CONSOLIDATED ANNUAL REPORT

Translation of the Estonian original

beginning of the financial year:	01.01.2018
end of the financial year:	31.12.2018
business name:	UPP & CO KAUNO 53 OÜ
registry code:	14194597
street, building:	Pärnu mnt. 141
city:	Tallinn
county:	Harju maakond
postal code:	11314
telephone:	+372 6616450
e-mail address:	property@unitedpartners.ee

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Management Report

UPP & CO Kauno 53 OÜ, the parent company of the consolidation group (hereinafter "K53") was established for the purpose of making and managing investment property and raising capital for this transaction.

During the previous accounting period, the entity acquired 100% share in Promalita UAB, a company registered in the Republic of Lithuania, which owns a logistics center near Vilnius. The closed net area of the center is 21,232 m^2 and it has been fully leased out. The anchor lessee is Rimi commercial chain.

In the financial year, the sales revenue of the consolidation group amounted to 1,247 (2017: 794) thousand euros. The consolidation group has no employees and thus, there are no labor costs, but remuneration has been calculated to members of the management board. During the financial year, these costs inclusive of the taxes amounted to 1,037 (2017: 0.6) thousand euros. The management is not entitled to any other benefits.

During the financial year, changes were made in the managing bodies of K53 and its subsidiary Promalita UAB. The meeting of the shareholders and supervisory board of K53 held in 13 September decided to make changes in the management board and supervisory board of K53 and the management board of its subsidiary Promalita UAB.

Marko Tali, the former member of the supervisory board of K53, was elected to the management boards of both companies. The former management board members Hallar Loogma and Kevin Soon were removed from the management board. Hallar Loogma will continue as the member of the supervisory board of K53.

In connection with the takeover of the lease premises by Rimi, there was a need to make several minor works in order to adapt the premises for Rimi's business activity. The final works were completed at the end of the second quarter of the financial year. The lease premises were in use by Rimi since the end of January already, which means that lease income was received from these premises throughout the financial year.

In January 2018, cooperation ended with the lessee UAB CAT Cargo Logistics. The premises that had previously been leased to them were taken over by the anchor lessee of K53, Rimi Lietuva. There was no vacancy with regard to the change in lease premises.

The general (macroeconomic) development of the business environment of the accounting entity is good and the impact of it on the financial performance is neutral. The operating activities of the accounting entity do not take place on a seasonal basis, the business activities are not cyclical. There are no significant environmental and social impacts resulting from the activities of the entity.

No risks related to changes in foreign exchange rates, interest rates and stock exchange rates have occurred during the financial year or during the period of preparation of the report.

Since the entity has been established solely for the described activity, no structural changes are planned to be made in the business activity.

There are no significant projects in the field of research and development and the related expenditure in the accounting year and the following years. The entity has not undertaken any obligations or issued any guarantees which could significantly influence the performance of the following financial years.

The main financial ratios	**2018**	**2017**
Debt-to-equity ratio (times)	16.25	60.02
Debt ratio (times)	0.95	0.99
Long-term debt ratio (times)	0.95	0.99
Return on equity %	72.19%	98.95%
Equity ratio (times)	0.05	0.01
ROA %	3.62%	1.41%

Formulae used in calculating the financial ratios
Debt-to-equity ratio = interest-bearing debt liabilities/equity
Debt ratio = liabilities/(liabilities+equity)
Long-term debt ratio = long-term liabilities/(long-term liabilities+equity)
Return on equity ROE % = net profit/equity *100
Equity ratio = equity/assets
Return on assets ROA % = net profit/assets *100

UPP & CO Kauno 53 OÜ and its subsidiary Promalita UAB will carry on their activities as a going concern.

