

UAB "Ekoelektra"

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2022
(1 JANUARY 2022 - 31 DECEMBER 2022)
PREPARED ACCORDING TO LITHUANIAN
FINANCIAL REPORTING STANDARDS

UAB "Ekoelektra"

Company code 304979645, address Jogailos g. 4, Vilnius

FINANCIAL STATEMENTS FOR THE YEAR 2022

(all amounts are in EUR unless otherwise stated)

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Independent Practitioner's Review Report

To the Shareholders of UAB Ekoelektra

■ Report on the Financial Statements

We have reviewed the accompanying financial statements of UAB Ekoelektra (“the Company”), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 5–15.

■ Emphasis of Matter

We draw attention to Note 15 to the financial statements, which indicates that the Company's current liabilities exceed its current assets by EUR 10 thousand. In addition, the Company's equity as at 31 December 2022 is negative and does not meet the requirement of the Law on Companies of the Republic of Lithuania. The Company's financial statements are prepared on a going concern basis. The going concern assessment was based on the assumption that the parent undertaking had approved the provision of financial support to the Company to the extent that it is economically reasonable, for a period of at least twelve months from the date of approval of the financial statements. Our opinion is not modified in respect of this matter.

■ Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Lithuanian Financial Reporting Standards, 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.

■ Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.



A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

■ Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of UAB Ekoelektra as at 31 December 2022, and its financial performance for the year then ended, in accordance with Lithuanian Financial Reporting Standards.

On behalf of KPMG Baltics, UAB

Monika Saulienė
Certified Auditor

Vilnius, the Republic of Lithuania
9 June 2023

The electronic auditor's signature applies only to the Independent Practitioner's Review Report on pages 3 to 4 of this document.

Balance sheet

	Notes	31 December 2022	31 December 2021
ASSETS			
A		261 822	70 450
FIXED ASSETS			
I.		-	-
II.		-	-
III.	3	261 822	70 450
IV.		-	-
B		9 726	2 422
CURRENT ASSETS			
I.		-	-
II.	4	7	-
III.		-	-
IV.	5	9 719	2 422
C		-	-
PREPAYMENTS AND ACCRUED INCOME			
		271 548	72 872
TOTAL ASSETS			

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

Balance sheet (continued)

	Notes	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
D. EQUITY		(469 673)	(564 891)
I. Capital	6	2 500	2 500
II. Share premium account		-	-
III. Revaluation reserve		-	-
IV. Reserves		-	-
V. Retained profit (loss)		(472 173)	(567 391)
E. GRANTS, SUBSIDIES		-	-
F. PROVISIONS		-	-
G. AMOUNTS PAYABLE AND OTHER LIABILITIES		730 965	625 878
I. Amounts payable after one year and other long-term liabilities	8	730 413	625 455
II. Amounts payable within one year and other short-term liabilities	9	552	423
H. ACCRUALS AND DEFERRED INCOME	10	10 256	11 885
TOTAL EQUITY AND LIABILITIES		271 548	72 872

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

Financial statements were signed using electronic signature by:

General Manager

Representative of a company providing accounting services

Grėtė Bukauskaitė

Virginija Skirmantė

Income Statement

	Notes	2022	2021
I. Net turnover		-	-
II. Cost of sales		-	-
III. Fair value adjustments of the biological assets		-	-
IV. GROSS PROFIT (LOSS)		-	-
V. Selling expenses		-	-
VI. General and administrative expenses	11	(20 880)	(105 343)
VII. Other operating results		-	-
VIII. Income from investments in the shares of parent, subsidiaries and associated entities		-	-
IX. Income from other long-term investments and loans		-	-
X. Other interest and similar income	12	14 194	9 450
XI. The impairment of the financial assets and short-term investments	12	177 178	(439 000)
XII. Interest and other similar expenses	12	(75 274)	(32 455)
XIII. PROFIT (LOSS) BEFORE TAXATION		95 218	(567 348)
XIV. Tax on profit	14	-	(6)
XV. NET PROFIT (LOSS)		95 218	(567 354)

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

Financial statements signed with an electronic signature:

General Manager

Grėtė Bukauskaitė

Representative of a company providing accounting services

Virginija Skirmantė

Notes to the financial statements

1 General information

UAB "Ekoelektra" (hereinafter, the Company) is a private limited liability company registered in the Republic of Lithuania. The Company's registration code is 304979645 and its registered office address is Jogailos g. 4, Vilnius. The Company's data are accumulated and stored at the state enterprise Centre of Registers.

The Company was registered on 2 January 2019.

The Company's main activity is the acquisition of renewable energy projects in Lithuania. During 2023 the Company plans to acquire wind energy projects under development in Lithuania.

