JOINT STOCK COMPANY PN PROJECT

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024,
PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION

Content

(all amounts presented in EUR unless otherwise indicated)

General information

Name of the parent company	PN PROJECT
Legal status of the parent company	JOINT STOCK COMPANY
Unified registration number, place and date of registration	40203063602 Riga, 18 April 2017
Registered office	Republikas laukums 2A Riga, Latvia, LV – 1010
Shareholder	Lords LB Special Fund V, managed by UAB LORDS LB ASSET MANAGEMENT - 100% Reg. No. I052 Jogailos g. 4, Vilnius 01116 Lithuania
Members of the Board	Giedrius Bernotas, Chairman of the Board (from 14.08.2023 till 16.09.2024) Kirilas Kundušas, Member of the Board (from 08.09.2022 till 16.09.2024) Povilas Urbonavičius, Member of the Board (from 17.09.2024) Igors Daņilovs, Member of the Board (from 17.09.2024)
Members of the Council	Aivaras Abromavičius, Chairperson of the Council (from 23.05.2018 till 14.08.2024) Tomas Kučinskas, Deputy chairperson of the Council (from 23.05.2018 till 14.08.2024) Adomas Kacevkas, Member of the Council (from 26.10.2022 till 14.08.2024) Mindaugas Marcinkevičius, Member of the Council (from 15.08.2024) Edvinas Ruzgas, Member of the Council (from 20.03.2019 till 14.08.2024) Tomas Krakauskas, Member of the Council (from 23.05.2018 till 03.04.2024) Marius Žemaitis, Member of the Council (from 15.08.2024) Andrius Stonkus, Member of the Council (from 15.08.2024)
Subsidiary company	PN MANAGEMENT SIA (100%) 40203109325
Financial year	1 January 2024 - 31 December 2024
Name and address of the outsourced accounting services provider	Ernst & Young Baltic SIA Reg. no. 40003593454 Licence No AGL0000476 Muitas iela 1a, Riga Latvia, LV - 1010
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA Commercial Company of Certified Auditors License No. 5 Marijas street 2A, Riga Latvia, LV - 1050 Certified auditor in charge: Jegors Podosiņņikovs Certificate No. 238

Consolidated management report

The parent company of the Group PN Project AS (hereinafter – the Company) was registered on 18 April 2017. The primary activities of the Group are development and maintenance of real estate.

During the reporting year the Group managed building in Riga, Balasta dambis 2. In 2024 the Group's parent company PN Project AS ended the previous general contractor agreement, as it intends to finish the construction with the newly established general contractor company, a related company inside Lords LB Special Fund V group of companies.

Net sales of the Group during the reporting year amounted to EUR 84 979. The financial result for the reporting year is a loss of EUR 21 573 774.

FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks, including credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk is a risk that customers do not meet their payment obligations to the Group. The Group is minimizing the risk by performing appropriate analysis of the customer creditworthiness prior to entering into the rent agreement and receiving a guarantee deposit if needed, as well as monitoring repayment of the debts.

Liquidity risk

The Group pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. To minimize the liquidity risk the term analysis of assets and liabilities is performed and, if necessary, resources from related companies are attracted. As at 31 December 2024 the Group's current liabilities (EUR 38 515 388) exceeded current assets (EUR 430 246) by EUR 38 085 142. The majority of current liabilities consisted of short-term loans received from related parties (see Note 3.9.) and trade payables to contractors for the project in development, as well as to related parties. In May 2024 the Group received additional loan from Preses Nams UAB, which amounted to EUR 23 750 462 and which was used to partially repay the loan and accrued interests to the related party Matuda UAB in the amount of EUR 18 765 550 and to pay for certain invoices received for the investment property under development by the Group. Respectively, the Group's liquidity in 2025 will be ensured by additional credit resources by issuing public bonds in order to ensure the successful continued development of the project. For more information about the public bonds issue please refer to Note 3.20. and Note 3.21. of the consolidated financial statements. Thus, the management of the Group believes that the Group is not exposed to significant liquidity risk.

Interest rate risk

The loans of the Group carry a fixed interest rate. The management of the Group does not perform any specific measures for mitigating this risk.

Going concern

The Group does not earn income independently during the building development and construction period. The Group is developing a multifunctional real estate center on its controlled land plot in Balasta Dambis 2. The Group highlights that after the planned completion of the 1st stage development in 2026, the Group is expected to start independently generating rental income and positive net cash flows from operations supporting its going concern going forward.

The building development activities are financed by the funds received from the shareholder and/or its controlled entities considering the course of the project and the need of working capital to finance the construction activities. The Group's shareholder Lords LB Special Fund V, managed by Lords LB Asset Management UAB, has long-term plans for the Group and intends to support its liquidity by raising additional external financing itself or via its other controlled SPVs.

(all amounts presented in EUR unless otherwise indicated)

Consolidated management report (continued)

As at 31 December 2024 the Group had a working capital deficit of EUR 38 085 142, of which EUR 28 230 130 was the loan received from Preses Nams UAB with the maturity of 13 November 2025. The successful refinancing of the loan received from Matuda UAB by a new loan received from Preses Nams UAB (both of the companies are ultimately controlled by the Group's shareholder Lords LB Special Fund V, managed by Lords LB Asset Management UAB) partially ensured the continuity of the current 1st stage of development with increased development pace planned to resume to full scale in June 2025.

