

Valstybės investicinis kapitalas UAB

**FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED
BY THE EUROPEAN UNION**

31 March 2020

This version of financial statements is a translation from the original, which was prepared in the Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

The translation to English was made by Aurelija Lauruševičiūtė as at 6 April 2021.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Valstybės investicinis kapitalas, UAB:

Opinion

We have audited the financial statements of Valstybės investicinis kapitalas, UAB (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the five months then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the five months then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We shall 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.

Deloitte Lietuva UAB
Audit Company License No 001275

Mindaugas Jukna
Lithuanian Certified Auditor
License No 000580

Vilnius, Republic of Lithuania
31 March 2021

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	As at 31/12/2020	As at 31/12/2019
		-	-
Non-current assets		-	-
Non-current assets		-	-
Investments in subsidiaries and associates	3.1	4,124,817	-
Deferred tax asset	3.12	4,929	-
Total non-current assets		4,129,746	-
Current assets			
Receivables and prepayments	3.2	3,487	-
Cash and cash equivalents	3.3	94,177,742	-
Total current assets		94,181,229	-
TOTAL ASSETS		98,310,975	-
EQUITY AND LIABILITIES	Notes	As at 31/12/2020	As at 31/12/2019
Equity		-	-
Issued capital	3.4	100,200,000	-
Retained earnings (loss)		(2,901,970)	-
Total equity		97,298,030	-
Non-current liabilities		-	-
Total non-current liabilities		-	-
Current liabilities			
Payables to controlled entities and associates	3.5	1,000,000	-
Payables to employees	3.6	4,584	-
Other payables and accrued expenses	3.7	8,361	-
Total current liabilities		1,012,945	-
Total liabilities		1,012,945	-
TOTAL EQUITY AND LIABILITIES		98,310,975	-

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

These financial statements were approved and signed on **31 March 2021**.

On behalf of Valstybės investicinis kapitalas UAB

Chief Accountant

Director
 Robertas Vyšniauskas

Deimantė Senkuvienė
 Authorised person of Nordgain UAB

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial year ended	
		As at 31/12/2020	As at 31/12/2019
OPERATING INCOME			
Disposals		-	-
Cost of sales		-	-
Other income		-	-
GROSS PROFIT		-	-
Operating (expenses)	3.8	(31,715)	-
Other expenses		-	-
OPERATING PROFIT (LOSS)		(31,715)	-
Finance income		-	-
Finance (expense)	3.9	(2,875,184)	-
PROFIT/(LOSS) BEFORE TAX		(2,906,899)	-
Income tax (expense)/benefit	3.12	4,929	-
NET PROFIT/(LOSS)	3.10	(2,901,970)	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE		-	-
Basic earnings (loss) per share (EUR per share)	3.11	(0.290)	-

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

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On behalf of Valstybės investicinis kapitalas UAB

Chief Accountant

Director
Robertas Vyšniauskas

Deimantė Senkuvienė
Authorised person of Nordgain UAB

STATEMENT OF CHANGES IN EQUITY

	Issued capital	Retained earnings (loss)	In tot
Balance as at 31 December 2019	-	-	
Issued capital set-up	100,200,000	-	100,200,000
Net profit (loss)	-	(2,901,970)	(2,901,970)
Increase (decrease) of issued capital	-	-	-
Dividends	-	-	-
Other payments to owners	-	-	-
Balance as at 31 December 2020	100,200,000	(2,901,970)	97,298,030

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

These financial statements were approved and signed on **31 March 2021**.