On 14 February 2022, the sole shareholder of the Company UTIISIB UAB Atsinaujinančios energetikos investicijos (Shareholder 1) sold 50% of its shares to Taaleri Development Holdings S.à r.l. (Shareholder 2). As of 31 December 2022 The shareholders of the Company were:

	2022	
	Number of shares held	Percentage
UTIISIB UAB Atsinaujinančios energetikos investicijos	50	50%
Taaleri Development Holdings S.à r.l.	50	50%
Total:	100	100%

As at 31 December 2022 the Company's share capital was EUR 2 500, divided into 100 ordinary registered shares with a par value of EUR 25 each. The Company did not hold its own shares. Shareholder 1 and Shareholder 2 has 50 shares per shareholder.

As at 31 December 2022, the average number of employees of the Company was 1 (as at 31 December 2021 – 1 employee).

The financial year of the Company coincides with the calendar year.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for 2022 are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with the Law on Financial Accounting of the Republic of Lithuania, Law on Financial Statements of Entities of the Republic of Lithuania and Lithuanian Financial Reporting Standards (LFRS), which include the standards and interpretations prepared and approved by the Authority of Audit and Accounting, effective as at 31 December 2022.

As allowed by specific provisions of legislation of the Republic of Lithuania, the Company prepared short version of the financial statements that does not require presentation of the statement of cash flows, the statement of changes in equity and the annual report.

2.2. Presentation currency

The company keeps records and the amounts shown in these financial statements are registered and presented in the local currency of the Republic of Lithuania, euro.

2.3. Financial assets

Financial assets include cash and cash equivalents, receivables and loans granted.

A financial asset is recorded when the Company receives, or becomes entitled to receive, cash or another financial asset under an executory contract. Receivables and loans are measured at cost less impairment loss. Cash and cash equivalents are measured at historical cost.

If it is probable that the Company will not be able to collect the receivables, an impairment loss is recognized for the difference between the carrying amount of the asset and the present value of the future cash flows discounted at the estimated interest rate.

2.4. Receivables

Receivables are measured at cost on initial recognition. Subsequently, receivables are recorded with an allowance for impairment. If it is probable that the Company will not be able to collect the receivable, an impairment loss is recognized for the difference between the carrying amount of the asset and the present value of future cash flows discounted at the estimated interest rate.

2.5. Cash and cash equivalents

Cash consists of money in bank accounts. Cash equivalents are short-term, highly liquid investments that are easily convertible into a known amount of money. Such investments have a maturity of less than three months and are subject to very little risk of changes in value.

2.6. Financial liabilities

Financial liabilities include amounts payable for goods and services received and liabilities under contracts for bonds issued and loans.

Financial liabilities are recorded when the Company incurs a liability to pay cash or settle another financial asset. Amounts payable for goods and services are measured at cost.

2 Accounting principles (cont'd)

2.6. Financial liabilities

Bonds issued and loans received are classified as financial liabilities, redeemable in one lump sum or in instalments according to a fixed redemption schedule. Bonds and loans issued are initially recorded at fair value, which is equal to the amount of the proceeds received, less the amount of transaction costs incurred. They are subsequently measured at amortized cost using the imputed interest rate method.

Contractual obligations to deliver cash or other financial assets are classified as financial liabilities.

Non-market financial liabilities consist of loans and trade payables.

On initial recognition, non-market financial liabilities are measured at cost and transaction costs are recognized as an expense in the income statement. In subsequent periods, these financial liabilities are carried at amortized cost using the effective interest rate. Short-term financial liabilities are carried at cost as the effect of applying the effective interest rate is immaterial.

2.7. Corporate income tax

Income tax is calculated based on the Lithuanian tax legislation. In 2022 and 2021 the standard income tax rate in Lithuania was 15%.

Tax losses can be claimed indefinitely, except for losses arising from the transfer of securities and/or derivatives. Such carry-forward shall cease if the Company ceases to carry on the activity giving rise to the losses, unless the Company ceases to carry on the activity for reasons beyond its control. Losses on the disposal of securities and/or derivatives may be incurred for a period of 5 years and shall only be covered by profits from transactions of the same nature.

According to the Law on Corporate Income Tax of the Republic of Lithuania, the amount of deductible tax loss carry-forwards, except for tax losses arising from the transfer of securities and/or derivatives (non-financial institutions), may not exceed 70 % of the taxpayer's income for the taxable period, calculated after deducting from the income the tax-exempt income, the allowed deductions and the deductions of limited amounts, except for the tax losses for the taxable period of the previous year. This also applies to losses incurred by financial institutions as a result of the disposal of securities and/or derivatives.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the asset is realized or the liability settled, taking into account tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognized in the balance sheet to the extent that the Company's management expects that it will be realized in the foreseeable future, taking into account forecasts of taxable profit. If it is probable that part of the deferred tax will not be realized, that part of the deferred tax is not recognized in the financial statements.

