CONSOLIDATED ANNUAL REPORT

Beginning of financial year:	1 January 2020
End of financial year:	31 December 2020

Business name:	UPP & CO KAUNO 53 OÜ

Registry code:	14194597

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county:	Harju County
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MANAGEMENT REPORT

UPP & CO Kauno 53 OÜ, the parent company of the consolidation group, was established in order to acquire and manage an investment property and raise additional capital for the given transaction.

In 2017, the company acquired 100% holding in Promalita UAB, a company registered in the Republic of Lithuania, which owns a logistics centre near Vilnius. The net internal area of the centre is 21,232 m^2 and it is fully rented out. Rimi retail chain is the anchor tenant.

The sales of the Group amounted to 1,304,950 euros in the reporting year (2019: 1,287,781 euros). There are no employees in the Group, which is why no remuneration has been calculated for them. However, remuneration has been calculated for the members of the management board. Expenses with tax amounted to 264 euros (2019: 292 euros) in the reporting year and there are no other discounts or benefits.

There is no vacancy in the building as at the end of the reporting year, all payments from clients are received when due and the Group has performed all of the obligations to its creditors appropriately.

A change in the managing body of Promalita UAB, a subsidiary of K53, was made in the reporting year. The decision to change the composition of the management board of Promalita UAB was made at the meeting of the shareholders and supervisory board of UPP & CO Kauno 53 OÜ held on 4 November 2020. Former member of the management board Hallar Loogma was removed and Siim Sild replaced him as a member of the management board of Promalita UAB. Marko Tali will continue as a member of the management board of UPP & CO Kauno 53 OÜ.

The Group considers the general (macroeconomic) condition of the operating environment to be good and its impact on economic performance is neutral. Likewise, the business operations of the Group are not affected by seasonality as the economic activity is not cyclical by nature. The activities of the company have no major environmental or social impacts.

No risks related to fluctuations in currency exchange, interest and stock exchange rates have emerged during the financial year and the period of preparation of the report.

Since the Group was created solely for its current activities, there are no planned structural changes in business operations.

There were no planned major research and development projects and expenses associated with them in the reporting year and there won't be any in the following years either. Likewise, the Group has not provided any guarantees or assumed any liabilities that could have a material impact on the results of the next financial years.

Principal financial ratios	**2020**	**2019**
Debt/equity ratio (times)	9.97	13.23
Debt ratio (times)	0.91	0.93
Long-term loan ratio (times)	0.74	0.76
Return on equity %	25.26%	30.58%
Equity ratio (times)	0.09	0.07
ROA %	2.04%	2.15%

Formulas used for calculation of ratios

Debt to equity ratio = debt / equity

Debt ratio (times) = liabilities / (liabilities + equity)

Long-term loan ratio = long-term loans / (long-term liabilities + equity)

Return on equity % = (net profit / average equity (12 months) * 100

Equity ratio = equity/average assets (12 months)

Return on assets ROA % = net profit / average assets * 100

UPP & CO Kauno 53 OÜ and its subsidiary Promalita UAB are a going concern.

Marko Tali
Member of Management Board

Financial statements

Consolidated balance sheet

(euros)

	31.12.2020	31.12.2019	Note No
Assets			
Current assets			
Cash	477,621	362,919	2
Receivables and prepayments	6,482	11,458	
Total current assets	**484,103**	**374,377**	
Fixed assets			
Investment properties	15,750,000	15,750,000	5
Property, plant and equipment	7,707	14,049	6
Intangible assets	640,412	853,880	7
Total fixed assets	**16,398,119**	**16,617,929**	
Total assets	**16,882,222**	**16,992,306**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loans payable	460,000	460,000	8
Payables and prepayments	165,474	143,297	9
Total current liabilities	**625,474**	**603,297**	
Long-term liabilities			
Loans payable	12,425,184	12,885,183	8
Provisions	2,292,428	2,309,664	10
Total long-term liabilities	**14,717,612**	**15,194,847**	
Total liabilities	**15,343,086**	**15,798,144**	
Equity			
Equity held by shareholders of parent company			
Equity in nominal value	2,500	2,500	11
Retained earnings (loss)	1,191,417	826,505	
Profit (loss) for financial year	345,219	365,157	
Total equity held by shareholders of parent company	**1,539,136**	**1,194,162**	
Total equity	**1,539,136**	**1,194,162**	
Total liabilities and equity	**16,882,222**	**16,992,306**	

