	Capitalization rate	Value As at 31 December 2023	Change in cap rate	
			+0.5 cap rate	-0.5 cap rate
Stage 2-4 Office, parking	5.75%	32 820 000	21,130,000 -35.54%	46,740,000 42.32%
Stage 1 Hotel	7.25%	2 490 000	1,150,000 -53.82%	4,020,000 61.45%
Stage 1 Office, Retail, Parking	6.00% - 7.00%	37 300 000	31,230,000 -16.27%	44,450,000 19.17%
Total		72 610 000	53,510,000 -26.30%	95,210,000 31.13%

Sensitivity on estimates as at 31 December 2022:

	Capitalization rate	Value As at 31 December 2022	Change in cap rate	
			+0.5 cap rate	-0.5 cap rate
Stage 2-4 Office, parking	5.75%	24 510 000	13 800 000 -43.73%	37 270 000 52.10%
Stage 1 Hotel	7.25%	2 960 000	1 630 000 -44.93%	4 470 000 51.01%
Stage 1 Office, Retail, Parking	5.75% - 7.00%	35 860 000	29 720 000 -17.12%	43 140 000 20.30%
Total		63 330 000	45 150 000 -28.71%	84 880 000 34.03%

Descriptions and Definitions

The table above outlines key descriptions and definitions of the valuation techniques and unobservable inputs applied in determining the fair values:

Discounted Cash Flows (DCF) Method

The DCF method estimates a property's fair value by projecting a series of cash flows that reflect the benefits and liabilities associated with ownership over the asset's life, including an assumed exit or terminal value. These cash flows are discounted to present value using an appropriate market-derived discount rate. The timing and duration of cash inflows and outflows are influenced by events such as rent reviews, lease renewals, re-letting periods, redevelopment, or refurbishments.

Rental Growth

Rental growth reflects the projected average increase in rental income, based on prevailing market trends and any contractual indexation provisions.

Long-Term Vacancy Rate

The long-term vacancy rate is the percentage of the total rentable area that is expected to remain unoccupied over the extended term.

Discount Rate

The discount rate is applied to the net cash flows generated during the analysis period. It accounts for the time value of money and investment risk associated with the asset

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Exit Yield

The exit yield estimates the resale value of the property at the end of the holding period. It is calculated by dividing the expected annual net operating income by the terminal capitalization rate, which factors in projected income growth.

Construction costs

Construction costs represent the estimated cost per square meter (sqm) of gross buildable area (GBA) for different property types, excluding parking.

Highest and Best Use

For all investment properties measured at fair value, the current use of the property is considered to represent its highest and best use.

Information about the results of the investment property is provided below:

	2023	2022
Rental income	62 431	71 256
Investment property management expenses	(87 331)	(9 016)
Total	(24 900)	(62 240)

The rental income received by the Group in year 2023 and 2022 relates to the initial lease of the investment property. Revenue is not related to the lease of the investment property under construction.

For more details about investment property management expenses please refer to Note 3.12.

The loan received from Matuda UAB (refer to Note 3.8. for more details) has been successfully refinanced by a new loan received from Preses Nams UAB (both of the companies are ultimately controlled by the Group's parent Lords LB Special Fund V, managed by Lords LB Asset Management UAB) in May 2024. With the expected continued success of additional funds to be raised externally by Preses Nams UAB and provided as a loan to the Group in Q4 2024, the Group plans to resume development with full scale pace in late Q4 2024/early Q1 2025 to finalize the 1st stage of the construction project in Q4 2025/Q1 2026. Macroeconomic and geopolitical situation requires more input from the Management regarding the clarity of project development path prior to initiating specific additional construction activities.

Currently, it is planned that the 2nd stage construction of 31 000 sqm of buildable area for the office and school complex, for which the building permit was received in June 2023, will start when anchor tenants will be found. The work on the 3rd stage development of 65 000 sqm of buildable area is currently in the concept stage, looking for the most appropriate development scheme, which would complement other already designed stages. The construction of the hotel building, for which the building permit was received in year 2020, is still on hold due to decreased appetite of financial institutions for hospitality object financing. The Group's Management is actively looking to attract possible tenants and long-term financing to the further stages of the development. The fair value estimate of the investment property reflects the Management's and the independent qualified valuer's best estimate regarding the timing when the above uncertainties are expected to be resolved.