2.8. Revenue recognition

Sales revenue is recognized on an accruals basis. Revenue from sales comprises the fair value of consideration received or receivable for goods and services sold in the ordinary course of the Company's business. Revenue is stated net of value added tax, returns and price discounts. Interest income is recognized on an accrual basis as earned.

2 Accounting principles (cont'd)

2.9. Expense recognition

Expenses are recognized on an accruals and comparative basis in the period in which the related income is earned, irrespective of when the cash is spent. When expenses incurred during the period cannot be directly attributed to the generation of specific income and will not generate income in future periods, they are recognized as an expense in the period in which they are incurred. Expenses are measured at fair value.

2.10. Borrowing costs

Interest on loans and bond contracts is recognized in the income statement on an accruals basis.

2.11. Financial risk management policy

The following basic financial risk management procedures are applied in the company's activities:

Credit risk

The Company has a significant concentration of credit risk. Credit risk, or the risk that a counterparty will default, is controlled through credit terms and supervisory procedures. Credit risk is controlled by the Company.

Interest rate risk

The Company's income and cash flows from operations are largely independent of changes in market interest rates.

The most significant balance sheet item sensitive to changes in interest rates in the Company's balance sheet is bonds issued. The liabilities are at fixed interest rates. The Company does not use any financial instruments to manage the risk of interest rate fluctuations.

Currency risk

The Company does not have a significant concentration of exchange rate risk as the majority of settlements are denominated in Euro.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents, or to secure financing from the parent company, to meet the commitments in its strategic plans.

2.12. Foreign currencies

All currency items in the balance sheet are valued in euro using the exchange rate at the balance sheet date. Assets carried at cost that are purchased for foreign currency are valued in euro on the balance sheet at the exchange rate ruling at the time of acquisition. Assets whose fair value is measured in a foreign currency are measured in euro in the balance sheet at the exchange rate at the date of the fair value measurement. Transactions denominated in foreign currencies are valued in euro at the exchange rate on the date of the transaction. Differences arising from the settlement of amounts recorded in foreign currency items at a different exchange rate are recognized as income or expense in the reporting period.

2.13. Contingencies

Contingent liabilities are not recognized in the financial statements. They are described in the financial statements unless the probability of loss of economic benefits is remote.

The preparation of financial statements in conformity with Accounting Standards requires management to make certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of uncertainties. Future events may change the assumptions used in making the estimates. The result of such changes in estimates will be recorded in the financial statements when determined.

Contingent assets are not recognized in the financial statements, but are described in the financial statements when it is probable that income or economic benefits will flow.

2.14. Subsequent events

Subsequent events that provide information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Off-balance sheet events that are not adjusting events are described in the notes when they are material.

2.15. Related parties

Parties are considered to be related if one of the parties is in a position to control the other party or to exercise significant influence over the other party in financial and other decisions. Related parties include shareholders, employees, members of the Board of Directors, their close relatives and companies that directly or indirectly through an intermediary control the Company or are controlled, either individually or jointly, by another party that is also considered a related party.

3 Financial assets

	31 December 2022	31 December 2021
Loans granted	500 000	500 000
Interest on loans granted	23 644	9 450
Impairment of loans granted	(261 822)	(439 000)
	261 822	70 450

The Company has granted targeted loans to companies Raguvėlės vėjas and Pakruojo vėjas. The loans are intended to finance the development of the project. Borrowers undertake to repay the full amount of the loan and pay interest no later than 3 months after the signing of the act of completion of the Phase 2. The completion of Phase 2 is defined in the share purchase - sale agreement as the event when the seller of shares will fulfill the conditions stipulated in the contract.

In 2021, management decided to recognize a partial impairment on both of the Company's loans as the borrowers will not be able to repay in full the arrears incurred up to the date of the Company's financial statements for the period ending 31 December 2021.

The Company's management, having assessed the level of development achieved by UAB Raguvėlės vėjas and the control of the company's shares taken over in 2023, recognises a reversal of the impairment of loans and interest recognised in the prior year. Meanwhile, the borrower UAB Pakruojo vėjas loan is fully impaired, together with the interest accrued until the end of 2022, as management has decided that the company will not be able to fulfill its obligations.