Marko Tali
Member of the Management Board

The Financial Statements

Consolidated Statement of Financial Position

(in Euros)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	159,684	39,745	2
Receivables and prepayments	9,751	8,844	3
Total current assets	**169,435**	**48,589**	
Non-current assets			
Investment property	15,700,000	15,350,000	5
Property, plant and equipment	22,113	38,309	6
Intangible assets	1,067,348	1,280,818	7
Total non-current assets	**16,789,461**	**16,669,127**	
Total assets	**16,958,896**	**16,717,716**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	460,000	460,000	8
Payables and prepayments	132,512	152,398	9
Total current liabilities	**592,512**	**612,398**	
Non-current liabilities			
Loan liabilities	13,345,183	13,855,083	8
Provisions	2,171,716	2,011,748	10
Total non-current liabilities	**15,516,899**	**15,866,831**	
Total liabilities	**16,109,411**	**16,479,229**	
Equity			
Equity held by shareholders in parent company			
Issued capital	2,500	2,500	11
Retained earnings (loss)	233,732	-2	
Annual period profit (loss)	613,253	235,989	
Total equity held by shareholders in parent company	**849,485**	**238,487**	
Total equity	**849,485**	**238,487**	
Total liabilities and equity	**16,958,896**	**16,717,716**	

Consolidated Statement of Income

(in Euros)

	2018	30.01.2017-31.12.2017	Note
Sales revenue	1,247,276	794,385	12
Other operating income	350,000	337	5
Miscellaneous operating expenses	-19,220	-19,442	13
Labor expense	-1,037	-618	14
Depreciation and impairment of non-current assets	-229,666	-11,771	6
Other operating expenses	-11	0	
Operating profit (loss)	**1,347,342**	**762,891**	
Interest income	3	6	
Interest expense	-574,124	-412,504	15
Other financial income and expense	0	1,800	
Profit (loss) before income tax	**773,221**	**352,193**	
Income tax expense	-159,968	-116,204	16
Annual period profit (loss)	**613,253**	**235,989**	
Profit (loss) belonging to shareholders in parent company	613,253	235,989	

Consolidated Statement of Cash Flows

(in Euros)

	2018	30.01.2017-31.12.2017	Note
Cash flows from operating activities			
Operating profit (loss)	1,347,342	762,891	
Adjustments			
Depreciation and impairment of non-current assets	229,666	11,771	6
Other adjustments	-352,500	-2,519	
Total adjustments	**-122,834**	**9,252**	
Changes in receivables and prepayments related to operating activities	-907	-8,844	
Changes in inventories	0	-24,389	
Changes in liabilities and prepayments related to operating activities	672	51,436	
Total cash flows from operating activities	**1,224,273**	**790,346**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	0	-25,691	
Net cash flows from purchase of subsidiaries and operating activities	0	-5,390,957	
Interest received	8	6	
Total cash flows from investing activities	**8**	**-5,416,642**	
Cash flows from financing activities			
Loans received	136,600	5,680,750	8
Repayments of loans received	-646,500	-579,167	8
Interest paid	-594,442	-438,042	
Total cash flows from financing activities	**-1,104,342**	**4,663,541**	
Total cash flows	**119,939**	**37,245**	
Cash and cash equivalents at beginning of period	39,745	2,500	2
Change in cash and cash equivalents	**119,939**	**37,245**	
Cash and cash equivalents at end of period	159,684	39,745	2

Consolidated Statement of Changes in Equity
(in euros)

	Equity held by shareholders in parent company		Total
	Issued capital	Retained earnings (loss)	
30.01.2017	2,500	0	2,500
Annual period profit (loss)	0	235,989	235,989
Other changes in equity	0	-2	-2
31.12.2017	2,500	235,987	238,487
Annual period profit (loss)	0	613,253	613,253
Other changes in equity	0	-2,255	-2,255
31.12.2018	2,500	846,985	849,485

Notes to the Financial Statements

Note 1 Accounting Policies

General information
OÜ UPP & CO Kauno 53 (hereinafter “parent company”) is a company registered and operating in Estonia. The consolidated financial statements report the consolidated assets, liabilities, equity, economic outcome and cash flows of the parent company and its Lithuanian subsidiary, UAB Promalita (hereinafter both together “group”).
The consolidated financial statements 2018 of OÜ UPP & CO Kauno 53 have been prepared in conformity with the Estonian financial reporting standard. The Estonian financial reporting standard is based on internationally accepted accounting and reporting principles, the main requirements of which are established in the Accounting Act and which are supplemented by the guidelines issued by the Accounting Standards Board.