Consolidated income statement

(euros)

	2020	2019	Note No
Sales revenue	1,304,950	1,287,781	12
Other operating revenue	0	50,000	
Other operating expenses	-94,379	-46,255	13
Labour expenses	-264	-292	14
Depreciation and impairment of fixed assets	-219,810	-221,531	6.7
Other operating charges	0	-1,337	
Operating profit (loss)	**990,497**	**1,068,366**	
Interest income	3	4	
Interest expenses	-609,764	-562,174	15
Profit (loss) before income tax	**380,736**	**506,196**	
Income tax	-35,517	-141,039	16
Profit (loss) for financial year	**345,219**	**365,157**	
Profit (loss) attributable to shareholder of parent company	345,219	365,157	

Consolidated cash flow statement
(euros)

	2020	2019	Note No
Cash flow from operating activities			
Operating profit (loss)	990,497	1,068,366	
Adjustments			
Depreciation and impairment of fixed assets	219,810	221,531	6.7
Other adjustments	0	-50,000	
Total adjustments	**219,810**	**171,531**	
Change in receivables and prepayments related to operating activities	1,730	-1,965	
Change in payables and prepayments related to operating activities	-24,216	-24,003	
Total cash flow from operating activities	**1,187,821**	**1,213,929**	
Cash flow from investing activities			
Loans granted	-130,000	-130,000	
Repayments of loans granted	130,000	130,000	
Interest received	3	4	
Total cash flow from investing activities	**3**	**4**	
Cash flow from financing activities			
Repayments of loans raised	-460,000	-460,000	8
Interest paid	-613,122	-550,698	
Total cash flow from financing activities	**-1,073,122**	**-1,010,698**	
Total cash flow	**114,702**	**203,235**	
Cash and cash equivalents at beginning of period	362,919	159,684	2
Change in cash and cash equivalents	**114,702**	**203,235**	
Cash and cash equivalents at end of period	477,621	362,919	2

Consolidated statement of changes in equity
(euros)

	Equity held by shareholders of parent company		Total
	Equity in nominal value	Retained earnings (loss)	
31.12.2018	2,500	846,985	849,485
Effect of correction of errors	0	-20,480	-20,480
Adjusted balance 31.12.2018	2,500	826,505	829,005
Profit (loss) for financial year	0	365,157	365,157
31.12.2019	2,500	1,191,662	1,194,162
Profit (loss) for financial year	0	345,219	345,219
Other changes in equity	0	-245	-245
31.12.2020	2,500	1,536,636	1,539,136

Notes to financial statements

Note 1 Accounting policies and procedures

General information

UPP & CO Kauno 53 OÜ (hereinafter the Parent Company) is a company registered and operating in Estonia. The consolidated financial statements recognise the consolidated assets, liabilities, equity, economic results and cash flow of the Parent Company and its Lithuanian subsidiary UAB Promalita (hereinafter jointly referred to as the Group).

The consolidated financial statements of UPP & CO Kauno 53 OÜ for 2020 have been prepared in compliance with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is based on internationally acknowledged principles of accounting and reporting, the primary requirements of which are provided for in the Accounting Act, which are supplemented by guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The consolidated financial statements have been prepared in euros.
The main accounting policies used in the preparation of the consolidated financial statements are set out below.

Changes in accounting policies and procedures or presentation of information

UPP & CO Kauno 53 OÜ changed the accounting policy for recognition of subsidiaries.
Investments in the subsidiary have been recognised for the first time by the equity method in the unconsolidated report of the Parent Company. The data of the reference period have therefore also been changed. In previous periods, these investments were recognised at acquisition cost.

This change has had the following impact on the unconsolidated financial statements for the reference period of the Parent Company: investment in subsidiary as at 31 December 2019, previously recognised as 3,200 euros, now as 1,171,676 euros (change by 1,168,476 euros). The profit (loss) in the reporting period amounted previously to 466 euros, now to 1,168,942 euros (change by 1,168,476 euros).

The change has no impact on the consolidated indicators in the statements.