Settlement of the outstanding liabilities and the further development and finalization of the 1st stage of the construction successfully and within the planned timeframe is highly dependent on the attraction of additional external financing by the Group's shareholder. While at the date of these financial statements sign-off, the Group, its shareholder and its other controlled SPVs do not have a written confirmed commitment from the potential investors, the Group's shareholder has prepared a forecast regarding the needs of additional cash inflows to settle the outstanding liabilities and proceed with the construction and development and a corresponding plan when additional funds would be attracted. Based on the recent experience in raising additional funds via Preses Nams UAB during April-May 2024, the management is optimistic in its ability to obtain additional financing as and when necessary to complete the 1st stage of the construction project.

The assessment of business continuity was based and is directly dependent on the assumption, that in 2025, the Group will successfully issue public bonds in Latvia, which together with attracting new equity from parent fund investors will allow for the Group to refinance its existing loans from related companies Matuda UAB and Preses Nams UAB, settle its outstanding liabilities towards suppliers and resume the development of the 1st stage in Q2 2025. For more information about the public bonds issue please refer to Note 3.20. and Note 3.21. of the consolidated financial statements.

Taking into account the information currently available and the actions taken by the management, the Group expects to continue operations as a going concern. As such, these 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.

However, the success of the management actions to address the uncertainties outlined above is directly dependent on the ability to attract sufficient additional financing to proceed with the development.

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 and the Group's ability to complete the 1st stage development, 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 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.

This report is signed with a secure electronic signature and contains a time stamp

Chairman of the Board	*Povilas Urbonavičius*
Member of the Board	*Igors Danilovs*

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2024	2023 (Restated) *
Rental income		84 979	62 431
Investment property management expenses	3.13.	(100 862)	(87 331)
Changes in fair value of investment property	3.2.	(15 873 423)	(6 337 565) *
Administrative expenses	3.14.	(2 381 095)	(724 155) *
Operating loss		**(18 270 401)**	**(7 086 620)**
Finance expenses	3.15.	(3 303 227)	(3 228 300)
Loss before tax		**(21 573 628)**	**(10 314 920)**
Income tax	3.16.	(146)	(3 375)
Net loss		**(21 573 774)**	**(10 318 295)**
Other comprehensive income		-	-
Total comprehensive loss		**(21 573 774)**	**(10 318 295)**

* Restatements are explained in Note 3.18.

The following notes on pages from 15 to 35 form an integral part of these financial statements.

This report is signed with a secure electronic signature and contains a time stamp
Chairman of the Board *Povilas Urbonavičius*
Member of the Board *Igors Danilovs*

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Financial Position

	Notes	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	3.1.	4 821	6 251
Investment property	3.2.	62 962 491	72 610 000
Prepayments related to investment property	3.5.	624 258	5 296 755
Total non-current assets		**63 591 570**	**77 913 006**
Current assets			
Inventory	3.3.	280 921	280 921
Trade receivables	3.4.	66 939	66 696
Prepayments	3.5.	14 482	41 118
Other current assets	3.6.	49 805	52 199
Cash and cash equivalents	3.7.	18 099	30 972
Total current assets		**430 246**	**471 906**
TOTAL ASSETS		**64 021 816**	**78 384 912**

The following notes on pages from 15 to 35 form an integral part of these financial statements.

This report is signed with a secure electronic signature and contains a time stamp

Chairman of the Board	*Povilas Urbonavičius*
Member of the Board	*Igors Danilovs*

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Financial Position (continued)

	Notes	31 December 2024	31 December 2023
EQUITY AND LIABILITIES			
Equity			
Share capital	3.8.	51 507 800	33 222 800
Accumulated losses		(35 329 087)	(13 755 313)
Total equity		**16 178 713**	**19 467 487**
Non-current liabilities			
Loans received	3.9.	7 856 406	25 374 500
Other non-current liabilities	3.10.	1 471 309	1 471 309
Total non-current liabilities		**9 327 715**	**26 845 809**
Current liabilities			
Trade payables	3.11.	10 054 986	11 219 375
Income tax liabilities		-	2 022
Loans received	3.9.	28 230 130	20 094 463
Advance payments		55 744	47 674
Employment related liabilities		-	28 693
Other current liabilities	3.12.	174 528	679 389
Total current liabilities		**38 515 388**	**32 071 616**
TOTAL LIABILITIES		**47 843 103**	**58 917 425**
TOTAL EQUITY AND LIABILITIES		**64 021 816**	**78 384 912**

The following notes on pages from 15 to 35 form an integral part of these financial statements.

This report is signed with a secure electronic signature and contains a time stamp

Chairman of the Board *Povilas Urbonavičius*
Member of the Board *Igors Danilovs*

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Changes in Equity

	Share capital	Accumulated losses	Total
Balance as at 31 December 2022	**16 222 800**	**(3 437 018)**	**12 785 782**
Net loss	-	(10 318 295)	**(10 318 295)**
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**
Net loss	-	(21 573 774)	**(21 573 774)**
Transactions with owners	**18 285 000**	**-**	**18 285 000**
Shares issued *	18 285 000	-	**18 285 000**
Balance as at 31 December 2024	**51 507 800**	**(35 329 087)**	**16 178 713**

* Information about the shares issued is explained in Note 3.8. and Note 3.9.