The consolidated financial statements have been prepared in the Euros.
The main accounting policies used in preparing the consolidated financial statements are set out below.

Preparation of the consolidated financial statements
Consolidated financial statements present financial information about the parent entity and its subsidiaries combined as a single entity. A subsidiary is an entity controlled by another entity (parent entity). Control is presumed to exist when the parent company holds either directly or through its subsidiaries more than 50% of the voting rights of the subsidiary or if the parent company can in another way control the operating and financial policies of the subsidiaries.
The financial indicators of the parent company and subsidiaries are consolidated line by line in the consolidated financial statements, intragroup receivables, liabilities and transactions between group companies as well as resulting unrealized profits and losses shall be eliminated in full. Investments in subsidiaries recognised in the balance sheet of the parent company are eliminated against the shares of the parent company in the equity of the subsidiaries. In subsidiaries where the share of the parent company is less than 100%, the share belonging to minority shareholders is separated from the net assets of the subsidiaries and the profit/loss of the accounting period.
In preparing the consolidated financial statements the accounting policies applied in the financial statements of the parent company shall be used and, if necessary, adjustments shall be made in the financial statements of the subsidiaries to bring them in conformity with the accounting policies of the parent company.
Subsidiaries shall be consolidated in the consolidated financial statements from the date of their acquisition until the date of their disposal.

Financial assets
All financial assets shall initially be recognised at cost which is the fair value of the consideration paid for the financial asset. Initial cost includes all transaction costs directly attributable to the acquisition of financial assets, including fees paid to agents and advisers, non-refundable taxes relating to the transaction and other similar costs, except for costs relating to the acquisition of such financial assets that are recognised at fair value through the statement of income.

All purchase and sale transactions of financial assets occurring at ordinary market conditions shall be recognised at their transaction date i.e. on the day when the group undertakes an obligation (for example, enters into a contract) for the purchase or sale of a financial asset. Purchases and sales are deemed to have occurred at ordinary market conditions if the financial asset to be bought or sold is transferred from the seller to the purchaser within a time period that is usual at that market or required by respective market regulations.

Cash
Cash at bank and in hand is recorded in the statement of financial position on row “Cash and cash equivalents”.
Cash flows from operating activities have been prepared using the indirect method. Cash flows from investing and financing activities have been reported based on the direct method i.e. they have been presented as gross receipts and payments of the accounting period.

Receivables and prepayments
Accounts receivable, accrued income, and other short-term and long-term receivables (incl. loan receivables, deposits) are measured at amortised cost. At each balance sheet date, the company shall assess whether there is any evidence that these financial assets are impaired. If any such evidence exists, the financial assets measured at amortised cost shall be written down pursuant to the present value of their estimated future cash inflows. Impairment losses shall be recognised as an expense in the income statement.

Investment property
Investment property is property held by the group to earn rentals and for capital appreciation and not for the use in the production of goods or services, for administrative purposes or sale in the ordinary course of business.

An investment property is measured using the fair value method. Under the fair value method, items of investment property shall be measured by the group at fair value at each balance sheet date by using the discounted cash flow model.
The fair value shall be adjusted only upon the increase or decrease of the value by more than 2% in comparison with the value of the previous year. Gains/losses arising from a change in the fair value of investment property shall be recognised in the income statement of the accounting period on row “”Other operating income”/”Other operating expense”.

Property, plant and equipment and intangible assets
Property, plant and equipment are tangible assets the group uses for the rendering of services or for administrative purposes and that are expected to be used for more than one year.
An item of property, plant and equipment shall initially be recognised at cost which comprises its purchase price and any costs directly attributable to its acquisition.
The threshold for the recognition of property, plant and equipment is 200 Euros.
In the statement of financial position, an item of property, plant and equipment shall be carried at cost less accumulated depreciation and any accumulated impairment losses. The straight-line method is used for depreciating items of property, plant and equipment. The useful life of the property, plant and equipment of the Company carried in the statement of financial position is three to five years.
Property, plant and equipment shall be derecognised when no future economic benefits are expected from their use or disposal. The profit or loss arising from disposal or write-off is the difference between the proceeds received and the carrying amount of the non-current asset.