Preparation of consolidated statements

The financial indicators of the Parent Company and its subsidiary recognised in the consolidated statements have been added up as if they were a single company.
Subsidiaries are all of the companies controlled by the Parent Company. Control is presumed if the Parent Company holds more than 50% of the voting rights of the subsidiary either directly or via subsidiaries or is capable of controlling the operating or financial policies of the subsidiary in any other manner.

In the consolidated statements, the financial indicators of the Parent Company and subsidiaries are added up on a line-by-line basis, eliminating entirely all mutual claims, obligations and transactions, and the unrealised gains and losses arising thereby. The investments in subsidiaries recognised in the balance sheet of the Parent Company are eliminated against the holding of the Parent Company in the equity of the subsidiaries. In subsidiaries where the holding of the Parent Company is below 100%, the minority share is separated from the net assets and profit/loss for the financial year of the relevant subsidiary.

In the preparation of the consolidated statements, the accounting policies and procedures applied by the Parent Company are proceeded from and, if necessary, the required adjustments are made in the reports of the subsidiaries in order to align them with the policies and procedures of the Parent Company. Subsidiaries are consolidated in the consolidated financial statements from the date of their acquisition until the date of their sale.

Investments in subsidiaries and affiliates are recognised by the equity method in the unconsolidated statements.

The dividends payable by the object of investment are recognised as a reduction of in the investment at the moment when the investor becomes entitled to the dividends.

Financial assets

All financial assets are initially registered at their acquisition cost, which is equal to the fair value of the consideration paid for the financial asset in question. The initial acquisition cost also includes all the costs directly attributable to the acquisition of financial assets, including the fees payable to agents and advisers, the non-refundable taxes attributable to the transaction and other similar costs, and excluding the costs attributable to the acquisition of such financial assets that are recognised at fair value with changes through profit or loss.

All purchases and sales of financial assets under regular market conditions are recognised on the relevant transaction dates, i.e. on the date when the group enters into the obligation (e.g. enters into a contract) for the purchase or sale of certain financial assets. Purchases and sales where transfer of the purchased or sold financial assets from the seller to the buyer occurs during the period that is usual on the given market or required under the relevant market regulations are deemed to occur under ordinary market conditions.

Cash

Bank account balances are recognised under cash in the balance sheet. Cash payments are not accepted or made.
Cash flow from operating activities is recognised using the indirect method. Cash flow from investment and financing activities is recognised by using the direct method, i.e. presented as the gross earnings and payments in the reporting period.

Receivables and prepayments

Trade receivables, accrued income and other short- and long-term receivables (incl. loans receivable and deposits) are recognised at adjusted acquisition cost. On every reporting date, indications for impairment of the aforementioned financial assets are assessed. If such indications exist, the financial assets recognised at the adjusted acquisition cost are written down to the present value of the payments to be presumably received therefrom in the future. The write-downs arising from the impairment are recognised in the income statement as expenses.

Investment properties

Investment properties are real estate objects held by the group first and foremost for the purposes of earning income from rent or for capital appreciation, but not for using these upon manufacturing products or providing services, for administrative purposes or for sales in the course of usual operating activities. Investment properties are recognised using the fair value method. When applying the fair value method, the investment property is recognised by the group on every balance sheet date at fair value proceeding from the discounted cash flow method. Gains and losses on changes in the value are recognised in the income statement under other operating revenue and other operating charges.

Property, plant and equipment and intangible assets

Property, plant and equipment are assets used by the group upon providing services or for administrative purposes that it intends to use for a period longer than one year. Property, plant and equipment are initially registered at their acquisition cost which consists of the purchase price and costs directly attributable to acquisition. The lower limit of registration of property, plant and equipment is 200 euros. On the balance sheet, property, plant and equipment are recognised at their acquisition cost less accumulated depreciation and write-downs resulting from any decrease in value. Depreciation is calculated using the straight-line method.
Property, plant and equipment are written off the balance sheet if their further use or sale is not likely to result in economic gain. Any gains/losses arising from sale or write-off means the difference between the value received and the residual value of the main value.

Goodwill
The goodwill created upon the acquisition of a company is recognised as the acquisition cost as of the date of acquisition, less write-downs arising from impairment, if any.

The management board has decided that as of 1 January 2018, goodwill is depreciated down to zero within 6 years. The depreciation of goodwill is recognised on the income statement under depreciation and impairment of fixed assets.