On behalf of Valstybės investicinis kapitalas UAB

Chief Accountant

Director
Robertas Vyšniauskas

Deimantė Senkuvienė
Authorised person of Nordgain UAB

STATEMENT OF CASH FLOWS

	Notes	Financial year ended	
		As at 31/12/2020	As at 31/12/2019
Cash flows from operating activities			
<i>Inflows during the reporting period</i>		-	-
Operating income		-	-
<i>Outflows during the reporting period</i>		(22,258)	-
Acquisition of non-current assets		-	-
Loans granted		-	-
Loans repaid		-	-
Dividends received		-	-
Wages and salaries		(6,296)	-
Taxes paid		(6,220)	-
Trade payables		(7,085)	-
Other benefits		(2,657)	-
Net cash flows from operating activities		(22,258)	-
Acquisition of investments	3.1	(7,000,000)	-
Net cash flows used in investing activities		(7,000,000)	-
Cash flows from/used in financing activities			
Issued capital set-up	3.4	100,200,000	-
Deposits		-	-
Loans received		-	-
Increase in other liabilities of the Company	3.5	1,000,000	-
Net cash flows from/used in financing activities		101,200,000	-
Effect of exchange rate changes on cash and cash equivalent balances		-	-
Net increase (decrease) in cash flows		94,177,742	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period	3.3	94,177,742	-

These financial statements were approved and signed on **31 March 2021**.

On behalf of Valstybės investicinis kapitalas UAB

Chief Accountant

Director
Robertas Vyšniauskas

Deimantė Senkuvienė
Authorised person of Nordgain UAB

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Valstybės investicinis kapitalas UAB (hereinafter “the Company”) is a private limited liability company registered in the Republic of Lithuania. The Company is headquartered at:

**Gedimino ave. 38
Vilnius,
Republic of Lithuania**

The Company’s business area is determined in accordance with the provisions of the description of activities of the Measure “Aid Fund for Business” approved by the Minister of Economy and Innovation of the Republic of Lithuania and the Minister of Finance of the Republic of Lithuania to help the Lithuanian economy to recover from the consequences of the coronavirus COVID-19 by financing aid to business and the development of the capital market with funds raised through state and capital market measures.

The Company was established on 26 August 2020. As at 31 December 2020, 100% of the Company’s (company code 111105555) issued capital was held by the Republic of Lithuania.

The issued capital of the Company amounts to EUR 100,200,000, which is divided into 10,020,000 ordinary registered shares with par value of EUR 10 each. As at 31 December 2020, all shares were fully paid.

As at 31 December 2020, the average number of the Company’s employees was 1.

The Company’s financial year coincides with a calendar year.

2 Accounting policies

The basic accounting principles adopted in preparing the Company’s financial statements for the financial year ended 31 December 2020 are as follows:

2.1 BASIS OF PREPARATION

1. Summary of significant accounting policies

1.1. Compliance confirmation

The Company prepared these financial statements in accordance with International Financial Reporting Standards (hereinafter “IFRSs”) as adopted by the European Union (hereinafter “the EU”).

1.2. Basis of preparation

The financial statements have been prepared under the historical cost basis.

The Company’s financial year begins on 1 January and ends on 31 December.

The financial statements are presented in the national currency of the Republic of Lithuania, euro (EUR).

The following accounting policies have been consistently applied to all the financial years presented in these financial statements, unless otherwise stated.

Equity

The Company's equity is comprised of a paid-up issued capital, share premium, revaluation reserve (results) legal reserve, reserve for treasury shares, other reserves, and retained earnings (loss).

The total amount of the subscribed issued capital is accounted for and disclosed in the financial statements, regardless of the amount paid-up. The amount of shares outstanding is accounted for and disclosed in the financial statements in the contra account (item) to the issued capital.

If the issued shares (including shares of the other public limited liability company) are settled through the transfer of assets, the issue price of the shares equals to the fair value of the assets received in exchange for the shares. Only the par value of shares is recorded under the issued capital. If the issue price exceeds the par value, the price surplus is recorded under share premium.

If a decision has been made to increase or decrease the issued capital, the increase or decrease of the issued capital is registered in the accounts when the new version of Articles of Association of the public limited liability company is registered in accordance with the procedure established by legal acts.

The issued capital of the Company amounts to EUR 100,200,000, which is divided into 10,020,000 ordinary registered shares with par value of EUR 10 each. As at 31 December 2020, all shares were fully paid.

Revenue recognition

The Company's revenue is recognised in accordance with the provisions of IFRS 15, i.e. the Company recognises revenue at the time and to the extent that the transfer of goods or promised services to customers would reflect an amount that the Company expects to receive in exchange for those goods or services. In applying this Standard, the Company takes into account the terms of the contract and all relevant facts and circumstances. Revenue in the Company is recognised using the 5-step model:

Step 1. Identify the contracts with the customer.