Goodwill
Goodwill arising upon acquisition of an entity shall be recognised at the cost as at the date of acquisition less any impairment loss. Based on the management’s decision, goodwill is amortised to zero within 6 years starting from 1 January 2018.
Depreciation of goodwill is recognised in the statement of income under “Depreciation and impairment loss of non-current assets”.

Useful life by non-current asset groups (years)

Name of non-current asset group	**Useful life**
Land	Undetermined
Buildings and structures	10-50
Machinery and equipment	2-12
Transportation	4-10
Other fittings and fixtures	2-5

Leases
The lease transactions where all material risks and rewards related to the asset are transferred to the lessee are recorded as finance leases.

All other lease transactions are classified as operating leases.
The company leases its assets on operating lease terms and thus recognizes the assets in the balance sheet pursuant to standard procedure similarly with other assets recorded in the balance sheet.

The lease income from an operating lease is recorded by the lessor as income in the statement of income over the lease term. Payments to be made to the lessor are structured so as to increase with the presumable general inflation based on the published indexes, in order to compensate the presumable increase of the lessor’s costs with regard to inflation.

Financial liabilities
Financial liabilities shall initially be recognised at their cost which is the fair value of the consideration payable or receivable for the financial liability. Initial cost includes all transaction costs directly attributable to the acquisition of financial liabilities.
Subsequently, the financial liabilities are measured depending on their type either at cost or at amortised cost. A financial liability is classified as short-term, if its payment due date is within twelve months after the balance sheet date or if the company does not have unconditional right to defer the payment of the obligation more than 12 months after the balance sheet date. Other liabilities are classified as long-term liabilities.
A financial liability shall be derecognised when it is discharged, cancelled or it expires.

Interest-bearing bank loans shall initially be recognised at the amount received, less transaction fees. Subsequently these financial liabilities are measured at amortised cost, where the initial cost has been adjusted with the repayments of the principal. Interest expense is recognised as an expense in the statement of income on row “Interest expense” in the period when they occurred. Amortisation of transaction costs is recorded in the statement of income together with the interest expenses.
The received long-term intragroup loans shall be recognised at amortised cost, whereby the initial cost is adjusted with the contractual repayments over the established term. Interest expenses are recognised as an expense in the statement of income on row “Interest expense” during the period when they have occurred, using the contractual interest rate of the respective liability.

Revenue

Revenue from the sales of services is recognised during the period when the service is rendered, if the revenue to be received from the provision of the services can be measured reliably, the receipt of the income from the transaction is probable and the costs incurred in respect of the transaction can be determined reliably. Revenue from the sales of goods is recognised when all material risks related to the ownership of the asset have been transferred to the purchaser, the income from the sales transaction is probable and the revenue and expenses related to the transaction can be determined reliably.

Revenue comprises the sales of services and goods related to the company's main activity. Irregular income and the revenue that is not directly related to the main activity are recognised as other operating income.

Interest income is recognised on an accrual basis when the receipt of economic benefits from the transaction is probable and the amount of interest income can be determined reliably.

Expenses

Expenses are recognised on an accrual basis i.e. at the moment when the economic transaction takes place and not when the obligation is paid. Expenses are recognised in the same periods as the revenue related to these expenses. Expenses which are likely to participate in earning economic benefits in the next periods, shall be recognised as an asset in the balance sheet at the time when they have occurred and shall be recorded as an expense in the same period(s) in which the revenue related to these expenses is incurred.

The row "Goods, raw materials and services" in the statement of income reports the cost of services and goods purchased directly for the purpose of main activity. Expenses which are not directly considered as expenses that are related to the rendering of services are reported as miscellaneous operating expenses. Other operating expenses comprise irregular expenses which are not related to the main activity.

Interest expense is recognised on an accrual basis as financial expense of the reporting period.

Taxation

According to the Income Tax Act currently in force in Estonia, the companies registered in Estonia shall not pay income tax on earned profits, and also profits distributed by bonus issue are not subject to taxation. The companies pay income tax on profits distributed as dividends or other profit distributions, including payments made from equity which exceed the monetary and non-monetary contributions made into the equity of the company when they are paid out either in monetary or non-monetary form. Based on the mentioned Act, the profits distributed by the company as dividends and in another form shall be subject to income tax at the rate of 20/80 from the payment made.