3.3. Trade receivables

	31 December 2023	31 December 2022	1 January 2022
Receivables from third-party customers	66 696	45 508	52 222
Total	66 696	45 508	52 222

Trade receivables consist of receivables from customers on the basis of invoices issued (rent, utility costs, etc.). The Group conducts transactions with low credit risk customers, therefore, due to immateriality, expected credit loss is not presented separately.

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Ageing of trade receivables

	Total	Not overdue	1 - 30 days	31 - 90 days	91 - 180 days	More than 181 days	Expected credit loss
31 December 2021	52 222	52 222	-	-	-	-	-
31 December 2022	45 508	400	10 865	34 243	-	-	-
31 December 2023	66 696	45 803	-	-	-	20 893	-

3.4. Prepayments

	31 December 2023	31 December 2022	1 January 2022
Prepayments related to investment property	5 296 755	2 169 906	4 153 598
Prepaid insurance expenses	41 118	21 401	57 664
Total	5 337 873	2 191 307	4 211 262

Prepayments related to investment property contain advances paid to general contractor and subcontractors for construction works to be performed in investment property which are planned to be realized in year 2024 and 2025, when the amounts will be capitalized as investment property development expenses.

3.5. Other current assets

	31 December 2023	31 December 2022	1 January 2022
Tax receivables	52 199	53 551	69 791
Accrued income	-	9 861	-
Total	52 199	63 412	69 791

3.6. Cash and cash equivalents

	31 December 2023	31 December 2022	1 January 2022
Cash at banks	30 972	81 798	55 530
Short-term deposits	-	111	1 966
Total	30 972	81 909	57 496

The fair value of cash and cash equivalents is approximately equal to their carrying amount.

The credit risk associated with bank balances is limited as the Group conducts transactions with the bank with high long-term debt ratings issued by foreign rating agencies, therefore, due to immateriality, expected credit loss is not presented separately. Bank ratings are presented below:

	Moody's	Standard & Poor's
Citadele banka AS	Baa2	BBB

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3.7. Share capital

	31 December 2023	31 December 2022	1 January 2022
Authorised share capital fully paid	33 222 800	16 222 800	4 222 800
Total	33 222 800	16 222 800	4 222 800

As at 31 December 2023, the paid up share capital is equal to EUR 33 222 800 (as at 31 December 2022 - EUR 16 222 800, as at 1 January 2022 – 4 222 800) and was comprised of 33 222 800 ordinary intangible shares with a nominal value of EUR 1. During the financial year ended, the authorized share capital was increased by the issue of 17 000 000 ordinary shares with the nominal value of EUR 1 which were settled with the payable loan balance to the shareholder (2022 – 12 000 000 ordinary shares with the nominal value of EUR 1 which were settled with the payable loan balance to the shareholder).

The table below shows the values of the shares issued by the Group as at 31 December 2023 and 31 December 2022:

	31 December 2023	31 December 2022
Opening balance	16 222 800	4 222 800
Shares issued	17 000 000	12 000 000
Closing balance	33 222 800	16 222 800

3.8. Loans received

Details of loans received:

	Interest rate	Maturity date	31 December 2023	31 December 2022	1 January 2022
Lords LB Special Fund V	4,87%	2026-05-13	13 785 393	29 621 622	37 520 666
Lords LB Special Fund V	3,66%	2026-05-13	9 865 795	6 211 472	-
Preses Nams UAB	10,00%	2025-11-13	1 723 312	-	-
Matuda UAB	9,32% (2022: 7,42%)	2024-04-26	20 094 463	12 413 208	-
Total			25 374 500	48 246 302	37 520 666

The table below shows the movement of loans during year 2023 and their balance as at 31 December 2023:

	Balance at the beginning of the year	Reclassifi- cation	Loans received	Loans repaid	Accrued interest expenses	Interest paid	Balance at the end of the year
Matuda UAB	12 413 208	12 413 208	7 574 000	(88 107)	1 232 255	(1 036 893)	20 094 463
Lords LB Special Fund V	29 621 622	-	-	(17 000 000)*	1 163 771	-	13 785 393
Lords LB Special Fund V	6 211 472	-	3 353 000	-	301 323	-	9 865 795
Preses Nams UAB	-	-	1 700 000	-	23 312	-	1 723 312
Total	48 246 302	-	12 627 000	(17 088 107)	2 720 661	(1 036 893)	45 468 963

The table below shows the movement of loans during year 2022 and their balance as at 31 December 2022:

	Balance at the beginning of the year	Reclassifi- cation	Loans received	Loans repaid	Accrued interest expenses	Interest paid	Balance at the end of the year
Lords LB Special Fund V	37 520 666	-	2 355 000	(12 000 000)*	1 755 956	(10 000)	29 621 622
Lords LB Special Fund V	-	-	6 087 500	-	123 972	-	6 211 472
Matuda UAB	-	-	12 330 000	(85 877)	484 208	(315 123)	12 413 208
Total	37 520 666	-	20 772 500	(12 085 877)	2 364 136	(325 123)	48 246 302

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*In the tables above, the amounts of loans repaid to the Group's shareholder Lords LB Special Fund V include settlements for the share capital increase as described in note 3.7.