The following notes on pages from 15 to 35 form an integral part of these financial statements.

This report is signed with a secure electronic signature and contains a time stamp

Chairman of the Board	*Povilas Urbonavičius*
Member of the Board	*Igors Danilovs*

(all amounts presented in EUR unless otherwise indicated)

Consolidated Statement of Cash Flows

	Notes	2024	2023 (Restated) *
Loss before tax		**(21 573 628)**	**(10 314 920) ***
Adjustments for:			
Finance expenses	3.15.	3 303 227	3 228 300
Depreciation of property, plant and equipment	3.1.	2 619	681
Decrease in fair value of investment property	3.2.	16 225 914	6 337 565 *
Operating cash flows before working capital adjustments		**(2 041 868)**	**(748 374) ***
Increase in inventories	3.3.	-	(280 921)
Decrease / (increase) in trade and other receivables	3.4. – 3.6.	4 701 284	(3 156 541)
(Decrease) / increase in trade and other payables	3.9. – 3.11.	(1 689 873)	17 120
Operating cash flows after working capital adjustments		**969 543**	**(4 168 716) ***
Income taxes paid		(2 168)	(3 375) *
Net cash flows generated from / (used in) operating activities		**967 375**	**(4 172 091) ***
Additions to investment property	3.2.	(6 578 405)	(7 373 914) *
Purchase of property, plant and equipment	3.1.	(1 189)	(6 932)
Net cash flows used in investment activities		**(6 579 594)**	**(7 380 846) ***
Interest paid	3.9.	(165 870)	(1 036 893)
Loans received	3.9.	6 539 726	12 627 000
Loans repaid	3.9.	(774 510)	(88 107)
Net cash flows generated from financing activities		**5 599 346**	**11 502 000**
Net change in cash and cash equivalents		**(12 873)**	**(50 937)**
Cash and cash equivalents at the beginning of the year		**30 972**	**81 909**
Cash and cash equivalents at the end of the year		**18 099**	**30 972**

* Restatements are explained in Note 3.18.

The following notes on pages from 15 to 35 form an integral part of these financial statements.

This report is signed with a secure electronic signature and contains a time stamp

Chairman of the Board	*Povilas Urbonavičius*
Member of the Board	*Igors Danilovs*

Notes to the Consolidated Financial Statements

1. General information

The parent company of the Group is PN Project AS (hereinafter – the Parent company), it 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 Parent company changed its legal form to Joint Stock Company. The registered address of the Parent 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 UAB, legal address is Jogailos g. 4, Vilnius, LT - 01116, Lithuania. Lords LB Special Fund V as an investment entity does not prepare the 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 2024 the paid share capital of the Group is EUR 51 507 800 (2023 - EUR 33 222 800). Share capital consists of 51 507 800 (2023 - 33 222 800) ordinary shares with a nominal value of EUR 1 per share.

As at 31 December 2024 and 2023 the Group controlled the following subsidiary:

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 2024 the Group had 4 employees (2023 – 5 employees).

The audit of the Group is carried out by PricewaterhouseCoopers SIA, company code 40003142793, registered office at Marijas street 2A, Riga LV - 1050, Latvia, operating under licence No. 5 issued by the Latvian Association of Sworn Auditors. The certified auditor in charge is Jegors Podosiņņikovs, certificate No. 238.

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. The accounting principles have been consistently applied, except for the changes in accounting policies described in Note 2.13.

2.1. Basis for preparation

Consolidated financial statements of the Group were prepared in accordance with 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.

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 European Central Bank 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 statement of profit or loss. 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 entity (subsidiary) 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 subsidiary 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 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 Preses Nams UAB, the Group is exposed to interest rate risk in the short-term from the repricing of liabilities. If the Preses Nams UAB loan, that matures on 13 November 2025, would be refinanced on the maturity date with an increased interest rate by 2%, till 31 December 2025 the Group’s profit or loss and equity would decrease by EUR 71 991, and if the interest rate would be decreased by 2%, the Group’s profit or loss and equity would increase by EUR 71 985.

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 predict and plan the use of funds; and
- Identification of future financing needs, including new financing opportunities.

(all amounts presented in EUR unless otherwise indicated)

2.3. Financial risk management (continued)

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

31 December 2024

		Cash flows				
	Carrying amount	**Total**	**Up to 1 year**	**In 1 - 2 years**	**In 2 - 5 years**	**After 5 years**
Interest-bearing loans and liabilities	36 086 536	39 185 584	31 301 510	7 884 074	-	-
Trade payables	10 054 986	10 054 986	10 054 986	-	-	-
	46 141 522	**49 240 570**	**41 356 496**	**7 884 074**	**-**	**-**

31 December 2023

		Cash flows				
	Carrying amount	**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	-	-	-
	56 688 338	**59 276 341**	**31 911 460**	**2 045 839**	**25 319 042**	**-**

The information on the Group's cash at bank is presented in Note 3.7. and amounts receivable from contracts with customers in Note 3.4.

The Group does not have any unused credit lines. The information on the going concern consideration for the Group is presented in Note 3.20.

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.