Pursuant to the Estonian tax regulations the companies cannot pay out all of their available equity without any additional cost, a part of the equity shall serve as cover for the income tax on dividends. A provision for the future income tax on dividends shall not be formed before the dividends are declared, but the relating information shall be disclosed in the notes to the financial statements.

The corporate income tax accompanying the payment of dividends or other payments that reduce the equity shall be recorded as a liability and an expense at the moment when the dividends or other payments which reduce the equity are declared.

The income tax on dividends is recognised as an income tax expense in the statement of income in the same period when the dividends are declared, regardless of the period the dividends are declared for or when they are actually paid out.

Taxation of foreign subsidiaries

Pursuant to the Income Tax Law in Lithuania the company's net profits, which have been adjusted with permanent and temporary differences as prescribed by the Income Tax Law, are subject to taxation in Lithuania at the tax rate of 15%.

Deferred income tax has been recorded as a liability in respect of all temporary differences between the values of assets and liabilities in the tax accounting and financial accounting. The deferred income tax assets shall be recognised only if it is probable that profits shall be made in the future from which the deferred income tax assets can be used.

Related parties

Parties are deemed to be related if one party has control over the other party or significant influence over the business decisions of the other party, including parent companies, other entities belonging into same group, owners and members of the management board, their family members and entities which are under the control or material influence of the persons described above.

Note 2 Cash and cash equivalents

(in Euros)

	31.12.2018	31.12.2017
Cash at bank	159,684	39,745
Total cash and cash equivalents	**159,684**	**39,745**

The group has accounts at Swedbank and OP Pank. There are no payments in cash. During the reporting period money was not held on fixed-term deposits.

Note 3 Receivables and Prepayments

(in Euros)

	31.12.2018	Within 12 months
Tax prepayments and receivables	11	11
Prepayments	9,740	9,740
Deferred expenses	9,740	9,740
Total receivables and prepayments	**9,751**	**9,751**
	31.12.2017	**Within 12 months**
Trade receivables	383	383
Prepayments	8,461	8,461
Deferred expenses	6,455	6,455
Other paid prepayments	2,006	2,006
Total receivables and prepayments	**8,844**	**8,844**

Note 4 Shares of Subsidiaries

(in Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	**Name of subsidiary**	**Country of incorporation**	**Principal activity**	**Ownership interest (%)**	
				31.12.2017	**31.12.2018**
30440634	Promalita UAB	Lithuania	Real estate management	100	100

Shares of subsidiaries, detailed information			
Name of subsidiary	**31.12.2017**	**Other changes**	**31.12.2018**
Promalita UAB	700	2,500	3,200
Total shares of subsidiaries, at the end of previous period	**700**	**2,500**	**3,200**

Note 5 Investment Property
(in Euros)

Fair value method	
Acquisitions and additions	15,350,000
31.12.2017	**15,350,000**
Profit (loss) from revaluation	350,000
31.12.2018	**15,700,000**

	2018	**30.01.2017-31.12.2017**
Lease income earned from investment property	1,236,439	794,385
Direct administrative costs of investment property	12,065	18,717

A two-year cooperation agreement has been concluded with Colliers International Advisors UAB who has been chosen as the independent valuator of investment property for this financial year as well as the next accounting period.

Note 6 Property, Plant and Equipment
(in Euros)

		Total
	Other property, plant and equipment	
Acquisitions and additions	25,691	25,691
Other acquisitions and additions	25,691	25,691
Depreciation	-11,771	-11,771
Reclassifications	24,389	24,389
Reclassifications of inventory	24,389	24,389
31.12.2017		
Carried at cost	50,080	50,080
Accumulated depreciation	-11,771	-11,771
Residual cost	38,309	38,309
Depreciation	-16,196	-16,196
31.12.2018		
Carried at cost	50,080	50,080
Accumulated depreciation	-27,967	-27,967
Residual cost	22,113	22,113

Note 7 Intangible Assets
(in Euros)

