Consolidated Annual Report

Start of financial year: 01/01/2023
End of financial year: 31/12/2023

Business name: UPP & CO KAUNO 53 OÜ

Commercial register number: 14194597

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

Telephone No.: +372 6616450

Email address: property@unitedpartners.ee

Table of contents

MANAGEMENT REPORT

General

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

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

Management report

The Group's revenue for the financial year was EUR 1,323,920 (2022: EUR 1,277,056). Finance costs for the financial year were EUR 655,143 (2022: EUR 495,243). The Group employs no permanent staff and therefore pays no employee salaries, however it remunerates its Management Board members. Such expenses including taxes amounted to EUR 510 (2022: EUR 448) for the year, no other benefits were granted.

The Group sees the macroeconomic environment as uncertain due to high inflation, increased interest rates and weakness of the Estonian economy. Whereas the revenues and finance costs as the Group's main inputs are fixed, the rising interest rates and inflation have impacted the business of the Group's customers and in turn the confidence level of their customers. Customers are current on their obligations to the Group and based on conversations held with them on an ongoing basis there is no reason to doubt their ability to perform their obligations in the future.

In 2023, the average EURIBOR rate that underlies the Group's bank loan was 3%, which caused interest expense to increase by ~34%. Despite higher interest expense, the Group maintained a strong debt service capacity. The Group has accumulated sufficient reserves, two-thirds of the Group's borrowing costs are fixed, therefore the Group maintains a strong debt service capacity going into 2024.

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

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

<u>Investment property</u>

In the opinion of the Management Board, as of the reporting date, investment property is reflected at fair value. Due to significant expense involved in appraisals, the Management Board does not deem it reasonable to conduct ad hoc appraisals, which creditors have also not required, and the Management Board will continue with its original plan to commission new appraisals from independent qualified appraisers at the end of 2024.

As at 31/12/2021	**Fair value**	**Discount rate**	**Capitalization rate**	**NOI**		**Discount rate**		**Capitalization rate**	
Investment property				**10%**	**-10%**	**+50 bps**	**-50 bps**	**+50 bps**	**-50 bps**
Vievis LC	16,150,000	8.60%	7.50%	1,630,000	-1,620,000	-320,000	330,000	-710,000	820,000
Total	**16,150,000**	**x**	**x**	**1,630,000**	**-1,620,000**	**-320,000**	**330,000**	**-710,000**	**820,000**

Key events

On 26 April 2023, the sole shareholder of the parent company (UPP Logistics Properties OÜ) resolved to recall the parent company's supervisory board and in connection with this to amend the parent company's articles of association. The decision and articles of association were published in an announcement on the Nasdaq Baltic exchange on 26 April 2023. The shareholder decided to recall the supervisory board because it has no function.

UPP & CO Kauno 53 OÜ - Redemption of bond issue

17 July 2024 is the maturity date for the EUR 4.7m of bonds issued by the parent company. The Group is planning to redeem the bonds using accumulated cash, bank loan and supplementary loan granted by the sole shareholder.

Key financial ratios	**2023**	**2022**
Debt to equity ratio (times)	4.58	5.32
Debt ratio (times)	0.82	0.84
Long-term debt ratio (times)	0.67	0.81
Return on equity (ROE) %	10.92%	33.09%
Equity ratio (times)	0.18	0.16
ROA %	1.84%	4.53%

Formulas used to calculate ratios:

Debt to equity ratio = borrowings/equity

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

Long-term debt ratio = long-term borrowings/(long-term borrowings+equity)

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

Equity ratio = equity/average assets (12 months)

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

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

Marko Tali
Management
Board member

Financial statements

Consolidated balance sheet

(euros)