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

Name of fixed asset group	**Useful life**
Land	Undetermined
Buildings and structures	10-50
Machinery and equipment	2-12
Means of transport	4-10
Other fixtures, fittings and tools	2-5

Leases

Lease transactions where all significant risks and rewards of ownership of the assets transfer to the lessee are recognised as financial lease.

Other lease transactions are treated as an operating lease.
The Group leases its assets under operating lease conditions and therefore recognises assets in the balance sheet under regular conditions and similarly to other assets recognised in the balance sheet.

The lessor recognises the rental income received from an operating lease during the rental period as revenue in the income statement. The payments made to the lessor are structured such as to increase together with the expected general inflation based on the published indexes in order to compensate for the expected increase in the expenses of the lessor in relation to inflation.

Financial liabilities

Financial liabilities are initially registered at their acquisition cost, which is the fair value of the payment made or received for the particular financial liabilities. The initial acquisition cost includes all transaction costs directly attributable to the acquisition of the financial liability.

Any subsequent accounting of financial liabilities takes place depending on their type either pursuant to the acquisition cost or adjusted acquisition cost method. A financial liability is classified as short-term if its payment deadline arrives within one year of the reporting date or if the Group does not have the unconditional right to postpone payment of the liability for more than one year after the arrival of the balance sheet date. Other liabilities are recognised as long-term.
A financial liability is derecognised when it is discharged, cancelled or expires.

Interest-bearing bank loans are initially recognised in the amount of cash received, less transaction fees paid.
Thereafter, said financial liabilities are recognised using the adjusted acquisition cost method, where the initial acquisition cost is adjusted with repayments of the loan principal. Interest expenses are recognised as an expense in the income statement under interest expenses on an accrual basis.
The depreciation of transaction costs is recognised in the income statement along with interest expenses.
Received long-term intra-group loans are recognised in the adjusted acquisition cost where the initial acquisition cost is adjusted with contractual repayments during the provided period. Interest expenses are recognised as an expense in the income statement under interest expenses by using the contractual interest rate as of the period of arising thereof.

Revenue

Revenue from the sale of services is recognised in the period in which the service is provided if the revenue gained from providing the service can be reliably measured, the proceeds arising from the transaction are likely to be collected, and the expenses related to the transaction can be reliably assessed. Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have transferred to the buyer, the proceeds arising from the sale are likely to be collected and the sales revenue and expenses related to the transaction can be reliably measured.

Sales revenue reflects the sale of services and goods related to the principal activity, whilst the net method is used to recognise the utility services to be resold.
Other operating revenue comprises irregular revenue not directly related to the principal activity.
Interest income is recognised on an accrual basis once it is likely that the group will gain economic benefit from the transaction and the amount of interest income can be reliably measured.

Expenses

Expenses are recognised on an accrual basis, i.e. at the moment when the economic transaction actually occurs, not when the liability is paid.
Expenses are recognised in the same period as the revenue associated with them. Expenses that are likely to participate in generating economic benefits in future periods are recognised on the balance sheet as assets at the moment of their emergence and as expenses in the period(s) when the expenses associated with them emerge.
Expenses of services and goods purchased directly for the purpose of the principal activity are recognised in the income statement under goods, raw materials and services. Other operating expenses comprise expenses that are not regarded directly as costs of provision of services. Other operating revenue comprises irregular expenses not related to the principal activity. Interest expenses are recognised as financial expenses of the reporting period on the accrual basis.

Taxation

Pursuant to the currently applicable Income Tax Act, a company registered in Estonia does not pay income tax on the profit earned, and profit distributed by way of a bonus issue is also not taxed. Companies pay income tax on profit distributed as dividends or other profit distributions, including disbursements from equity, that exceed the monetary and non-monetary contributions to the equity of the company upon the disbursement thereof by monetary or non-monetary means. On the basis of the aforementioned Act, profit distributed by the company as dividends or by other means is taxed with income tax at the rate of 20/80. Pursuant to the tax legislation applicable in Estonia, the company is not able to disburse all its available equity without additional expenses; instead, a part of equity will be used to cover the income tax on dividends. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes to the accounts.
Corporate income tax related to the disbursement of dividends or the making of other payments that reduce equity is recognised as a liability and an expense at the moment of announcing the dividends or other payments that reduce equity. Income tax on dividends is recognised in the income statement under income tax expenses during the same period when the dividends are announced, regardless of the period for which they have been announced or when they are actually disbursed.