3.9. Other non-current liabilities

	31 December 2023	31 December 2022	1 January 2022
Long term amounts payable to suppliers and contractors	1 471 309	-	463 492
Total	1 471 309	-	463 492

As at 31 December 2023, other non-current liabilities consist of long-term withholdings for performance guarantee in accordance with the agreement between the general contractor and subcontractors (as at 1 January 2022 - long-term payables to suppliers and contractors). The withholding amounts shall be settled once the 1st stage of the development shall be finished, which is expected to take place in Q4 2025/Q1 2026.

3.10. Trade payables

	31 December 2023	31 December 2022	1 January 2022
Trade payables to new general contractor	7 291 048	-	-
Trade payables to old general contractor	2 770 005	2 032 720	1 041 571
Other trade payables	1 158 322	1 807 716	250 492
Total	11 219 375	3 840 436	1 292 063

As of 31 December, sister company Preses Nams UAB had only issued EUR 1,7M of bonds and lent to the Group. Hence as of date of these financial statements, the Group did not have enough cash flows to cover its liabilities to new general contractor. As of today, Preses Nams UAB has already issued and lent to the Group around EUR 25M which were partly used to refinance the loan from Matuda UAB (see also Note 3.8.) and also cover some of the Group's liabilities to the new general contractor. As the amount was still not enough, the Group plans to issue public bonds in Latvia in order to cover its liabilities to the contractors and continue the development of the 1st stage (see also Note 3.18.).

3.11. Other current liabilities

Other current liabilities include accrued expenses presented below:

	31 December 2023	31 December 2022	1 January 2022
Accrued default interest payments (see Note 3.19.)	474 527	-	-
Court expenses	54 564	-	-
Public utilities	20 003	19 870	21 286
Remuneration expenses	6 153	-	-
Professional expenses	4 550	7 150	40 685
Other accrued expenses	119 592	53 327	97 484
Investment property development expenses	-	724 921	1 031 529
Total	679 389	805 268	1 190 984

3.12. Investment property management expenses

	2023	2022
Utilities	69 932	-
Insurance expenses	675	300
Other investment property management expenses	16 724	8 716
Total	87 331	9 016

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3.13. Administrative expenses

	2023	2022
Wages and employment related taxes	48 467	63 832
Professional services	46 892	37 748
Legal services	37 623	23 619
Audit services	19 506	7 150
Personal sustainability expenses	17 468	11 000
Other administrative expenses	45 062	192 366
Total	215 018	335 715

The decrease of other administrative expenses in year 2023 is due to decrease of bank commissions.

3.14. Finance expenses

	2023	2022
Interest expenses on loans from related parties	2 720 661	2 364 136
Commitment fee for future loan from a credit institution	507 639	520 833
Total	3 228 300	2 884 969

3.15. Income tax

The main components of income tax expense as at 31 December 2023 and 31 December 2022 are presented in the table below:

	2023	2022
Income tax expenses	3 375	2 822
Total	3 375	2 822

Reconciliation of taxes and financial profit:

	2023	2022
Loss before tax	(10 314 920)	(4 977 104)
Income tax (expense) calculated at a statutory rate	(2 578 730)	(1 244 276)
Deferred tax for accumulated losses recognized at nil amount	2 578 730	1 244 276
Tax effect on non-deductible representation and personnel sustainability expenses	3 050	2 148
Tax effect on other non-business expenses	325	547
Previous reporting periods income tax corrections	-	127
Total income tax expenses	3 375	2 822

3.16. Transactions with related parties**Management's remuneration and other benefits**

	31 December 2023	31 December 2022
Number of managers at the end of the year	1	1
Average number of managers during the year	1	1
Salaries paid to managers	60 693	54 496

There were no other payments to managers.