		Total
	Goodwill	
Acquisitions and additions	1,280,818	1,280,818
31.12.2017		
Carried at cost	1,280,818	1,280,818
Accumulated depreciation	0	0
Residual cost	1,280,818	1,280,818
Depreciation	-213,470	-213,470
31.12.2018		
Carried at cost	1,280,818	1,280,818
Accumulated depreciation	-213,470	-213,470
Residual cost	1,067,348	1,067,348

Note 8 Loan Commitments

(in Euros)

	31.12.2018	Allocation by remaining maturity			Interest rate	Base currency	Due date	Note
		within 12 months	within 1-5 years	over 5 years				
Long-term loans								
OP Corporate Bank	8,433,333	460,000	7,973,333	0	6-M Euribor +1.75%	EUR	31.03. 2022	
Parent company	671,850	0	671,850	0	6%	EUR	without a term	17
Total long-term loans	9,105,183	460,000	8,645,183	0				
Long-term bonds								
Investors	4,700,000	0	4,700,000	0	8%	EUR	17.04. 2022	
Total long-term bonds	4,700,000	0	4,700,000	0				
Total loan commitments	**13,805,183**	**460,000**	**13,345,183**	**0**				

	31.12.2017	Allocation by remaining maturity			Interest rate	Base currency	Due date	Note
		within 12 months	within 1-5 years	over 5 years				
Long-term loans								
OP Corporate Bank	8,893,333	460,000	8,433,333	0	6-M Euribor +1.75%	EUR	31.03. 2022	
Parent company	721,750	0	721,750	0	6%	EUR	without a term	17
Total long-term loans	9,615,083	460,000	9,155,083	0				
Long-term bonds								
Investors	4,700,000	0	4,700,000	0	8%	EUR	17.04. 2022	
Total long-term bonds	4,700,000	0	4,700,000	0				
Total loan commitments	**14,315,083**	**460,000**	**13,855,083**	**0**				

Loan securities and mortgages are the following:

1. A first-ranking mortgage on Rimi LC property in the amount of 11,960,000 euros with the claim for the market value of the real estate of at least 15,300,000 euros;
2. A second-ranking mortgage on Rimi LC property in the amount of 6,110,000 euros in favor of the security agent as the pledgee (placed in accordance with the terms of security agent agreement in favor of the investors).

Interest calculated from loans and bonds amounted to 574,124 euros during the reporting period (2017: 412,504 euros).

Note 9 Payables and Prepayments

(in Euros)

	31.12.2018	Within 12 months
Trade payables	2,091	2,091
Employee payables	108	108
Other payables	80,648	80,648
Interest payables	80,648	80,648
Prepayments received	49,665	49,665
Other received prepayments	49,665	49,665
Total payables and prepayments	**132,512**	**132,512**
	31.12.2017	**Within 12 months**
Trade payables	4,008	4,008
Employee payables	135	135
Other payables	100,961	100,961
Interest payables	100,961	100,961
Prepayments received	47,294	47,294
Other received prepayments	47,294	47,294
Total payables and prepayments	**152,398**	**152,398**

Note 10 Provisions

(in euros)

	31.12.2017	Establishing/ adjustments	31.12.2018
Total provisions	**2,011,748**	**159,968**	**2,171,716**
Long-term	**2,011,748**	**159,968**	**2,171,716**
Tax provision	2,011,748	159,968	2,171,716
	30.01.2017	**Establishing/ adjustments**	**31.12.2017**
Total provisions	**0**	**2,011,748**	**2,011,748**
Long-term	**0**	**2,011,748**	**2,011,748**
Tax provision	0	2,011,748	2,011,748

The provisions comprise the deferred income tax liability of the Lithuanian subsidiary.

Note 11 Share Capital
(in Euros)

	31.12.2018	31.12.2017
Share capital	2,500	2,500
Number of shares (pcs.)	1	1

Potential income tax liability of the group.
The retained earnings of the group as of 31 December 2018 amounted to 846,985 (31.12.2017: 235,987) euros. The maximum possible income tax liability that would accompany the payment of the total retained earnings amount as dividends is 169,397 (31.12.2017: 47,197) euros. Thus, 677,588 (31.12.2017: 188,790) euros can be paid out as dividends.