A contract is an agreement between two and/or more parties (subject to the terms of the purchase/sale) which creates the rights to be enforced and the obligations to be enforced (not applicable, if the joint venture agreement is signed). A contract subject to IFRS 15 is recognised only if the following criteria are met:

- the parties have approved the contract (in writing, orally or in accordance with other normal business practice) and are bound by the obligations under the contract;
- there is a possibility to identify the rights of each party regarding the transferable goods and/or services;
- there is a possibility to identify the payment terms provided for the transferable goods and/or services;
- the contract is of a commercial character;
- there is a likelihood of being remunerated in exchange for the goods and/or services that will be passed on to the customer.

Contracts with the customer may be aggregated or disaggregated into several contracts, while retaining the criteria of the former contracts. Such aggregation or disaggregation is considered a change of contract.

Step 2. Identify the performance obligations in the contract.

The contract establishes a commitment to deliver goods and/or services to the customer. When goods and/or services can be distinguished, the commitments are recognised separately. Each commitment is identified in one of two ways:

- the product and/or service is separate, or
- a set of individual goods and/or services that are essentially the same and passed on to the customer in a uniform model.

Step 3. Determine the transaction price.

The Company considers the terms of the transaction and normal business practice. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The consideration provided in the contract with the customer may include fixed or variable consideration, or both.

Step 4. Allocate the transaction price to the performance obligations.

The Company allocates a portion of the transaction price to each performance obligation in an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price is allocated to each performance obligation based on the relative individual selling prices of the good or service promised in the contract. The Company determines the price of the service or product separately (for example, one price for two products), unless the contract makes an explicit reference to it. Similar transactions are measured equally.

Step 5. Recognise revenue when a performance obligation is satisfied by the Company.

The Company recognises revenue when the Company satisfies the performance obligation by transferring a promised good or service to the customer (i.e. the customer obtains control of the asset). Revenue is recognised as an amount equal to the transaction price determined for the related performance obligation. Revenue is recognised at the amount allocated to obligation that can be settled at a certain time or over a certain period of time.

Revenue is recognised to the extent that the amount of revenue can be reliably measured and it is probable that the economic benefits associated with a transaction will flow to the Company, and when all of the specific criteria have been satisfied. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the terms and conditions of each arrangement.

Income related to the Company's activities

Income is recognised on an accrual basis. Income is an increase in the Company's assets or decrease in its liabilities during the reporting period. The Company accounts for income received but not earned during the current financial period in liabilities and recognise as revenue in the financial period in which it is earned.

Income and expense must not be offset, except for unrealised gains and losses, and income and expenses related to efficient risk mitigation accounting.

The Company's operating income:

- Interest income

Interest income on financial assets is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on an accrual basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

- Income on equity securities.
- Gains on disposed assets (foreign currency transactions; debt securities transactions; equity transactions; other financial instruments transactions).

1.3. Recognition of expenses

Expenses are recognised in accordance with the principles of accrual and comparability in the accounting period in which the related income is earned regardless of the time of the issue.

Currently, the Company's expenses include salaries and related taxes, vacation accruals, accounting service costs, insurance costs, the Board member fees, staff recruitment and deferred tax costs.

1.4. Leases

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Under a new model, a lessee is required to recognise a right-of-use asset and an associated liability in this type of lease. The right to use the assets is depreciated and the lease liability accrues interest.

1.4.1. The Company as a lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value determined at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

Lease payments are apportioned between finance costs and a reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent lease payments are recognised as expenses in the periods in which they are incurred.

Operating lease payments are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent operating lease payments are recognised as expenses in the periods in which they are incurred.

1.5. Foreign currencies

The Company's financial performance and financial position are presented in the euros, which is the functional currency and presentation currency of the Company.

All transactions had functional currency other than euro translated into euro at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the statement of financial position. Foreign exchange differences resulting from the settlement of foreign currency transactions are recognised through profit or loss for the period. Exchange rate gains or losses on monetary assets or liabilities are recognised in profit or loss.

1.6. Current and deferred income tax

Income tax expense represents the current income tax and deferred tax expense. The income tax is calculated in accordance with tax legislation of the Republic of Lithuania.