	31/12/2023	31/12/2022	Notes
Assets			
Current assets			
Cash	647,060	706,207	2
Receivables and prepayments	25,235	17,742	3
Total current assets	**672,295**	**723,949**	
Non-current assets			
Investment property	16,150,000	16,150,000	6
Property, plant and equipment	12	404	7
Intangible assets	0	213,476	8
Total non-current assets	**16,150,012**	**16,363,880**	
Total assets	**16,822,307**	**17,087,829**	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	5,160,000	460,000	9
Payables and prepayments	106,329	104,893	10
Total current liabilities	**5,266,329**	**564,893**	
Non-current liabilities			
Borrowings	6,245,184	11,505,184	9
Provisions	2,294,794	2,314,006	11
Total non-current liabilities	**8,539,978**	**13,819,190**	
Total liabilities	**13,806,307**	**14,384,083**	
Equity			
Equity attributable to parent company's shareholders			
Share capital at nominal value	2,500	2,500	13
Retained earnings (accumulated deficit)	2,701,246	1,933,640	
Profit (loss) for the financial year	312,254	767,606	
Total equity attributable to parent company's shareholders	**3,016,000**	**2,703,746**	
Total equity	**3,016,000**	**2,703,746**	
Total liabilities and equity	**16,822,307**	**17,087,829**	

Consolidated income statement

(euros)

	2023	2022	Note
Revenue	1,323,920	1,277,056	14
Other income	0	400,000	6
Goods, raw materials and services	-15,738	0	
Miscellaneous operating expenses	-84,174	-74,412	16
Staff costs	-510	-448	17
Depreciation, amortisation and impairment	-213,868	-216,005	7,8
Other expenses	-40	0	
Operating profit (loss)	**1,009,590**	**1,386,191**	
Interest income	6,942	0	2
Interest expenses	-662,085	-495,243	18
Profit (loss) before income tax	**354,447**	**890,948**	
Income tax	-42,193	-123,342	19
Profit (loss) for the financial year	**312,254**	**767,606**	
Profit (loss) attributable to parent company shareholders	312,254	767,606	

Consolidated statement of cash flows

(euros)

	2023	2022	Note
Cash flows from operating activities			
Operating profit (loss)	1,009,590	1,386,191	
Adjustments			
Depreciation, amortisation and impairment	213,868	216,005	7,8
Other adjustments	0	-400,000	6
Total adjustments	**213,868**	**-183,995**	
Change in receivables and prepayments related to operating activities	-7,493	-5,545	
Change in liabilities and prepayments related to operating activities	13,414	-3,639	
Corporate income tax paid	-73,384	-128,806	
Total cash flows from operating activities	**1,155,995**	**1,064,206**	
Cash flows from investing activities			
Interest received	6,942	0	2
Total cash flows from investing activities	**6,942**	**0**	
Cash flows from financing activities			
Repayment of borrowings	-560,000	-460,000	9
Interest paid	-662,084	-495,243	
Total cash flows from financing activities	**-1,222,084**	**-955,243**	
Total cash flows	**-59,147**	**108,963**	
Cash and cash equivalents at the beginning of the period	706,207	597,244	2
Change in cash and cash equivalents	**-59,147**	**108,963**	
Cash and cash equivalents at the end of the period	647,060	706,207	2

Consolidated statement of changes in equity

(euros)

	Equity attributable to parent company's shareholders		Total
	Share capital at nominal value	Retained earnings (accumulated deficit)	
31/12/2021	2,500	1,933,640	1,936,140
Profit (loss) for the financial year	0	767,606	767,606
31/12/2022	2,500	2,701,246	2,703,746
Profit (loss) for the financial year	0	312,254	312,254
31/12/2023	2,500	3,013,500	3,016,000

Notes to the financial statements

Note 1 Accounting policies

General

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

The 2023 consolidated financial statements of UPP & CO Kauno 53 OÜ are prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard is based on internationally recognised accounting and reporting standards and is prescribed by the Accounting Act of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

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

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

Preparation of consolidated financial statements

The consolidated financial statements are prepared by combining the financial indicators of the Parent Company and its subsidiaries based on the assumption that they operate as a single economic entity.

Subsidiaries are all companies controlled by the Parent Company. Control is presumed when the Parent Company owns, directly or through subsidiaries, more than 50% of the voting rights in its subsidiary or the Parent Company is otherwise able to control the operational or financial policy of subsidiaries.

In the consolidated statements, the financial indicators of the parent company and subsidiaries are added up on a line-by-line basis, eliminating entirely intra-group receivables, payables and transactions, and the unrealised gains and losses arising thereby. Investments in subsidiaries reported in the balance sheet of the Parent Company are eliminated against the holdings of the Parent Company in the equity of the subsidiaries. In subsidiaries where the Parent Company's ownership interest is below 100%, minority interest in the net assets and profit/loss for the period of subsidiaries is reported separately.