Taxation of subsidiaries registered abroad
Pursuant to the Income Tax Act, the net profit of the company, as adjusted with the temporary and permanent differences provided in the Income Tax Act, is subject to income tax in Lithuania, with the tax rate being 15%. Deferred tax has been recognised in the accounting pursuant to the liability method on all temporary differences as of the balance sheet date between the tax base and book value of the assets and liabilities. Deferred tax assets are only recognised if it is likely that profits will be earned in the future at the expense of which the deferred tax assets can be used.

Related parties

Parties are considered related if one party either controls the other party or has significant influence on the business decisions made by the other party, including the parent company and other companies belonging to the same group, owners and members of the management board, their family members and companies that are controlled by said persons or where said persons have significant influence.

Note 2 Cash

(euros)

	31.12.2020	31.12.2019
Cash at bank	477,621	362,919
Total cash	**477,621**	**362,919**

The group settles in Swedbank and OP Bank. Cash payments are not accepted or made. No cash was on time deposits during the reporting period.

Note 3 Prepaid taxes and taxes payable

(euros)

	31.12.2020		31.12.2019	
	Prepaid	Payable	Prepaid	Payable
Corporate income tax	0	53,951	0	23,571
Value added tax	0	22,218	0	23,165
Other prepaid taxes and taxes payable	0	9,378	0	9,377
Total taxes prepaid and tax arrears	**0**	**85,547**	**0**	**56,113**

Note 4 Shares of subsidiaries

(euros)

Shares of subsidiaries, general information					
Registry code of subsidiary	Name of subsidiary	Country of location	Principal activity	Holding (%)	
				31.12.2019	31.12.2020
30440634	Promalita UAB	Lithuania	Property management	100	100

Note 5 Investment properties
(euros)

Fair value method	
31.12.2018	15,700,000
Profit (loss) from change in fair value	50,000
31.12.2019	**15,750,000**
31.12.2020	**15,750,000**

	2020	2019
Income from rent earned on investment properties	1,304,950	1,260,540
Direct management expenses of investment properties	0	-27,241

The independent assessor of the real estate investment in the reporting year and in the subsequent reporting period is Colliers International Advisors UAB.

Only the costs that the Group itself bears are recognised under direct administrative expenses. The majority of the costs are transferred to contractual clients.

Note 6 Property, plant and equipment
(euros)

	Other property, plant and equipment	Total
31.12.2018		
Acquisition cost	50,080	50,080
Accumulated depreciation	-27,967	-27,967
Residual value	22,113	22,113
Depreciation cost	-8,064	-8,064
31.12.2019		
Acquisition cost	50,080	50,080
Accumulated depreciation	-36,031	-36,031
Residual value	14,049	14,049
Depreciation cost	-6,342	-6,342
31.12.2020		
Acquisition cost	50,080	50,080
Accumulated depreciation	-42,373	-42,373
Residual value	7,707	7,707

Note 7 Intangible assets
(euros)

	Goodwill	Total
31.12.2018		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-213,470	-213,470
Residual value	1,067,348	1,067,348
Depreciation cost	-213,468	-213,468
31.12.2019		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-426,938	-426,938
Residual value	853,880	853,880
Depreciation cost	-213,468	-213,468
31.12.2020		
Acquisition cost	1,280,818	1,280,818
Accumulated depreciation	-640,406	-640,406
Residual value	640,412	640,412

Note 8 Loans payable

(euros)

	31.12.2020	Division by remaining terms			Interest rate	Underlying currency	Maturity date	Note No
		Within 12 months	within 1-5 years	Over 5 years				
Long-term loans								
OP Corporate Bank	7,513,334	460,000	7,053,334		6 months Euribor + 1.75%	EUR	31.03.2022	
Parent Company	671,850	0	671,850		14.24%	EUR	Unspecified term	17
Total long-term loans	8,185,184	460,000	7,725,184					
Long-term bonds								
Subordinated bond of UPP & CO Kauno 53 OÜ	4,700,000	0	4,700,000		8%	EUR	17.04.2022	
Total long-term bonds	4,700,000	0	4,700,000					
Total loans payable	**12,885,184**	**460,000**	**12,425,184**					