1.6.1. Current income tax

The current income tax is calculated on the basis of taxable profit. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income due to the items of revenue or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current income tax liability is calculated using the income tax rate applicable at the date of the statement of financial position. The standard income tax rate of 15% was applicable to the companies in Lithuania for the year ended on 31 December 2020.

1.6.2. Deferred tax

Deferred tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all temporary differences, whereas deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise these assets up to an amount that is likely to reduce taxable profit in the future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1.6.3. Current and deferred income tax for the period

Current and deferred tax is charged to profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.7. Property, plant and equipment

Property, plant and equipment is stated at acquisition cost (except for the costs of the day-to-day servicing), less accumulated depreciation and impairment losses, if any.

Depreciation is recognised on a straight-line basis over the estimated useful lives of the assets using the straight-line method (excluding land and construction-in-progress) less their residual values. The useful life, residual value and depreciation methods are reviewed at the end of each reporting period, with adjustments to accounting estimates recognised prospectively.

Depreciation is computed on a straight-line basis over the following estimated average useful life:

Other fixtures, fittings, tools and equipment	3–6 years
Vehicles	6 years
Other property, plant and equipment	4 years

Assets acquired under finance lease are depreciated over their estimated useful life on the same basis as owned assets. However, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefit is expected from its use. Any gain or loss arising on the disposal or write-off of an item of property, plant and equipment is calculated as the difference between the net disposal proceeds and the carrying value of the asset and recognised in profit or loss.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Company and these costs can be measured reliably. The carrying amount of the parts that are replaced is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

The costs of repairing assets leased and/or received under right-to-use agreements, which extend the useful life or improve the standard performance characteristics of the leased assets, are capitalised and depreciated over the remaining term of the lease and/or right-to-use agreement.

1.8. Intangible assets

Intangible assets are accounted for at cost, less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The useful life and amortisation method are reviewed at the end of each reporting period, with adjustments to accounting estimates recognised prospectively.

Amortisation is calculated on a straight-line basis over the following estimated average useful life:

Software	3 years
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1.9. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Company makes estimate of the recoverable amount of such asset. An impairment loss is recognised when the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss.

An impairment loss is reversed if there has been a change in the circumstances or events, used to determine the recoverable amount of non-financial assets that indicate that the carrying amount of the non-financial asset may be recoverable. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised, net of amortisation or depreciation.

1.10. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the Company's resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the most accurate recent assessments. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

1.11. Financial instruments

Financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liability, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Recognition and derecognition in the statement of financial position

The Company recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

Purchase or sale of financial assets is recognised and derecognised by The Company on the settlement date. The Company derecognises a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

The Company derecognises a financial liability (or part of financial liability) from its statement of financial position when, and only when it is extinguished, i. e. when the obligation specified in the contract is:

- discharged; or
- cancelled; or
- expired.

The Company classifies its financial assets into one of the following categories:

- measured at amortised cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss;
- hedging derivatives.

The Company classifies debt financial assets in an appropriate category based on the Company's business model for managing the financial asset and the asset's contractual cash flow characteristics. 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 Company.

The Company's financial assets at amortised cost includes trade receivables, loans granted, and other receivables and cash and cash equivalents.

The Company classifies its financial liabilities into one of the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss;
- hedging derivatives.

The Company's financial liabilities at amortised cost includes trade payables, loans and borrowings.

Measuring financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest rate method.

Subsequently to initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, less impairment losses. Trade receivables with the maturity period of up to 12 months (i.e. does not contain financing element) from the receivable origination date (which are not subject to factoring) are not discounted and they are measured at nominal value, less impairment.

Impairment of financial assets

The impairment model is based on the estimated expected loss.

The Company applies the following models for determining impairment losses:

- general model (basic),
- simplified model.

The general model is applied by the Company for financial assets measured at amortised cost, except for trade receivables.

In the general model, the Company monitors changes in the level of credit risk associated with a given financial asset and classifies financial assets to one of the three stages for determining impairment allowances based on the observation of the change in the credit risk level in relation to the initial recognition of the instrument.

Depending on the classification to individual stages, the impairment allowance is estimated in the 12-month horizon (stage 1) or in the lifetime horizon of the instrument (stage 2 and stage 3).