2.4. Income tax (continued)

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, determined by an independent appraiser on annual basis. Gains or losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Investment property development expenses are capitalized and includes expenditure that is directly attributable to the acquisition of the investment property. Development expenses of investment property comprise of the cost for 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. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

The Group discloses the carrying amount of inventories, the amount of any write-downs recognized as an expense during the period, and the circumstances or events that led to the write-downs.

2.8. Financial assets

Financial assets are classified into the following category: financial asset measured at amortised cost (loans and trade receivables).

Subsequent to initial recognition, financial assets are classified into the afore-mentioned category 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.

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 their fair value. In the case of a financial asset at amortised cost, 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 incur as a result of entering 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, trade receivables are classified as current assets. Otherwise, these amounts are classified as non-current assets.

After initial recognition at fair value, trade receivables are measured at amortized cost using the effective interest method, reduced by impairment losses. Trade receivables with a maturity of less than 12 months from the date of recognition (i.e. without a financing element) that are not discounted 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.

2.8. Financial assets (continued)

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).

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.

2.9. 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 using the effective interest method 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.

(all amounts presented in EUR unless otherwise indicated)

2.9. Financial liabilities (continued)

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.

2.10. 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.

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

The Group measures investment property at fair value. After initial recognition, 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 2024 is presented in the table below:

	Carrying amount	Fair value
Financial assets not measured at fair value		
Trade receivables	66 939	66 939
Cash and cash equivalents	18 099	18 099
	85 038	**85 038**
Financial liabilities not measured at fair value		
Loans received	36 086 536	35 142 791
Trade payables	10 054 986	10 054 986
	46 141 522	**45 197 777**

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
Cash and cash equivalents	30 972	30 972
	97 668	**97 668**
Financial liabilities not measured at fair value		
Loans received	45 468 963	41 656 234
Trade payables	11 219 375	11 219 375
	56 688 338	**52 875 609**

2.11. Methods and assumptions of fair value of asset and liability estimates (continued)

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.

As at 31 December 2024 and 31 December 2023 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, which is classified as Level 1 in the fair value hierarchy due to its observable market prices in active markets for identical assets.

The fair value of investment properties is determined according to the data provided by an independent property appraiser entitled to perform the valuation and is typically classified as Level 3 in the fair value hierarchy, as it relies on unobservable inputs and assumptions in the absence of active market data.

2.12. Significant accounting estimates and judgements

The preparation of financial statements under IFRS Accounting Standards requires Group's 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 fair value of the investment property. 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 previous 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.

With respect to arbitration regarding new general contractor's claim for debts related to executed construction works, as at 31 December 2024 the Group has recognized a payable amount of EUR 5 330 469, which, as at the signing date of these financial statements, was increased to EUR 6 327 818 and fully paid. For more information please refer to Note 3.21.

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 year 2025 and year 2026, and has already initiated certain steps to ensure the Group's ability to continue as a going concern. Additional details on the going concern assessment are provided in Note 3.20.

(all amounts presented in EUR unless otherwise indicated)

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

New standards, amendments to standards and interpretations that are effective for periods beginning on or after 1 January 2024

The Group has assessed that there are no amendments to standards and interpretations that are effective from 2024 that would have a material impact on the Group's consolidated financial statements. The Group does not have any leaseback transactions, supplier financing agreements or long-term liabilities.

New and amended standards and interpretations that the Group must apply for reporting periods beginning on or after 1 January 2025

The Group has assessed that the new and amended standards and interpretations will not have a material impact on the Group's consolidated financial statements and the Group has not adopted these standards, amendments and interpretations earlier than their effective date.

Standards, interpretations and amendments not yet adopted by the European Union

The Group believes that the standards, interpretations and amendments not yet adopted will not have a significant impact on the Group's consolidated financial statements and the Group has not early adopted such standards.

3. Notes

3.1. Property plant and equipment

	IT equipment	Total
Acquisition cost:		
As at 31 December 2022	**-**	**-**
Additions	6 932	6 932
As at 31 December 2023	**6 932**	**6 932**
Additions	1 189	1 189
As at 31 December 2024	**8 121**	**8 121**
Accumulated depreciation:		
As at 31 December 2022	**-**	**-**
Change for the year	681	681
As at 31 December 2023	**681**	**681**
Change for the year	2 619	2 619
As at 31 December 2024	**3 300**	**3 300**
As at 31 December 2022	**-**	**-**
As at 31 December 2023	**6 251**	**6 251**
As at 31 December 2024	**4 821**	**4 821**

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.

(all amounts presented in EUR unless otherwise indicated)

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 2024	31 December 2023 (Restated) *
Opening balance	**72 610 000**	**63 330 000**
Capitalized development expenses	6 578 405	15 617 565 *
Changes in fair value of investment property	(16 225 914)	(6 337 565) *
Closing balance	**62 962 491**	**72 610 000**

* Restatements are explained in Note 3.18.

According to the Newsec valuation conducted as at 30 September 2024 the fair value of the Investment property was EUR 62 610 000. Between the Newsec valuation date and the year-end date the Group incurred costs of EUR 352 491 directly related to construction work (e.g., contractor invoices, construction team salaries, security, etc.), which, in the management's opinion, increase the fair value of the investment property.

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 considered. The valuation reflects a six-year timeline for development and operation, with Stage 1 scheduled for construction in 2025 through the middle of 2026.

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.