	31.12.2019	Division by remaining terms			Interest rate	Underlying currency	Maturity date	Note No
		Within 12 months	within 1-5 years	Over 5 years				
Long-term loans								
OP Corporate Bank	7,973,333	460,000	7,513,333		6 months Euribor + 1.75%	EUR	31.03.2022	
Parent Company	671,850	0	671,850		6%	EUR	Unspecified term	17
Total long-term loans	8,645,183	460,000	8,185,183					
Long-term bonds								
Subordinated bond of UPP & CO Kauno 53 OÜ	4,700,000	0	4,700,000		8%	EUR	17.04.2022	
Total long-term bonds	4,700,000	0	4,700,000					
Total loans payable	**13,345,183**	**460,000**	**12,885,183**					

The loan securities and mortgages established are as follows:
1. first rank mortgage on the RIMI LC registered immovable in the amount of 11,960,000 euros, market value of real property at least 15,300,000 euros; 2. second rank mortgage on the RIMI LC registered immovable in the amount of 6,110,000 euros for the benefit of the collateral agent as the pledgee (established pursuant to a collateral agent contract and terms and conditions for the benefit of the investors).

In the reporting period, interest from loans and bonds was calculated in the total amount of 609,764 euros (2019: 562,174).

Note 9 Payables and prepayments
(euros)

	31.12.2020	Within 12 months	Note No
Trade creditors	2,636	2,636	
Employee payables	19	19	
Taxes payable	85,547	85,547	3
Other payables	77,272	77,272	
Interest payable	77,272	77,272	
Total payables and prepayments	**165,474**	**165,474**	
	31.12.2019	**Within 12 months**	**Note No**
Trade creditors	5,719	5,719	
Employee payables	87	87	
Taxes payable	56,113	56,113	3
Other payables	80,632	80,632	
Interest payable	80,632	80,632	
Prepayments received	746	746	
Other prepayments received	746	746	
Total payables and prepayments	**143,297**	**143,297**	

Note 10 Provisions
(euros)

	31.12.2019	Formation/adjustment	31.12.2020
Total provisions	**2,309,664**	**-17,236**	**2,292,428**
Long-term	**2,309,664**	**-17,236**	**2,292,428**
Tax provision	2,309,664	-17,236	2,292,428
	31.12.2018	**Formation/adjustment**	**31.12.2019**
Total provisions	**2,192,196**	**117,468**	**2,309,664**
Long-term	**2,192,196**	**117,468**	**2,309,664**
Tax provision	2,192,196	117,468	2,309,664

The provisions consist of a deferred income tax liability of the Lithuanian subsidiary.

Note 11 Share capital

(euros)

	31.12.2020	31.12.2019
Share capital	2,500	2,500
Number of shares	1	1

Potential income tax liability of the Group.
The retained earnings of the Group as at 31 December 2020 amounted to 1,536,636 euros (31.12.2019: 1,191,662 euros). The maximum amount of income tax payable if all of the retained earnings were paid out as dividends is 307,327 euros (31.12.2019: 238,332 euros). Thus, the amount that can be paid out as dividends is 1,229,309 euros (31.12.2019: 953,330 euros).

The maximum potential income tax liability has been calculated on the assumption that the total distributed net dividends and income tax expense associated with their payment may not exceed distributable profits as of 31.12.2020.

Note 12 Sales revenue

(euros)

	2020	2019
Sales revenue by geographical regions		
Sale to European Union Member States		
Lithuania	1,304,950	1,287,781
Total sales to European Union Member States	**1,304,950**	**1,287,781**
Total sales revenue	**1,304,950**	**1,287,781**
Sales revenue by field of activity		
Lease of premises	1,304,950	1,287,781
Total sales revenue	**1,304,950**	**1,287,781**

Note 13 Other operating charges

(euros)

	2020	2019
Various office expenses	-443	-2,704
Management service	-75,357	-24,000
Securities management expenses	-8,355	-6,250
Expenses of legal and other consultations	-10,224	-13,301
Total other operating expenses	**-94,379**	**-46,255**