On each last day of the reporting period, the Company analyses the features on the basis of which financial assets are classified into separate stages for impairment losses. The features may include changes in the borrower's creditworthiness, serious financial problems for the borrower, significant adverse economic, legal, or market changes in the borrower's environment.

For the purpose of estimating the expected credit loss, the Company applies default probability levels, implied from market quotes of credit derivatives, for entities with a given rating and from a given sector.

The Company incorporates forward-looking information into the expected credit loss calculation by calculating probability of default parameters based on current market quotations.

The simplified model is applied by the Company for trade receivables.

Using the simplified model, the Company does not monitor changes in the credit risk level over the life of the instrument and estimates the expected credit loss by the end of the expected life of the instrument.

For the purpose of estimating the expected credit loss, the Company uses the provision matrix estimated on the basis of historical levels of repayment and recoveries from trade receivables.

The Company incorporates forward-looking information into the expected credit loss calculation by adjusting base ratios of probability of default.

In order to calculate the expected credit losses, the Company determines the probability of default parameters for trade receivables, calculated based on the historical analysis of the number of bills outstanding, and the probability of default parameters calculated on the basis of the historical analysis of the value of bills outstanding.

The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days past due.

Impairment losses (reversal) on financial instruments

Impairment losses (reversal) on financial instruments include particularly impairment losses (reversal) on trade receivables and losses (reversal) on loans granted.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in transit and cash at banks, demand deposits and other highly liquid investments up to 3 months original maturity that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, short-term deposits, and other current highly liquid investments.

1.12. Financial liabilities

Interest bearing loans and borrowings

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. Subsequent to initial recognition, loans are stated at amortised cost and the difference between the proceeds received and the amount payable over the loan period is recognised in the statement of comprehensive income for the period, except for capitalised borrowing costs, which are described below.

Borrowing costs which are directly attributable to acquisition of assets that require time to prepare for an intended use or sale, construction or production, are capitalised in the cost of a respective asset. All other borrowing costs are expensed in the period they occur. Borrowings are classified as non-current if the completion of a refinancing agreement before the reporting date provides evidence that the substance of the liability at the reporting date was non-current.

Trade payables

Trade liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are carried at amortised cost using the effective interest rate method. Gain and losses are recognised in the statement of comprehensive income when trade payables are expensed or amortised.

1.13. Employee benefits

Short-term employee benefits are recognised as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no long-term payments to employees. Assessment of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

When measuring the fair value of an asset or a liability, the Company, to the extent possible, uses market observable data. Fair values are categorized within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.14. Related parties

Related parties to the Company are defined as shareholders, employees, members of the Board, their close family members and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Company, provided such relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

1.15. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

1.16. Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

1.17. Comparative information

Comparative information is adjusted in the statement of comprehensive income to align with the classification applied in the reporting period by disclosing personnel costs and depreciation/amortisation costs in a separate line items.

1.18. Legal basis of preparation

These financial statements are separate annual financial statements of the Company. These financial statements were prepared for the year ended 31 December 2020 in accordance with Article 5(4) of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania (hereinafter "the Law") and International Financial Reporting Standards (hereinafter "IFRSs") as adopted by the European Union (hereinafter "the EU").

The purpose of preparing these separate financial statements in Lithuania is to comply with the Law. In accordance with Article 5(4) of the Law, the Company is obliged to prepare its separate financial statements and annual report in accordance with special regulations: Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

Therefore, the separate financial statements prepared in accordance with IFRSs effectively replaced the financial statements prepared in accordance with the requirements of the Law.

The Company is the parent company of the subsidiary Pagalbos verslui fondas KŪB, however, the Company, together with the said subsidiary, meets the criteria of a small group of undertakings in accordance with Article 4(1) of the Law, therefore the Company is exempted from the obligation to draw up consolidated financial statements. This procedure is in full compliance with the document of the European Parliament and Council "Comments concerning certain Articles of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and the Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies, and the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC". Pursuant to Note 2.2.2, the determination of whether or not a company is required to prepare consolidated accounts will continue to be made by reference to national law transposed from the Seventh Council Directive.