	GBA (SQM), 31 December 2024	GBA (SQM), 31 December 2023	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 SQM	**187 307**	**187 307**	**-**	**-**	**100%**

(all amounts presented in EUR unless otherwise indicated)

3.2. Investment property (continued)

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

	Fair value (EUR) 31 December 2024	Fair value (EUR) 31 December 2023	Change (EUR)	Change (%)	Proportion of portfolio (%)
Office, Retail, Parking - Stage 1	29 130 000	37 300 000	(8 170 00)	-22%	46%
Hotel - Stage 1	2 350 000	2 490 000	(140 000)	-6%	4%
Office, Parking - Stage 2	11 430 000	11 600 000	(170 000)	-1%	18%
Office, Parking - Stage 3	10 500 000	11 370 000	(870 000)	-8%	17%
Office, Parking - Stage 4	9 200 000	9 850 000	(650 000)	-7%	15%
Total	**62 610 000**	**72 610 000**	**(10 000 000)**	**-14%**	**100%**

The fair value of the investment property, as represented in the table above, is based on the latest Newsec valuation as of 30 September 2024. It is important to note that between the Newsec valuation date and the year-end date, the Group incurred additional development costs related to the investment property. Management believes that these additional costs are not material.

The decrease in the values of all stages is primarily attributed to a change in the discount rate and exit yield applied by the valuator. This adjustment reflects the Group's decision to continue construction with the related company, PN Construction Latvia SIA, instead of engaging an external general contractor.

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 2024	Range 31 December 2023
Preses Nams project development	DCF	Discount rate	17%	16 - 18%
Riga (Latvia)		Rental growth	1.2 - 2.5%	2.0 - 2.4%
Segment - multifunctional		Long-term vacancy rate	2.0 - 5.0%	2.0 - 5.0%
GBA - 187,307 SQM		Exit yield	6.00% - 7.25%	5.75% - 7.25%
		Average rent	11.0-16.0	11.0-15.8
		Construction cost (EUR / sqm)	1,700-2,859	1,700-2,000

Sensitivity on estimates as at 31 December 2024:

	Capitalization (cap) rate	Value as at 31 December 2024	Change in cap rate +0.5 cap rate	Change in cap rate -0.5 cap rate
Stage 2-4 Office, parking	6.00%	31 130 000	24 720 000	38 720 000
			-20.63%	24.43%
Stage 1 Hotel	7.25%	2 350 000	1 630 000	3 160 000
			-30.64%	34.47%
Stage 1 Office, Retail, Parking	6.00%	29 130 000	25 700 000	33 200 000
			-11.77%	13.97%
Total		**62 610 000**	**52 050 000**	**75 080 000**
			-16.87%	**19.92%**

The value of the investment property, as represented in the table above, is based on the latest Newsec valuation as of 30 September 2024. It is important to note that between the Newsec valuation date and the year-end date, the Group incurred additional development costs related to the investment property. Management believes that these additional costs are not material.

(all amounts presented in EUR unless otherwise indicated)

3.2. Investment property (continued)

Sensitivity on estimates as at 31 December 2023:

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

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.

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.

(all amounts presented in EUR unless otherwise indicated)

3.2. Investment property (continued)

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:

	2024	2023
Rental income	84 979	62 431
Investment property management expenses	(100 862)	(87 331)
Total	**(15 883)**	**(24 900)**

The rental income received by the Group in year 2024 and 2023 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 3.13.

The loan received from Matuda UAB (refer to Note 3.9. for more details) has been successfully refinanced by a new loan received from Preses Nams UAB (both companies are ultimately controlled by the Group's parent Lords LB Special Fund V, managed by Lords LB Asset Management UAB) in May 2024. The Group's plan is to resume the construction of the 1st stage of the real estate project in Q2 2025 and to finalize it by mid-2026, after which 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. 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 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. Inventory

	Inventory, related to the investment property development	Total
As at 31 December 2022	**-**	**-**
Additions	280 921	280 921
As at 31 December 2023	**280 921**	**280 921**
Additions	-	-
As at 31 December 2024	**280 921**	**280 921**

During the year ended 31 December 2024 the Group did not utilize any inventories in its operations. As a result, there were no development expenses recognized in the statement of profit or loss related to inventory usage. The Group continues to assess its inventory for obsolescence and has determined that no write-downs are necessary for the reporting period.

(all amounts presented in EUR unless otherwise indicated)

3.4. Trade receivables

	31 December 2024	31 December 2023
Receivables from third-party customers	66 939	66 696
Total	**66 939**	**66 696**

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 accounted and not presented.

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 2022	**45 508**	400	10 865	34 243	-	-	-
31 December 2023	**66 696**	45 803	-	-	-	20 893	-
31 December 2024	**66 939**	46 046	-	-	-	20 893	-

3.5. Prepayments

	31 December 2024	31 December 2023
Prepayments related to investment property	624 258	5 296 755
Prepaid insurance expenses	14 482	41 118
Total	**638 740**	**5 337 873**

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 2025 and 2026, when the amounts will be capitalized as investment property development expenses.