The calculation of the maximum possible income tax liability is based on the assumption that the total of distributable net dividends and accompanying income tax expense may not exceed the retained earnings as of 31.12.2018.

Note 12 Net Sales
(in Euros)

	2018	30.01.2017-31.12.2017
Net sales by geographical location		
Net sales in European Union		
Lithuania	1,247,276	794,385
Total net sales in European Union	**1,247,276**	**794,385**
Total net sales	**1,247,276**	**794,385**
Net sales by operating activities		
Lease of premises	1,247,276	794,385
Total net sales	**1,247,276**	**794,385**

Note 13 Miscellaneous Operating Expense
(in Euros)

	2018	30.01.2017-31.12.2017
Miscellaneous office expense	-7,450	-7,249
Administrative fees of securities	-6,262	-5,696
Legal and other consulting services	-5,182	-4,875
Bank service fees	-326	-1,622
Total miscellaneous operating expense	**-19,220**	**-19,442**

Note 14 Labor Expense
(in Euros)

	2018	30.01.2017-31.12.2017
Wage and salary expense	-252	-494
Social security taxes	-785	-124
Total labor expense	**-1,037**	**-618**
Average number of employees by types of employment:		
Member of the legal entity's management or control body	1	1

Note 15 Interest Expense
(in Euros)

	2018	30.01.2017-31.12.2017
Interest expense from bonds	-375,997	-265,809
Interest expense from loans	-198,127	-146,695
Total interest expense	**-574,124**	**-412,504**

Note 16 Income Tax
(in Euros)

Income tax expense of the group, arising from the tax obligations of the Lithuanian subsidiary, amounted to 159,968 euros in the reporting period (2017: 116,204 euros).

Note 17 Related Parties
(in Euros)

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

Related party balances according to groups

	31.12.2018		31.12.2017	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	0	675,209	0	745,422

2018	Loans received	Repayments of loans received	Interest rate	Base currency	Due date
Parent company					
United Partners Property OÜ	136,600	186,500	6%	EUR	Without a term

30.01.2017-31.12.2017	Loans received	Repayments of loans received	Interest rate	Base currency	Due date
Parent company					
United Partners Property OÜ	1,049,750	328,000	6%	EUR	Without a term

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2018	**30.01.2017-31.12.2017**
Remuneration	252	494

The liability to the parent company includes the loan liability in the amount of 671,850 (31.12.2017: 721,750) euros and unpaid interest in the amount of 3,359 (31.12.2017: 23,762) euros. Interest paid to the parent company during the reporting period amounted to 63,545 (2017: 0) euros.

No write-downs were made in the reporting period with regard to transactions with related parties.

The members of the management are not entitled to any other benefits.

Note 18 Unconsolidated Statement of Financial Position

(in Euros)

	31.12.2018	31.12.2017
Assets		
Current assets		
Cash and cash equivalents	81,271	36,338
Receivables and prepayments	36,652	34,000
Total current assets	**117,923**	**70,338**
Non-current assets		
Investments into subsidiaries and associates	3,200	700
Receivables and prepayments	5,356,350	5,463,700
Total non-current assets	**5,359,550**	**5,464,400**
Total assets	**5,477,473**	**5,534,738**
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	80,648	100,961
Total current liabilities	**80,648**	**100,961**
Non-current liabilities		
Loan liabilities	5,371,850	5,421,750
Total non-current liabilities	**5,371,850**	**5,421,750**
Total liabilities	**5,452,498**	**5,522,711**
Equity		
Issued capital	2,500	2,500
Retained earnings (loss)	9,527	0
Annual period profit (loss)	12,948	9,527
Total equity	**24,975**	**12,027**
Total liabilities and equity	**5,477,473**	**5,534,738**

Note 19 Unconsolidated Statement of Income

(in Euros)

	2018	30.01.2017-31.12.2017
Miscellaneous operating expenses	-8,187	-7,621
Other operating charges	-11	0
Total operating profit (loss)	**-8,198**	**-7,621**
Interest income	440,374	308,319
Interest expense	-419,228	-291,171
Profit (loss) before income tax	**12,948**	**9,527**
Annual period profit (loss)	**12,948**	**9,527**