Since Pagalbos verslui fondas KŪB is not required to be consolidated in the separate financial statements according to national legislation, which is in compliance with Seventh Council Directive, it's the European Commission's view that the IFRS 10 requirements to prepare consolidated financial statements do not apply under International Financial Reporting Standards as adopted by the EU.

1.19. Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 "Business Combinations" – Definition of a Business** – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform** – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions** (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020);
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

1. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IFRS 4 “Insurance Contracts” – Extension of the Temporary Exemption from Applying IFRS 9** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases” – Interest Rate Benchmark Reform — Phase 2** adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021)

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at (date of publication of financial statements) (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”**, including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment” – Proceeds before Intended Use** (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts — Cost of Fulfilling a Contract** (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 “Business Combinations” – Reference to the Conceptual Framework with amendments to IFRS 3** (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018–2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

3 NOTES TO THE FINANCIAL STATEMENT

3.1 Investments in subsidiaries and associates

The Company committed to Pagalbos verslui fondas KŪB to make investments in the amount of EUR 100,000,000 (one hundred million euro). The Company's commitment to invest includes all transfers under the Capital Call Notice and, in any case, the amount of transfers may not exceed the amount specified in the Capital Commitment.

Pursuant to the Capital Call Notice, the Company invested EUR 7,000,000 into Pagalbos verslui fondas KŪB. The funds were transferred on 26 November 2020. At the end of the year, the value of this investment was reduced by EUR 2,875,183 and amounted to EUR 4,124,817 as at 31 December 2020. The investment is revalued at least annually in accordance with the financial statements presented by Pagalbos verslui fondas KŪB.

The Company has the right to withdraw from participation in the Fund in accordance with the rules described in the agreement. Upon withdrawal, the settlements with the Company are carried out in accordance with the following principles: (a) if the Fund is wound up, the settlements the Company are carried out in accordance with the rules of Clause 12 of the Agreement: funds are transferred following disposal of assets and payment of the Fund taxes; (b) if the rights and obligations of the Company in respect of the Fund are taken over by another person, the terms of the Company's withdrawal (including the repayment of the Called Commitments) are discussed in a separate agreement between the Company, the General Partner and the person taking over (the new Limited Partner); (c) if the Company withdraws from the Fund without transfer of rights and obligations to a third party, the settlements with the Company are carried out in accordance with the rules of Clause 12 of the Agreement: assets are disposed of, Fund taxes are paid, and funds are transferred (and the Uncalled Commitments of the Company expire).

3.2 Receivables and prepayments

The Company's receivables as at 31 December were as follows:

	Year ended as at 31/12/2020	Year ended as at 31/12/2019
Prepayments to suppliers	8	-
Deferred expenses	3,479	-
In total	3,487	-

As at 31 December 2020, the Company had no receivables from related parties.

3.3 Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	Year ended as at 31/12/2020	Year ended as at 31/12/2019
Cash at bank	94,177,742	-
In total	94,177,742	-

3.4 Issued capital

Having regard to the Memorandum of Incorporation of 7 August 2020, Shareholders contributed EUR 100,200,000 to the issued capital. All the shares of the Company are ordinary registered uncertificated shares with a total number of 10,020,000.

On 17 March 2021, the increase in the issued capital was registered through the additional issue of 100,000 ordinary registered uncertificated shares. At the reporting date, the issued capital of the Company amounted to EUR 101,200,000, which is divided into 10,120,000 ordinary registered shares with par value of EUR 10 each. All shares were fully paid.

3.5 Payables to controlled entities and associates

On 30 December 2020, EUR 1,000,000 received from the shareholder as a contribution to the share capital increase, which was registered on 17 March 2021.