Note 14 Labour expenses
(euros)

	2020	2019
Salaries and wages	-258	-288
Social tax	-6	-4
Total labour expenses	**-264**	**-292**
Average number of employees by type of employment:		
Member of management or supervisory body of legal entity	1	1

Note 15 Interest Expenses
(euros)

	2020	2019
Interest expense on bonds	-376,000	-376,000
Interest expense on loans	-233,764	-186,174
Total interest expenses	**-609,764**	**-562,174**

Note 16 Income tax
(euros)

The income tax expenses of the Group in the reporting year were 35,517 euros (2019: 141,039 euros), which has arisen due to the income tax liability of the Lithuanian subsidiary.

Note 17 Related parties
(euros)

Name of accounting entity's parent company	United Partners Property OÜ
Country where accounting entity's parent company is registered	Estonia
Name of group to which parent company belongs	United Partners Group OÜ
Country where group's parent company is registered	Estonia

Balances with related parties by groups

	31.12.2020		31.12.2019	
	Receivables	Payables	Receivables	Payables
Parent company	0	671,850	0	675,209

Loans

2020	Loans granted	Repayments of loans granted	Interest rate	Underlying currency	Maturity date
Parent company					
United Partners Property OÜ	130,000	130,000	0%	EUR	Unspecified term

2019	Loans granted	Repayments of loans granted	Interest rate	Underlying currency	Maturity date
Parent company					
United Partners Property OÜ	130,000	130,000	0%	EUR	Unspecified term

Purchases and sales of goods and services

	2020		2019	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Parent company	10,066	0	24,000	0
Other entities belonging to same consolidation group	65,291	0	0	0

Remuneration and other significant benefits calculated for executive and senior management		
	2020	2019
Calculated remuneration	258	288

Payable to the parent company as at 31.12.2020 recognise the loan payable in the amount of 671,850 euros (31.12.2019: 671,850 euros), there are no interest arrears (31.12.2019: 3,359 euros). Interest in the amount of 95,671 euros (2019: 40,311) was calculated and in the amount of 99,031 (2019: 40,311) was paid on the loan of the parent company in the reporting period.

The loan granted to the Parent Company represents short-term allocations and repayments of working capital.
No discounts have been given in the transactions with the related parties in the reporting period.
No additional benefits are provided to the members of the management board.

Note 18 Unconsolidated balance sheet
(euros)

	31.12.2020	31.12.2019
Assets		
Current assets		
Cash	66,646	85,133
Receivables and prepayments	0	36,899
Total current assets	**66,646**	**122,032**
Fixed assets		
Investments in subsidiaries and affiliates	1,565,262	1,171,676
Receivables and prepayments	5,356,350	5,356,350
Total fixed assets	**6,921,612**	**6,528,026**
Total assets	**6,988,258**	**6,650,058**
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	77,272	84,291
Total current liabilities	**77,272**	**84,291**
Long-term liabilities		
Loans payable	5,371,850	5,371,850
Total long-term liabilities	**5,371,850**	**5,371,850**
Total liabilities	**5,449,122**	**5,456,141**
Equity		
Equity in nominal value	2,500	2,500
Retained earnings (loss)	1,191,417	22,475
Profit (loss) for financial year	345,219	1,168,942
Total equity	**1,539,136**	**1,193,917**
Total liabilities and equity	**6,988,258**	**6,650,058**

Note 19 Unconsolidated income statement
(euros)

	2020	2019
Other operating expenses	-12,347	-17,687
Total operating profit (loss)	**-12,347**	**-17,687**
Profit (loss) from subsidiaries	393,586	1,168,476
Interest income	435,652	434,464
Interest expenses	-471,672	-416,311
Profit (loss) before income tax	**345,219**	**1,168,942**
Profit (loss) for financial year	**345,219**	**1,168,942**

Note 20 Unconsolidated cash flow statement
(euros)