3.6. Other current assets

	31 December 2024	31 December 2023
Tax receivables	49 805	52 199
Total	**49 805**	**52 199**

3.7. Cash and cash equivalents

	31 December 2024	31 December 2023
Cash at banks	18 099	30 972
Total	**18 099**	**30 972**

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 accounted and not presented. Bank rating is presented below:

	Moody's
Citadele banka AS	Baa1

(all amounts presented in EUR unless otherwise indicated)

3.8. Share capital

	31 December 2024	31 December 2023
Authorised share capital fully paid	51 507 800	33 222 800
Total	**51 507 800**	**33 222 800**

As at 31 December 2024 the paid-up share capital is equal to EUR 51 507 800 (as at 31 December 2023 - EUR 33 222 800) and was comprised of 51 507 800 ordinary shares with a nominal value of EUR 1. During the financial year ended 31 December 2024 the authorized share capital was increased by the issue of 18 285 000 ordinary shares with the nominal value of EUR 1 which were settled with the payable loan balance to the shareholder (2023 – 17 000 000 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 2024 and 31 December 2023:

	31 December 2024	31 December 2023
Opening balance	**33 222 800**	**16 222 800**
Shares issued	18 285 000	17 000 000
Closing balance	**51 507 800**	**33 222 800**

3.9. Loans received

Details of loans received:

Non-current loans	Interest rate	Maturity date	31 December 2024	31 December 2023
Lords LB Special Fund V	0,00% (2023: 4,87%)	2026-05-13	6 606 969	13 785 393
Lords LB Special Fund V	0,00% (2023: 3,66%)	2026-05-13	652 294	9 865 795
Attexo OÜ	15,00%	2026-06-13	424 596	-
Matuda UAB	15,50%	2026-06-13	172 547	-
Preses Nams UAB	10,00%	2025-11-13	-	1 723 312
Total non-current loans			***7 856 406***	***25 374 500***
Current loans				
Preses Nams UAB	10,00%	2025-11-13	28 230 130	-
Matuda UAB	9,32%	2024-04-26	-	20 094 463
Total current loans			***28 230 130***	***20 094 463***
Total			**36 086 536**	**45 468 963**

The table below shows the movement (both cash and non-cash via set off agreements) of loans during year 2024 and their balance as at 31 December 2024:

	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
Non-current loans							
Lords LB Special Fund V	23 651 188	-	366 500	(16 754 884)*	-	(3 541)*	7 259 263
Attexo OÜ	-	-	377 000	-	47 596	-	424 596
Matuda UAB	-	-	167 000	-	5 547	-	172 547
Preses Nams UAB	1 723 312	(1 723 312)	-	-	-	-	-
Current loans							
Matuda UAB	20 094 463	-	139 000	(19 904 365)	632 971	(962 069)	-
Preses Nams UAB	-	1 723 312	25 295 536	-	2 484 582	(1 273 300)	28 230 130
Provestum UAB	-	-	200 000	(200 000)	933	(933)	-
Total liabilities	**45 468 963**	**-**	**26 545 036**	**(36 859 249)**	**3 171 629**	**(2 239 843)**	**36 086 536**

(all amounts presented in EUR unless otherwise indicated)

The table below shows the total cash and non-cash movement of loans and interest during year 2024:

	Loans received	Loans repaid	Interest paid
Cash movement	6 539 726	(774 510)	(34 273)
Non-cash movement	20 005 310	(36 084 739)	(2 205 570)
Total movement	**26 545 036**	**(36 859 249)**	**(2 239 843)**

The table below shows the movement (both cash and non-cash via set off agreements) 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
Current loans							
Matuda UAB	-	12 413 208	7 574 000	(88 107)	1 232 255	(1 036 893)	20 094 463
Non-current loans							-
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
Matuda UAB	12 413 208	(12 413 208)	-	-	-	-	-
Total liabilities	**48 246 302**		**12 627 000**	**(17 088 107)**	**2 720 661**	**(1 036 893)**	**45 468 963**

The table below shows the the total cash and non-cash movement of loans and interest during year 2023:

	Loans received	Loans repaid	Interest paid
Cash movement	12 627 000	(88 107)	(1 036 893)
Non-cash movement	-	(17 000 000)	-
Total movement	**12 627 000**	**(17 088 107)**	**(1 036 893)**

* 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 3.8.

The loan agreement with Preses Nams UAB includes covenants, the Group was not in breach of these covenants during 2024 and as at 31 December 2024. Financial ratios are reported to the borrower twice a year.

3.10. Other non-current liabilities

	31 December 2024	31 December 2023
Long term amounts payable to suppliers and contractors	1 471 309	1 471 309
Total	**1 471 309**	**1 471 309**

As at 31 December 2024 and 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. The withholding amounts shall be settled once the 1st stage of the development shall be finished, which is expected to take place in mid-2026.

3.11. Trade payables

	31 December 2024	31 December 2023
Trade payables to new general contractor	5 330 469	7 291 048
Trade payables to previous general contractor	2 612 328	2 770 005
Trade payables to related parties	301 772	39 778
Other trade payables	1 810 417	1 118 544
Total	**10 054 986**	**11 219 375**

(all amounts presented in EUR unless otherwise indicated)

3.11. Trade payables (continued)

As of 31 December 2024, the Group did not have enough cash flows to cover its liabilities to previous and new general contractors. As of today, related company Preses Nams UAB has issued and lent to the Group around EUR 27M which were partly used to refinance the loan from Matuda UAB (see also Note 3.9.) and also cover some of the Group's liabilities to the new general contractor. As the amount was still not sufficient, as at the signing date of the financial statements, the Group is issuing public bonds in Latvia in order to cover its liabilities to the contractors and continue the development of the 1st stage (see also Notes 3.20. and 3.21.).