3.6 Payables to employees

Payables as at 31 December:

	Year ended as at 31/12/2020	Year ended as at 31/12/2019
Wages and salaries payable	1,973	-
Taxes payable	1,466	-
Vacation accruals	1,145	-
In total	4,584	-

3.7 Other payables and accrued expenses

Payables as at 31 December:

	Year ended as at 31/12/2020	Year ended as at 31/12/2019
Remuneration payable to the Board members as at Q4 2020	3,690	-
Taxes on remuneration payable to the Board members	2,143	-
Current trade payables	696	-
Accrued expenses	1,832	-
In total	8,361	-

3.8 Operating expenses

	Year ended as at 31/12/2020	Year ended As at 31/12/2019
Wages and salaries and related contributions	(15,556)	-
Remuneration of the Board members	(10,034)	-
Accounting service fee	(2,087)	-
Other administrative expenses	(4,038)	-
In total	(31,715)	-

3.9 Financing and investing activities, net result

Income and expenses from financing and investing activities for the year ended 31 December consisted of the following:

	<u>Year ended as at 31/12/2020</u>	<u>Year ended as at 31/12/2019</u>
Impairment of non-current financial assets	(2,875,183)	-
Other finance costs (default interest)	(1)	-
In total	<u>(2,875,184)</u>	<u>-</u>

3.10 Profit (loss) distribution project

The Company recorded losses of EUR (2,901,970) as at 31 December 2020. The Company's losses are carried forward to the next financial year.

3.11 Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net profit for the period by the weighted average number of ordinary shares outstanding during the period. During 2020, the weighted average number of shares was 10,020,000.

Basic earnings (loss) per share:

	<u>2020</u>	<u>2019</u>
	<u>January–December</u>	
Net profit (loss)	(2,901,970)	-
Weighted average number of shares outstanding	10,020,000	-
Basic earnings (loss) per share	<u>(0.290)</u>	<u>-</u>

3.12 Income tax and deferred income tax

For the year ended 31 December, the income tax was as follows:

	<u>Year ended As at 31/12/2020</u>	<u>Year ended As at 31/12/2019</u>
Taxable income	-	-
Total expenses:	(2,901,970)	-
Deductible expenses	(26,766)	-
Non-deductible expenses	2,875,204	-
Profit (loss)	(26,766)	-
70% of the previous period's loss	-	-
Taxable profit	-	-
Income tax	<u>-</u>	<u>-</u>

As at 31 December 2020, the Company made a loss.

For the year ended 31 December, the income tax expense in the statement of comprehensive income was as follows:

	<u>Year ended As at 31/12/2020</u>	<u>Year ended As at 31/12/2019</u>
Income tax expense	-	-
Deferred tax benefit/(expense)	4,929	-
In total	<u>4,929</u>	<u>-</u>

Deferred income tax for the year ended 31 December consisted of the following:

Items	Carrying amount	Adjustments required by the tax law		Tax base	Temporary difference	Taxable or deductible temporary difference	Deferred income tax		
		Reporting period	Previous periods				Assets	Liabilities	
Deferred employee benefits	1,145	1,145	-	15%	1,145	Deductible	172	-	
Tax losses	31,716	31,716	-	15%	31,716	Deductible	4,757	-	
Difference between the carrying amounts for income tax purposes and financial reporting purposes	2,875,204	2,875,204	-	15%	431,281	Deductible	431,281		
Deferred tax asset before valuation allowance								436,210	
Less: valuation allowance								(431,281)	
Deferred tax asset, net								4,929	

Deferred income tax was subject to a rate of 15%.

3.13 Related-party transactions

The Company's management consists of the CEO and the Board members. All undertakings owned by the Republic of Lithuania are considered to be other related parties.

In 2020, the Company entered into a single transaction with the related party: it made investment of EUR 7,000,000 to Pagalbos verslui fondas KŪB based on the Capital Call Notice.

Remuneration of key management personnel

	2020	2019
Wages and salaries and other short-term employee benefits	15,556	-
Remuneration to the Board members	10,034	-
In total	25,590	-

3.14 Commitments and contingencies

As at 31 December 2020, the Company had a capital commitment of EUR 93,000,000 under the partnership agreement with Pagalbos verslui fondas KŪB. As at 31 December 2020, the Company considered this commitment as contingent and did not disclose it in the statement of financial position.

3.15 Events after the reporting period

After the closing date of the reporting period, the Company made investment of EUR 93,000,000 into Pagalbos verslui fondas KŪB in March 2021 under the Capital Call Notice.

On behalf of Valstybės investicinis kapitalas UAB

Chief Accountant

Director
Robertas Vyšniauskas

Deimantė Senkuvienė
Authorised person of Nordgain UAB