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

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

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

Financial assets

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

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

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

Cash

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

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

Receivables and prepayments

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

Investment property

Investment property is real estate which the Group holds mainly for the purpose of earning rental income and for capital appreciation, but not for the production of goods or services, administrative purposes or sale in the ordinary course of business.

Investment property is measured at fair value. The fair value method is applied by measuring investment property at fair value at each balance sheet date on the basis of the discounted cash flow method. Gains and losses from changes in fair value are presented in the income statement line Other income/Other expenses.

Property, plant and equipment and intangible assets

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

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

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

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

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

Leases

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

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

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

Financial liabilities

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

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

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

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

Income

Revenue from rendering services is recognised in the period that the service is rendered if the revenue receivable can be measured reliably, receipt of payment is probable and costs incurred in respect of the transaction can be estimated reliably.
Revenue comprises sale of goods and services related to operating activities and the net method is applied to the recognition of resale of utility services.
Other income comprises irregular income outside of the ordinary course of business.
Interest income is recognised on an accrual basis when it is probable that future economic benefits associated with the transaction will flow to the Group and the interest income can be measured reliably.

Expenses

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

Taxation

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

Corporate income tax arising from the payment of dividends or other distributions from equity is recognised as a liability and expensed when dividends or other distributions from equity are declared. Dividend tax is recognised as income tax expense in the income statement in the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date.

Taxation of subsidiaries with foreign incorporation.

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

Related parties

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

Note 2 Cash
(euros)

	31/12/2023	31/12/2022
Bank account balances	147,060	706,207
Term deposit	500,000	0
Total cash	**647,060**	**706,207**

The Group banks with OP Bank in Estonia and Lithuania. Cash payments are not accepted or made. Term deposits (of up to 3 months) earned interest income of EUR 6,942 in the reporting period. The current term is until April 2024 at an interest rate of 3.6%.

Note 3 Receivables and prepayments
(euros)

	31/12/2023	Within 12 months	Notes
Trade receivables	8,609	8,609	
Prepaid taxes and receivables for reclaimed taxes	3,550	3,550	4
Prepayments	13,076	13,076	
Deferred expenses	4,390	4,390	
Other prepayments made	8,686	8,686	
Total receivables and prepayments	**25,235**	**25,235**	
	31/12/2022	**Within 12 months**	**Notes**
Trade receivables	5,699	5,699	
Prepayments	12,043	12,043	
Deferred expenses	3,900	3,900	
Other prepayments made	8,143	8,143	
Total receivables and prepayments	**17,742**	**17,742**	

Note 4 Prepaid taxes and tax liabilities
(euros)

	31/12/2023		31/12/2022
	Prepayment	**Tax liability**	**Tax liability**
Corporate income tax	3,550	0	6,367
Value added tax	0	24,464	21,821
Other prepaid taxes and tax liabilities	0	19,400	9,382
Total prepaid taxes and tax liabilities	**3,550**	**43,864**	**37,570**

See Note 3 and Note 10.

Note 5 Shares in subsidiaries
(euros)

Shares in subsidiaries, general information					
Reg. No. of subsidiary	**Name of subsidiary**	**Domicile**	**Industry**	**Ownership interest (%)**	
				31/12/2023	**31/12/2022**
30440634	Promalita UAB	Lithuania	Property management	100	100

Note 6 Investment property
(euros)

Fair value method	
31/12/2021	15,750,000
Gain (loss) on change in fair value	400,000
31/12/2022	**16,150,000**
31/12/2023	**16,150,000**

	2023	2022
Rental income earned on investment property	1,323,920	1,277,056
Direct administrative costs of investment property	-15,738	0

The Group had entered into agreement with Colliers International Advisors UAB for investment property fair value appraisal, which carried it out as at 31 December 2021. The report was issued on 14 April 2022. Investment property was appraised at EUR 16,150,000, assuming a vacancy rate of 3.4%, capitalization rate of 7.5% and discount rate of 8.6%. Valuation precision according to the appraisal report was +/-5%. Management estimates that the composition of investment property, cash flows or market conditions have not changed to a degree that would cause fair value to change by more than 5%. The 3-month EURIBOR that increased in the period between 31/12/2021 and the reporting date has impacted discount rates through interest rate swap price changes.