Note 20 Unconsolidated Statement of Cash Flows

(in Euros)

	2018	30.01.2017-31.12.2017
Cash flows from operating activities		
Operating profit (loss)	-8,198	-7,621
Changes in receivables and prepayments related to operating activities	-11	0
Total cash flows from operating activities	**-8,209**	**-7,621**
Cash flows from investing activities		
Purchase of subsidiaries	-2,500	-700
Loans given	-25,000	-4,979,200
Repayments of loans given	132,350	342,000
Interest received	437,739	147,819
Total cash flows from investing activities	**542,589**	**-4,490,081**
Cash flows from financing activities		
Loans received	136,600	5,120,750
Repayments of loans received	-186,500	-399,000
Interest paid	-439,547	-190,210
Total cash flows from financing activities	**-489,447**	**4,531,540**
Total cash flows	**44,933**	**33,838**
Cash and cash equivalents at beginning of period	36,338	2,500
Change in cash and cash equivalents	**44,933**	**33,838**
Cash and cash equivalents at end of period	81,271	36,338

Note 21 Unconsolidated Statement of Changes in Equity

(in Euros)

	Issued capital	Retained earnings (loss)	Total
30.01.2017	2,500	0	2,500
Annual period profit (loss)	0	9,527	9,527
31.12.2017	2,500	9,527	12,027
Book value of ownership interest under prevalent and material influence	-700	0	-700
Value of ownership interest under prevalent and material influence by equity method	700	226,460	227,160
Restated unconsolidated equity 31.12.2017	**2,500**	**235,987**	**238,487**
Annual period profit (loss)	0	12,948	12,948
31.12.2018	2,500	22,475	24,975
Book value of ownership interest under prevalent and material influence	-3,200	0	-3,200
Value of ownership interest under prevalent and material influence by equity method	3,200	824,510	827,710
Restated unconsolidated equity 31.12.2018	**2,500**	**846,985**	**849,485**

Note 22 Going Concern

The financial statements of the group have been prepared in accordance with the going concern assumption. As at 31.12.2018 the current liabilities of the group exceeded the current assets by 423,077 (31.12.2017: 563,809) euros. According to the management's assessment the consolidation group has been capitalized adequately enough, the working capital is temporarily negative due to the specificity of activity and poses no threat to sustainability. Current liabilities will be covered by cash flows from operating activities.

Digital Signatures to the Annual Report

Date of completion of the Annual Report is: 10.06.2019

The correctness of information in the Annual Report of UPP & CO KAUNO 53 OÜ (registry code: 14194597) of 01.01.2018 – 31.12.2018 has been confirmed electronically by:

Name of signer	Role of the signer	Date of signing
MARKO TALI	Member of the Management Board	11.06.2019

INDEPENDENT AUDITOR'S REPORT

Translation of the Estonian original

To the Shareholders of UPP & CO KAUNO 53 OÜ

Opinion

We have audited the consolidated financial statements of UPP & CO KAUNO 53 OÜ and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). 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 Group in accordance with the Code of Ethics for Professional Accountants (Estonia), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs (EE), 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

/digitally signed/
Mart Nõmper
Sworn Auditor No. 499
Rödl & Partner Audit OÜ
Audit Firm's Licence No. 2
Tartu mnt 13, Tallinn, Harju maakond, 10145
11.06.2019

Digital Signatures of Auditors

The Auditor's Report attached to the Annual Report of UPP & CO KAUNO 53 OÜ (registry code: 14194597) of 01.01.2018 – 31.12.2018 has been digitally signed by:

Name of signer	Role of the signer	Date of signing
MART NÕMPER	Sworn Auditor	11.06.2019

Profit Distribution Proposal
(in Euros)

	31.12.2018
Retained earnings (loss)	233,732
Annual period profit (loss)	613,253
Total	**846,985**
Distribution	
Retained earnings (loss) after distribution (covering)	846,985
Total	**846,985**

Means of Communication

Type	Content
Telephone	**+372 6616450**
E-mail address	**property@unitedpartners.ee**