	2020	2019
Cash flow from operating activities		
Operating profit (loss)	-12,347	-17,687
Change in receivables and prepayments related to operating activities	0	-247
Change in payables and prepayments related to operating activities	-3,660	3,643
Total cash flow from operating activities	**-16,007**	**-14,291**
Cash flow from investing activities		
Loans granted	-130,000	-130,000
Repayments of loans granted	130,000	130,000
Interest received	472,547	434,464
Total cash flow from investing activities	**472,547**	**434,464**
Cash flow from financing activities		
Loans raised	130,000	130,000
Repayments of loans raised	-130,000	-130,000
Interest paid	-475,027	-416,311
Total cash flow from financing activities	**-475,027**	**-416,311**
Total cash flow	**-18,487**	**3,862**
Cash and cash equivalents at beginning of period	85,133	81,271
Change in cash and cash equivalents	**-18,487**	**3,862**
Cash and cash equivalents at end of period	66,646	85,133

Note 21 Unconsolidated statement of changes in equity

(euros)

			Total
	Equity in nominal value	Retained earnings (loss)	
31.12.2018	2,500	22,475	24,975
Profit (loss) for financial year	0	1,168,942	1,168,942
31.12.2019	2,500	1,191,417	1,193,917
Book value of shareholdings under dominant and significant influence	-2,500	-1,169,176	-1,171,676
Value of holdings under dominant and significant influence calculated by the equity method	2,500	1,169,176	1,171,676
Adjusted unconsolidated equity as at 31.12.2019	**2,500**	**1,191,417**	**1,193,917**
Profit (loss) for financial year	0	345,219	345,219
31.12.2020	2,500	1,536,636	1,539,136
Book value of shareholdings under dominant and significant influence	-2,500	-1,562,762	-1,565,262
Value of holdings under dominant and significant influence calculated by the equity method	2,500	1,562,762	1,565,262
Adjusted unconsolidated equity as at 31.12.2020	**2,500**	**1,536,636**	**1,539,136**

Note 22 Going concern

The financial statements of the Group have been prepared in consideration of the company being a going concern. The short-term liabilities of the company exceeded the current assets as at 31 December 2020. The management is of the opinion that the Group is sufficiently capitalised, the negative operating capital is temporary; it is related to the specific character of the activities and does not pose a threat to sustainability. Short-term liabilities are covered with cash flow from business activities.

Digital signatures to the report

End date of report: 31.03.2021

The accuracy of the data in the annual report of UPP & CO KAUNO 53 OÜ (registry code: 14194597) for the period of 1 January 2020 to 31 December 2020 has been confirmed electronically by:

Name of signatory	Role of signatory	Date of signature
MARKO TALI	Member of Management Board	01.04.2021

INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholders of UPP & CO KAUNO 53 OÜ

Opinion

We have audited the consolidated financial statements of UPP & CO KAUNO 53 OÜ and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2020, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with the Estonian Financial Reporting Standard.

Basis for opinion

We conducted the audit in accordance with the International Auditing Standards (Estonia). Our obligations according to these standards are described in the part of our report
"Obligations of the certified auditor in connection with the audit of the consolidated financial statements". We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The management is responsible for the other information. Other information comprises the management report but does not include the consolidated financial statements and our respective certified auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian Financial Reporting Standard and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those whose duty is to supervise are liable for exercising supervision over the reporting process of the accounting of the group.

Responsibilities of certified auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certified auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Upon auditing, we use professional judgement in accordance with the International Auditing Standards (EE) and retain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our sworn auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our sworn auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

/digitally signed/
Mart Nõmper
Certified Auditor No 499
Grant Thornton Baltic OÜ
Audit Firm's Licence No 3
Pärnu mnt 22, 10141 Tallinn
01.04.2021

Digital signatures of auditors

The auditor’s report enclosed with the annual report of UPP & CO KAUNO 53 OÜ (registry code 14194597) for the period 1 January 2020 – 31 December 2020 has been signed digitally by:

Name of signatory	Role of signatory	Date of signature
MART NÕMPER	Certified Auditor	01.04.2021

Profit distribution proposal
(euros)

	31.12.2020
Retained earnings (loss)	1,191,417
Profit (loss) for financial year	345,219
Total	**1,536,636**
Distribution	
Retained earnings (loss) after distribution (covering)	1,536,636
Total	**1,536,636**

Profit distribution resolution
(euros)

	31.12.2020
Retained earnings (loss)	1,191,417
Profit (loss) for financial year	345,219
Total	**1,536,636**
Distribution	
Retained earnings (loss) after distribution (covering)	1,536,636
Total	**1,536,636**

Means of communication

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