Taking into consideration the basic discount rate, location and quality of cash flows of the investment property, the discount rate has grown by ~50-75 bps. Capitalization rates of prime quality cash-flow producing logistics real estate have not substantially changed, having grown by up to 25 bps. The consumer price index in Lithuania increased by 18.9% and 8.7% in 2022 and 2023, respectively, therefore rents have adjusted higher through indexation. Taking into consideration all three variables, the Management Board has measured investment property at fair value at the reporting date.

Management is of the view that the fair value of investment property as at 31 December 2023 does not differ materially from the fair value of investment property as at 31 December 2022. Valuation is based on a discount rate of 8.6% and WACC of 7.5%. The corresponding table is provided in the management report.
Only costs borne by the Group itself are deemed direct administrative costs. The majority of costs are passed onto customers under agreement. See Note 14 and Note 15.

Note 7 Property, plant and equipment

(euros)

		Total
	Other property, plant and equipment	
31/12/2021		
Cost	50,080	50,080
Accumulated depreciation	-47,139	-47,139
Carrying amount	2,941	2,941
Depreciation	-2,537	-2,537
31/12/2022		
Cost	50,080	50,080
Accumulated depreciation	-49,676	-49,676
Carrying amount	404	404
Depreciation	-392	-392
31/12/2023		
Cost	50,080	50,080
Accumulated depreciation	-50,068	-50,068
Carrying amount	12	12

The property, plant and equipment comprises assets of the Lithuanian subsidiary. Lithuanian law does not allow the measurement of fully depreciated property, plant and equipment which is still in use at zero. Therefore, the carrying amount is EUR 12.

Note 8 Intangible assets
(euros)

		Total
	Goodwill	
31/12/2021		
Cost	1,280,818	1,280,818
Accumulated amortisation	-853,874	-853,874
Carrying amount	426,944	426,944
Amortisation	-213,468	-213,468
31/12/2022		
Cost	1,280,818	1,280,818
Accumulated amortisation	-1,067,342	-1,067,342
Carrying amount	213,476	213,476
Amortisation	-213,476	-213,476
31/12/2023		
Cost	1,280,818	1,280,818
Accumulated amortisation	-1,280,818	-1,280,818
Carrying amount	0	0

Note 9 Borrowings
(euros)

	31/12/2023	Classification by remaining maturity			Interest rate	Underlying currency	Maturity	Note
		Within 12 months	From 1 to 5 years	Over 5 years				
Short-term loans								
UPP&CO Kauno 53 subordinated	4,700,000	4,700,000			6%	EUR	17/07/2024	
Total short-term loans	4,700,000	4,700,000						
Long-term loans								
OP Corporate Bank	6,133,334	460,000	5,673,334		3 month Euribor +1.91%	EUR	31/03/2027	
Parent company	571,850	0	571,850		8%	EUR	Unspecified term	20
Total long-term loans	6,705,184	460,000	6,245,184					
Total borrowings	**11,405,184**	**5,160,000**	**6,245,184**					

	31/12/2022	Classification by remaining maturity			Interest rate	Underlying currency	Maturity	Note
		Within 12 months	From 1 to 5 years	Over 5 years				
Long-term loans								
OP Corporate Bank	6,593,334	460,000	6,133,334		3 month Euribor +1.75%	EUR	31/03/2027	
Parent company	671,850	0	671,850		8%	EUR	Unspecified term	20
Total long-term loans	7,265,184	460,000	6,805,184					
Long-term bonds								
UPP&CO Kauno 53 subordinated bond	4,700,000	0	4,700,000		6%	EUR	17/07/2024	
Total long-term bonds	4,700,000	0	4,700,000					
Total borrowings	**11,965,184**	**460,000**	**11,505,184**					

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

Total interest accrued on loans and bonds during the reporting period was EUR 662,085 (2022: EUR 485,243).

See Note 25.