3.12. Other current liabilities

Other current liabilities include accrued expenses presented below:

	31 December 2024	31 December 2023
Accrued real estate tax expenses	83 725	-
Accrued audit expenses	31 800	7 850
Accrued accounting expenses	24 940	1 650
Accrued professional expenses	19 424	64 831
Accrued loan commitment fee	7 292	41 173
Accrued public utilities	3 762	20 003
Accrued remuneration expenses	3 523	14 061
Accrued default interest payments	-	474 527
Court expenses	-	54 564
Other accrued expenses	62	730
Total	**174 528**	**679 389**

3.13. Investment property management expenses

	2024	2023
Utilities	92 264	69 932
Insurance expenses	-	675
Other investment property management expenses	8 598	16 724
Total	**100 862**	**87 331**

3.14. Administrative expenses

	2024	2023 (Restated) *
Penalties, related to investment property development	1 826 432	509 137 *
Loan administration expenses to related party	270 220	39 778
Legal services	134 395	20 029
Wages and employment related taxes	48 272	48 295
Audit services	40 010	14 424
Accounting services	38 800	22 840
Professional services	11 444	20 056
Personal sustainability expenses	1 722	17 468
Other administrative expenses	9 800	32 128
Total	**2 381 095**	**724 155 ***

* Restatements are explained in Note 3.18.

The increase of administrative expenses in year 2024 is due to increase of penalty expenses, occurring from the litigation with the previous general contractor. The delay interest will be finalized when the debt to the previous general contractor will be covered.

(all amounts presented in EUR unless otherwise indicated)

3.15. Finance expenses

	2024	2023
Interest expenses on loans from related parties	3 171 630	2 720 661
Commitment fee for future loan from a credit institution	131 597	507 639
Total	**3 303 227**	**3 228 300**

3.16. Income tax

The main components of income tax expense as at 31 December 2024 and 31 December 2023 are presented in the table below:

	2024	2023
Income tax expenses	146	3 375
Total	**146**	**3 375**

Reconciliation of taxes and financial profit:

	2024	2023
Loss before tax	(21 926 119)	(10 314 920)
Income tax expense calculated at a statutory rate	(5 481 530)	(2 578 730)
Deferred tax for accumulated losses recognized at nil amount	5 481 530	2 578 730
Tax effect on non-deductible representation and personnel sustainability expenses	146	3 050
Tax effect on other non-business expenses	-	325
Previous reporting periods income tax corrections	-	-
Total income tax expenses	**146**	**3 375**

3.17. Transactions with related parties

Management's remuneration and other benefits

	31 December 2024	31 December 2023
Number of managers at the end of the year	1	1
Average number of managers during the year	1	1
Salaries paid to managers	47 717	60 693

There were no other payments and remunerations to managers, the Board and the Council.

Transactions with Group companies

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

Transactions with related parties during 2024 and their balances as at 31 December 2024:

	Interest expenses	Loans and interest payables
Lords LB Special Fund V	-	7 259 263
Matuda UAB	638 518	172 547
Preses Nams UAB	2 754 802	28 531 902
Total	**3 393 320**	**35 963 712**

(all amounts presented in EUR unless otherwise indicated)

3.17. Transactions with related parties (continued)

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

	Interest expenses	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**

3.18. Restatements

Certain balances for 2023 have been restated as errors in cost recognition and cash flow movement have been identified and corrected. These changes aim to provide a more accurate representation of the Group’s financial position and performance.

Following adjustments were made to the consolidated 2023 financial statements:

a) Penalties, related to investment property development have been re-classified in consolidated statement of profit or loss and other comprehensive income from changes in fair value of investment property (capitalized expenses) to administrative expenses.
b) Loss before tax in consolidated statement of cash flows was adjusted to reflect the amount before taxes. Accordingly, income taxes paid amount in consolidated statement of cash flows was increased to reflect the amount of taxes paid during 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For period 01.01.2023-31.12.2023	**Before restatement**	**Restatement**	**After restatement**
Changes in fair value of investment property	(6 846 702)	509 137	(6 337 565)
Administrative expenses	(215 018)	(509 137)	(724 155)

CONSOLIDATED STATEMENT OF CASH FLOWS For period 01.01.2023-31.12.2023	**Before restatement**	**Restatement**	**After restatement**
Loss before tax	(10 318 295)	3 375	(10 314 920)
Decrease in fair value of investment property	6 846 702	(509 137)	6 337 565
Operating cash flows before working capital adjustments	**(242 612)**	**(505 762)**	**(748 374)**
Operating cash flows after working capital adjustments	**(3 662 954)**	**(505 762)**	**(4 168 716)**
Income taxes paid	-	(3 375)	(3 375)
Net cash flows used in operating activities	**(3 662 954)**	**(509 137)**	**(4 172 091)**
Additions to investment property	(7 883 051)	509 137	(7 373 914)
Net cash flows used in investment activities	**(7 889 983)**	**509 137**	**(7 380 846)**

3.19. Contingent assets and liabilities

As at 31 December 2024, the Group has lease agreements with future tenants and is actively communicating about extending these agreements due to delays in the completion of the 1st stage. As at this date, the Group has not recognized any penalties related to these lease agreement delays, however, there is a possibility that some penalties may be applied during the extension negotiations.