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Transactions with Group companies

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

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

	Income	Costs – interest expenses	Receivables	Loans and interest payables
Lords LB Special Fund V	-	1 465 094	-	23 651 188
Matuda UAB	-	1 232 255	-	20 094 463
Preses Nams UAB	-	23 312	-	1 723 312
Total	-	2 720 661	-	45 468 963

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

	Income	Costs – interest expenses	Receivables	Loans and interest payables
Lords LB Special Fund V	-	1 879 928	-	35 833 094
Matuda UAB	-	484 208	-	12 413 208
Total	-	2 364 136	-	48 246 302

3.17. Contingent assets and liabilities

After the Group terminated the construction agreement with its general contractor responsible for the 1st stage development of the Preses Nama Kvartāls, on 1 December 2022 the Group submitted three payment requests to SEB banka AS:

1. Payment request for the amount of EUR 7 685 251 pursuant to the Performance Guarantee meant, and
2. Two payment requests for the total amount of EUR 2 113 444 pursuant to two Advance Payment Guarantees.

However, on 12 December 2022, the Latvian court placed temporary protective measures stopping the payment and on 22 December 2023 seized the payment and ordered for it to be paid directly to the bailiff account due to the ongoing litigation process. The Group was not a party to the initial cash transfer between SEB banka AS and the bailiff, and it is not expected to be a party to the cash transfer from the bailiff to the SEB banka AS and/or previous general contractor. Therefore, amounts directly related to the performance and advance payment guarantees as stated above are not recognized in the Group's balance sheet (see also Note 3.19.).

3.18. Going concern

The Group does not earn income independently as it is developing a multifunctional real estate centre on its controlled land plot in Balasta Dambis 2, Riga, Latvia. In year 2022, the Group terminated the construction agreement with its general contractor responsible for the 1st stage development of its investment property. The termination of the agreement was settled in arbitrage (see also Note 3.19.). Further, in year 2023, the Group signed a new construction agreement with a new general contractor to finish the 1st stage of the development, however, the contract with this new general contractor has been terminated in October 2024. The Group is conducting a tender for a new general contractor as well considering the option to finalize the construction by itself. However, the Group still plans to resume the construction in late 2024 and complete the 1st stage of the project in late 2025/early 2026 (see also Note 3.19.). The Group highlights that after the planned completion of the 1st stage of the development project, the Group is expected to start independently generating rental income and positive net cash flows from operations supporting the Group's going concern going forward.

As at 31 December 2023, the Group had a working capital deficit equal to EUR 31 599 710 of which EUR 20 094 463 was the loan received from Matuda UAB with the maturity of 26 April 2024, including accrued interest. The successful attraction of a new loan from Preses Nams UAB, as described in Note 3.8., (both companies are ultimately controlled by the Group's parent Lords LB Special Fund V, managed by Lords LB Asset Management UAB) ensured partial refinancing of the loan received from Matuda UAB and also cover some of the Group's liabilities to the new general contractor. The remaining majority of the amounts payable are to the Group's

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suppliers for the construction works performed in the 1st stage development (see also Note 3.10.), which remain outstanding as at the date of these consolidated financial statements sign-off.

Respectively, when preparing these consolidated financial statements, the Group's management assessed all known facts that may affect the Group's ability to continue business, both already recorded and/or disclosed in the consolidated financial statements and likely in the future. As a result, these consolidated financial statements for the year ended 31 December 2023 have been prepared assuming that the Group will continue its operation. The assessment of business continuity was based and is directly dependent on the assumption, that in Q4 2024, the Group will successfully issue EUR 75M public bond emission in Latvia, which will allow for the Group to refinance its existing loans from sister companies UAB Matuda and UAB Preses Nams, settle its outstanding liabilities towards suppliers, attract a new general contractor and resume the development of 1st stage in late Q4 2024/early Q1 2025. At the date of these consolidated financial statements sign-off, the Group does not have a written confirmed commitment from the potential bond investors and/or a new general contractor. However, in the assessment, the Group's management firmly believes, that the Group will successfully attract the required financing through public bond emission, due to:

- The sister company of the Group in Lithuania Preses Nams UAB has already successfully attracted EUR 27M in May 2024, which was invested in the development project. Therefore, the investors believe in the Group's ability to develop the real estate and successfully meet its obligations.
- The previous bond emissions were carried out in Lithuania. The management of the Group believes that the Group shall have even more success in issuing bonds in Latvia since the project developed by the Group is a key project of this type in Riga, so the Group's management is optimistic about attracting the rest of the required external financing.
- The bonds will be issued publicly, which will allow for the Group to reach even broader range of potential investors, including institutional and private investors.