Note 10 Payables and prepayments

(euros)

	31/12/2023	Within 12 months	Notes
Trade payables	4,369	4,369	
Payables to employees	129	129	
Tax liabilities	43,864	43,864	4
Other payables	57,967	57,967	
Interest payable	57,967	57,967	
Total liabilities and prepayments	**106,329**	**106,329**	
	31/12/2022	**Within 12 months**	**Notes**
Trade payables	9,266	9,266	
Payables to employees	90	90	
Tax liabilities	37,570	37,570	4
Other payables	57,967	57,967	
Interest payable	57,967	57,967	
Total liabilities and prepayments	**104,893**	**104,893**	

Note 11 Provisions

(euros)

	31/12/2022	Recognition/ adjustment	31/12/2023
Total provisions	**2,314,006**	**-19,212**	**2,294,794**
Long-term	**2,314,006**	**-19,212**	**2,294,794**
Tax provision	2,314,006	-19,212	2,294,794
	31/12/2021	**Recognition/ adjustment**	**31/12/2022**
Total provisions	**2,273,216**	**40,790**	**2,314,006**
Long-term	**2,273,216**	**40,790**	**2,314,006**
Tax provision	2,273,216	40,790	2,314,006

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

Note 12 Contingent liabilities and assets

(euros)

	31/12/2023	31/12/2022
Contingent liabilities		
Potential dividends	3,013,500	2,701,246
Income tax liability on potential dividends	-602,700	-540,249
Total contingent liabilities	**2,410,800**	**2,160,997**

The Group's potential income tax liability.

The calculation of the maximum potential income tax liability is based on the assumption that the net dividends distributed and the arising income tax expense in total cannot exceed the profit eligible for distribution at 31 December 2023.

Note 13 Share capital
(euros)

	31/12/2023	31/12/2022
Share capital	2,500	2,500
Number of shares	1	1

Note 14 Revenue
(euros)

	2023	2022	Notes
Revenue by geographic region			
Sales to European Union Member States			
Lithuania	1,323,920	1,277,056	6
Total sales to European Union Member States	**1,323,920**	**1,277,056**	
Total revenue	**1,323,920**	**1,277,056**	
Revenue by industry sector			
Lease of premises	1,323,920	1,277,056	6
Total revenue	**1,323,920**	**1,277,056**	

Note 15 Other income
(euros)

	2023	2022	Notes
Gain on change in fair value of investment property	0	400,000	6
Total other income	**0**	**400,000**	

Note 16 Miscellaneous operating expenses
(euros)

	2023	2022	Notes
Miscellaneous office expenses	-999	-3,160	
Management services	-54,747	-48,732	20
Securities custodian and commission fees	-9,259	-8,692	
Legal and other advisory service fee expenses	-19,169	-13,828	
Total miscellaneous operating expenses	**-84,174**	**-74,412**	

Note 17 Staff costs

(euros)

	2023	2022
Wages and salaries	-499	-441
Social taxes	-11	-7
Total staff costs	**-510**	**-448**
Average number of employees by employment type:		
Legal entity's management or supervisory body member	1	1

Note 18 Interest expenses

(euros)

	2023	2022
Interest expense on bonds	-282,000	-282,000
Interest expense on loans	-380,085	-213,243
Total interest expenses	**-662,085**	**-495,243**

Note 19 Income tax

(euros)

The Group's income tax expense for the financial year was EUR 42,193 (2022: 123,342), arising from the Lithuanian subsidiary's tax liability.

Note 20 Related parties

(euros)

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

Related party balances by category

NON-CURRENT	31/12/2023	31/12/2022	Notes
Borrowings			
Parent entity	571,850	671,850	9
Total borrowings	**571,850**	**671,850**	

BORROWINGS	31/12/2021	Repayment of borrowings	31/12/2022	Notes
Parent entity	671,850	0	671,850	
Total borrowings	**671,850**	**0**	**671,850**	

BORROWINGS	31/12/2022	Repayment of borrowings	31/12/2023	Notes
Parent entity	671,850	100,000	571,850	
Total borrowings	**671,850**	**100,000**	**571,850**	

PURCHASES	2023	2022
	Services	Services
Parent entity	54,747	48,732
Total purchases	**54,747**	**48,732**

Compensation and other significant benefits calculated to the management and senior management		
	2023	**2022**
Calculated compensation	499	448

Total interest accrued on the parent company loan during the reporting period was EUR 51,370 (2022: EUR 53,748). Interest was paid in full during the reporting period. There is no outstanding interest payable to the parent company as at 31 December 2023.