3.20. 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. 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 resumed the construction in 2025 with the newly established related general construction company PN Construction Latvia SIA and plans to complete the 1st stage of the project in mid-2026. 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 2024 the Group had a working capital deficit equal to EUR 38 085 142. The successful attraction of a new loan from Preses Nams UAB, as described in Note 3.9., (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 cover some of the Group's liabilities to the new general contractor. The remaining majority of the amount's payable are to the Group's suppliers for the construction works performed in the 1st stage development (see Note 3.11.).

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 period ended 31 December 2024 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 2025, the Group will successfully start public bond issuance program in Latvia, which together with attracting new equity from parent fund investors will allow for the Group to refinance its existing loans from related companies Matuda UAB and Preses Nams UAB, settle its outstanding liabilities towards suppliers and resume the development of the 1st stage in Q2 2025. At the date of these consolidated financial statements' sign-off, the Prospectus for the public bond issuance had already been approved by the Bank of Latvia, and the Group had commenced the process of issuing the first tranche. However, the Group does not have a written, confirmed commitment from bond or equity investors as of the reporting date. Nevertheless, in the assessment, the Group's Management believes that the Group will successfully attract the required financing, due to:

- The related company of the Group in Lithuania Preses Nams UAB has already successfully attracted EUR 27M by May 2024, which was invested in the project development. 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 on the Baltic level 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.

Considering 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 and the financial statements do not include any adjustments to carrying amounts of assets and liabilities that might be necessary if the going concern assumption would not be applicable. However, there exists a material uncertainty related to successful attraction of external financing from public bond issuance and new equity from parent fund investors that would enable the Group to refinance its existing loans from related companies, settle its outstanding liabilities towards suppliers and resume the development of the 1st stage in Q2 2025, this in turn may cast significant doubt on the Company's ability to continue as a going concern.

The Management cannot rule out the possibility that the geopolitical situation or a negative impact on the business or investment 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 conclusion on application of a going concern basis of accounting is 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.

(all amounts presented in EUR unless otherwise indicated)

3.21. Subsequent events

On 25 March 2025 the Group and general contractor YIT Lithuania UAB entered into the agreement on out-of-court settlement of a dispute. Under the settlement agreement the Group undertook to pay certain amounts. On 6 May 2025 the Group completed the payment of all amounts due (EUR 6 327 817,79) to the contractor under the settlement agreement. On 12 May 2025 the parties submitted a joint request for termination of the arbitration case (SCC Case No.V2024/112).

As of 25 March 2025 a third party disputed the Group's rights under a contract. It is attempting to invalidate the pledge agreement, delete the existing mortgage and the prohibition mark from the Land Register registered on the property owned by the Group. The Group's position is that it does not recognize and actively contests the claim. There are no claims for fund recovery against the Group and these proceedings do not affect the construction process. The Group's management assumes that there won't be any additional liabilities arising from this dispute.

On 12 May 2025 the Group managed to successfully launch an issuance process for the first EUR 30 million tranche of a EUR 75 million public bond program. The issuance period is expected to end on 30 May 2025 with bond issue date set at 4 June 2025. The results of the issuance are hard to predict, but its success significantly impacts the Group's plans, project development and going concern.

There were no other significant events after the reporting period.

This report is signed with a secure electronic signature and contains a time stamp

Chairman of the Board	*Povilas Urbonavičius*
Member of the Board	*Igors Danilovs*

Independent Auditor's Report

To the Shareholder of PN Project AS

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of PN Project AS (the "Company") and its subsidiary (together the "Group") as at 31 December 2024, and the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2024 in accordance with the IFRS Accounting Standards as adopted by the European Union (EU).

What we have audited

The Group's consolidated financial statements comprise:

- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2024,
- the Consolidated Statement of Financial Position as at 31 December 2024,
- the Consolidated Statement of Changes in Equity for the year ended 31 December 2024,
- the Consolidated Statement of Cash Flows for the year ended 31 December 2024, and
- the Notes to the Consolidated Financial Statements comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.19. "Going concern" of the consolidated financial statements, which states that as at 31 December 2024 the Group had a working capital deficit of EUR 38 085 142. Refinancing of the existing loans from related companies, settlement of the Group's outstanding liabilities towards suppliers and resuming the development of the 1st stage of the construction are highly dependent on the attraction of external financing from the public bond issuance and new equity from the parent fund investors.

These conditions, along with other matters as set forth in Note 3.19., indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Reporting on Other Information Including the Consolidated Management Report

Management is responsible for the other information. The other information comprises:

- General information set out on page 3 of the consolidated annual report,
- The Consolidated Management Report as set out on pages 4 to 5 of the consolidated annual report,

but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information identified above.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

With respect to the Consolidated Management Report, we also performed the procedures required by the Law on Audit Services. Those procedures include considering whether the Consolidated Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Consolidated Management Report and General information for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and

- the Consolidated Management Report has been prepared in accordance with requirements of the Law on Annual Reports and Consolidated Annual Reports.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the IFRS Accounting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the Board

Jegors Podosiņņikovs
Certified auditor in charge
Certificate No. 238

Riga, Latvia
29 May 2025

Independent Auditor's Report is signed electronically with a secure electronic signature and contains a time stamp.