Taking into account the information currently available and the actions taken and planned by the Management, as described above, the Group expects to continue operations as a going concern. However, the management cannot rule out the possibility that the geopolitical situation or a negative impact on the business environment in which the Group operates could adversely affect the Group, its financial position and performance in the short and medium term, including the estimated fair value of its investment property, the Group's ability to attract the required external financing and a new general contractor to resume the development of and complete the 1st stage development within the planned timeframe, which presents a material uncertainty in relation to the Group's ability to continue as a going concern. This conclusion is, however, based on the information available as at the date of these consolidated financial statements and future developments in the business environment may have a different impact on the future operations of the Group. The Management continues to monitor the situation closely and take the necessary steps to mitigate, to the extent possible, the effects of new events and circumstances.

Respectively, these consolidated financial statements have been prepared on the basis that the Group will continue as a going concern, and do not include any adjustments that might be necessary if the going concern assumption would not be applicable.

3.19. Subsequent events

As described in Note 3.8 of the consolidated financial statements, as at 31 December 2023 the Group had an outstanding loan received from its related party Matuda UAB, which amounted to EUR 19 730 017, and accrued interest expense, which amounted to EUR 364 446 EUR. Total amount outstanding payable to Matuda UAB as at 31 December 2023 was EUR 20 094 463. In May 2024, the Group received additional loan from Preses Nams UAB, which was used to refinance the loan to the related party Matuda UAB. As at the date of these financial statements sign-off, the loan from Matuda UAB is fully repaid.

On 17 June 2024, the Group received the Arbitral Tribunal's final award in the legal dispute on the termination of the construction agreement with its general contractor responsible for the 1st stage development of the Preses Nama Kwartāls – the property owned by the Group. The tribunal ruled that neither dispute party correctly terminated the contract and, thus, neither dispute party is entitled to contractual penalty, likewise both parties need to cover their legal expenses. Respectively, the Group has to pay to the general contractor for the invoices related to construction services rendered from August 2022 to January 2023 and the aggregated interests for the delayed payment less the advance payment made by the Group to the general contractor, as well as default interest for called bank guarantees, to which the Group did not have the rights.

On 1 March 2024, the Group has received short-term loan from Attexo OU for the amount of EUR 377 000. The interest rate is fixed. The redemption date was on 15 March 2024, however it was agreed with the lender to extend the redemption date and continue to

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calculate the loan interests without charging default interests. The extension of the loan agreement is being negotiated with the lender at the date of signing these financial statements.

On 8 July 2024 the new general contractor commenced arbitration against the Group in order to claim from the Group:

- EUR 4 502 608,43 as a debt for construction works performed up to the date of the claim.
- EUR 272 538,85 as delay interest on amount of debt up to the date of his request, as well interest on the amount of the debt until the date of the award rate of 0,02 % per day.
- Statutory interest in accordance with applicable law on the amount awarded from date the of award to the date of full payment of the amounts awarded.
- Costs of this arbitration and reimburse all arbitration and legal costs incurred by the new general contractor in this arbitration, including on costs.

The Group agrees with the amounts payable to the new general contractor and plans to settle the amounts due by issuing public bonds as described in these financial statements. At the date of these financial statements, the arbitration is not yet settled. Further, on 31 October 2024, the construction agreement with the new general contractor has been terminated by mutual agreement between the parties without the dispute, and the Group is conducting a tender to find a new general contractor best suited for the Group's needs and financial situation and is also considering the option to finalize the construction of the 1st stage development by itself. Nevertheless, the Group does not expect any changes in its plans and plans to proceed with issuing of public bonds in Q4 2024 as well as resume the construction as stated in these consolidated financial statements (see also Note 3.18.).

On 11 July 2024, the Arbitral Tribunal's decision was submitted to the Latvian Riga City Court and the hearing took place on 16 October 2024. The Latvian court officially legalized the Arbitral Tribunal's decision in Latvia meaning that:

- The called-out guarantees (see Note 3.17) shall be returned from Bailiff account directly to general contractor.
- The Group is due EUR 2,4M (of which EUR 1,1M recognized as at 31 December 2023, with the remaining amount reflecting the contractual and default interest in year 2024 up to the decision date) to the general contractor according to the Arbitrage decision.

The Group plans to settle the amount due by issuing public bonds in Latvia as described in Note 3.18.

There were no other significant events after the reporting period.

These reports have been electronically signed by:

Chairman of the Board

Member of the Board

*Povilas Urbonavičius**Igors Danilovs*