The company did not enter into discounted transactions with related parties during the period.

No additional benefits are due to Management Board members.

Note 21 Parent company’s balance sheet

(euros)

	31/12/2023	31/12/2022
Assets		
Current assets		
Cash	125,650	152,662
Receivables and prepayments	4,080	3,900
Total current assets	**129,730**	**156,562**
Non-current assets		
Investments in subsidiaries and associates	2,909,863	2,670,776
Receivables and prepayments	5,306,350	5,306,350
Total non-current assets	**8,216,213**	**7,977,126**
Total assets	**8,345,943**	**8,133,688**
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	4,700,000	0
Payables and prepayments	58,093	58,092
Total current liabilities	**4,758,093**	**58,092**
Non-current liabilities		
Borrowings	571,850	5,371,850
Total non-current liabilities	**571,850**	**5,371,850**
Total liabilities	**5,329,943**	**5,429,942**
Equity		
Share capital at nominal value	2,500	2,500
Retained earnings (accumulated deficit)	2,701,246	1,933,640
Profit (loss) for the financial year	312,254	767,606
Total equity	**3,016,000**	**2,703,746**
Total liabilities and equity	**8,345,943**	**8,133,688**

Note 22 Parent company’s income statement

(euros)

	2023	2022
Miscellaneous operating expenses	-17,983	-20,087
Total operating profit (loss)	**-17,983**	**-20,087**
Profit (loss) from subsidiaries	239,087	698,926
Interest income	424,516	424,515
Interest expenses	-333,366	-335,748
Profit (loss) before income tax	**312,254**	**767,606**
Profit (loss) for the financial year	**312,254**	**767,606**

Note 23 Parent company's statement of cash flows

(euros)

	2023	2022
Cash flows from operating activities		
Operating profit (loss)	-17,983	-20,087
Change in receivables and prepayments related to operating activities	-180	0
Change in liabilities and prepayments related to operating activities	1	-3,850
Total cash flows from operating activities	**-18,162**	**-23,937**
Cash flows from investing activities		
Interest received	424,516	424,515
Total cash flows from investing activities	**424,516**	**424,515**
Cash flows from financing activities		
Repayment of borrowings	-100,000	0
Interest paid	-333,366	-335,748
Total cash flows from financing activities	**-433,366**	**-335,748**
Total cash flows	**-27,012**	**64,830**
Cash and cash equivalents at the beginning of the period	152,662	87,832
Change in cash and cash equivalents	**-27,012**	**64,830**
Cash and cash equivalents at the end of the period	125,650	152,662

Note 24 Parent company's statement of changes in equity

(euros)

				Total
	Share capital at nominal value	Statutory reserve capital	Retained earnings (accumulated deficit)	
31/12/2021	2,500	0	1,933,640	1,936,140
Profit (loss) for the financial year	0	0	767,606	767,606
31/12/2022	2,500	0	2,701,246	2,703,746
Carrying amount of holdings under control or significant influence	-2,500	-250	-2,668,026	-2,670,776
Value of holdings under control or significant influence under the equity method	2,500	250	2,668,026	2,670,776
Adjusted unconsolidated equity 31/12/2022	**2,500**	**0**	**2,701,246**	**2,703,746**
Profit (loss) for the financial year	0	0	312,254	312,254
31/12/2023	2,500	0	3,013,500	3,016,000
Carrying amount of holdings under control or significant influence	-2,500	-250	-2,907,113	-2,909,863
Value of holdings under control or significant influence under the equity method	2,500	250	2,907,113	2,909,863
Adjusted unconsolidated equity 31/12/2023	**2,500**	**0**	**3,013,500**	**3,016,000**

Note 25 Going concern

At 31 December 2023, the Group's current liabilities exceeded its current assets by EUR 4.6 million.
The maturity date of bonds issued in previous reporting periods is in July 2024. The Group's sole shareholder reaffirms its continuing financial support to the Group. The Group is planning to fund the bond redemption using cash, bank loan and supplementary loan granted by the sole shareholder.
As a result of the foregoing, the financial statements have been prepared under the going concern basis.

Digital signatures to the report

End date of report: 11.04.2024

The accuracy of the data in the annual report of UPP & CO KAUNO 53 OÜ (registry code: 14194597) for the period of 1 January 2023 to 31 December 2023 has been confirmed electronically by:

Name of signatory	Role of signatory	Date of signature
MARKO TALI	Member of Management Board	11.04.2024

Confirmation status of the shareholders' meeting report

Confirmed by the shareholders' meeting

INDEPENDENT AUDITOR’S REPORT

(Translation of the Estonian original)

To the Shareholders of UPP & CO KAUNO 53 OÜ

Qualified Opinion

We have audited the consolidated financial statements of UPP & CO KAUNO 53 OÜ and its subsidiary (the group), which comprises of the consolidated balance sheet as at December 31, 2023, and the consolidated income statement, consolidated statement of cash flows, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Estonian financial reporting standard.

Basis for Qualified Opinion

The consolidated balance sheet of the company as at December 31, 2023 consists of investment properties at fair value amounting to 16 150 thousand euros (as at December 31, 2022, 16 150 thousand euros). As described in Note 6, the fair value of investment properties was determined in 2022 by external professional appraisers. However, as of December 31, 2023, no external appraisers were used to assess fair value, and instead, the management provided the valuation. As a result of audit procedures, we were unable to obtain sufficient evidence regarding the accuracy of the management's assessment, thus we are unable to assess the extent of potential misstatement in the fair values of investment properties reflected in the consolidated balance sheet as of December 31, 2023, and its impact on the consolidated financial statements.

In the company's unconsolidated balance sheet as at December 31, 2023, investments in subsidiaries are recorded using equity method in amount of 2 910 thousand euros (as at December 31, 2022, 2 671 thousand euros). In applying the equity method for the investment in the subsidiary as at December 31, 2023, the subsidiary's equity is used which may be influenced by changes in the fair value of investment properties as mentioned above. Therefore, we are unable to assess the extent of potential misstatement in the value of the subsidiary and its impact on the unconsolidated financial statements presented in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International 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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises of the Management report but does not include the consolidated financial statements or our 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, it is our responsibility to read the other information and consider, when doing so, whether the other information materially misstates or appears to materially misstate the consolidated financial statements or our knowledge obtained during the audit.

Additionally, it is our obligation to state whether the information presented in the management report complies with applicable legal requirements. If, based on the work performed, we conclude that the other information is materially misstated in relation to the matters described above, we are required to report this fact.

As described in the section "Basis for Qualified Opinion" above, we were unable to assess the extent of potential misstatement in the fair value of investment properties reflected in the consolidated balance sheet as at December 31, 2023, and its impact on the consolidated financial statements, nor were we able to assess the extent of potential misstatement in the unconsolidated balance sheet value of the subsidiary and its impact on the financial statements presented in the unconsolidated financial statements. Consequently, we are unable to determine whether the other information is materially misstated in relation to these matters.

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

Management is responsible for the preparation of the consolidated financial statements in accordance with Estonian financial reporting standard, 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’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 ISA (EE)s 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 ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’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 Company’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 Company to cease to continue as a going concern.

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

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

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

Mart Nõmper

License number 499

Grant Thornton Baltic OÜ

License number 3

Pärnu mnt 22, 10141 Tallinn

12.04.2024

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

January 2023 – 31 December 2023 has been signed digitally by:

Name of signatory	Role of signatory	Date of signature
MART NÕMPER	Certified Auditor	12.04.2024

Profit distribution proposal

(euros)

	31.12.2023
Retained earnings (loss)	2,701,246
Profit (loss) for financial year	312,254
Total	**3,013,500**
Distribution	
Retained earnings (loss) after distribution (covering)	3,013,500
Total	**3,013,500**

Profit distribution resolution

(euros)

	31.12.2023
Retained earnings (loss)	2,701,246
Profit (loss) for financial year	312,254
Total	**3,013,500**
Distribution	
Retained earnings (loss) after distribution (covering)	3,013,500
Total	**3,013,500**

Means of communication

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