4 Amounts receivable within one year

	31 December 2022	31 December 2021
Tax overpayments	7	-
	7	-

5 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash	9 719	2 422
	9 719	2 422

6 Capital

As at 31 December 2022 The authorised capital of UAB Ekoelektra was EUR 2 500, divided into 100 ordinary registered shares with a par value of EUR 25 each (in 2021 the authorised capital was EUR 2 500).

According to the Law on Companies of the Republic of Lithuania, a Company's equity capital may not be less than ½ of its share capital, as specified in its articles of association. On 31 December 2022 the Company did not comply with this requirement (as at 31 December 2021 the Company did not comply as well).

7 Draft distribution of profits

As at the date of signing these financial statements, the draft profit appropriation had not been prepared yet.

8 Amounts payable after one year and other long-term liabilities

	31 December 2022	31 December 2021
Bonds issued	662 000	593 000
Accrued interest on bonds issued	68 413	32 455
	730 413	625 455

8 Amounts payable after one year and other long-term liabilities (continued)

As at 31 December 2022 the Company has issued bonds with a value of EUR 662 000. The bonds bear a fixed interest rate and mature on 5 January 2028. During the financial year ended 2022, the bond issue dated 3 May 2021, which was purchased by Shareholder 1, was redeemed. The principle part of the bonds was redeemed at EUR 593 000, and the accrued interest was EUR 39 316. During the period from 31 December 2022 until the date of preparation of the financial statements, Shareholder 1 and Shareholder 2 have acquired part of the Company's bonds in accordance with the agreement dated 14 February 2022 (see note 13).

9 Amounts payable within one year and other short-term liabilities

	31 December 2022	31 December 2021
Trade payables	533	423
Vacation accruals	19	-
	552	423

10 Accrued expenses and deferred income

	31 December 2022	31 December 2021
Accrued expenses for financial statement review or audit	7 260	8 470
Accrued accounting expenses	2 396	2 965
Accrued securities management expenses	600	450
	10 256	11 885

11 General and administrative expenses

	31 December 2022	31 December 2021
Accounting services expenses	8 591	7 320
Financial statement review or audit expenses	7 260	8 470
Securities accounting expenses	2 321	1 100
Salary expenses	2 050	1 083
Legal expenses	484	86 412
Bank expenses	112	50
Consulting expenses	-	908
Other general expenses	62	-
	20 880	105 343

12 Other interest and similar income**Net result from financing and investing activities**

	31 December 2022	31 December 2021
Interest income on loans granted	14 194	9 450
Income from financing and investment activities	14 194	9 450
Interest expense on bonds issued	75 274	32 455
Expenses of financing and investment activities	75 274	32 455
Income (expense) from financing and investment activities - net result	(61 080)	(23 005)

Change in value of financial assets and short-term investments

	2022 m.	2021 m.
Increase in value of financial assets and short-term investments	224 000	-
Impairment of financial assets and short-term investments	(46 822)	(439 000)
The result of the value financial assets and short-term investments	177 178	(439 000)

13 Related party transactions

During 2022 related party transactions consisted of the following:

Related parties	Payables	Receivables	Interest expenses
Shareholder 1	365 142	-	41 003
Shareholder 2	365 271	-	34 271

During 2021 related party transactions consisted of the following:

Related parties	Payables	Receivables	Interest expenses
Shareholder 1	625 455	-	32 455

As at 31 December 2022, the Company had issued bonds with a total value of EUR 730 413 including accrued interest (as at 31 December 2021 - EUR 625 455).

The Company's management consisted of 1 person in 2022. The management of the Company is considered to be a director with whom there were no transactions other than payroll in 2022.

14 Income tax

Components of income tax expenses (income):

	2022	2021
Current income tax expenses	-	-
Deferred income tax income (expenses)	-	6
	-	6

Components of corporate income tax

	2022	2021
Profit (loss) before tax	95 218	(567 348)
Additional taxable income	61 080	23 005
Non-taxable income	(177 178)	-
Additional deductible expenses	-	-
Non-deductible expenses	-	439 000
Taxable profit (tax loss)	(20 880)	(105 343)
Utilisation of accumulated tax losses from previous years	-	-
Taxable profit (tax loss) after loss utilisation	(20 880)	(105 343)
Income tax for the reporting period	-	-

Deferred income tax assets

	2022	2021
Tax loss carried forward	18 933	15 801
Impairment of financial assets	39 273	65 850
	58 207	81 651

Deferred income tax asset before valuation allowance

58 207	81 651
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Less: valuation allowance

58 207	81 651
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Deferred income tax asset

-	-
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Deferred tax liability

Deferred tax liability

-	-
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Deferred tax, net value

-	-
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Deferred tax assets were accounted for using the 15% rate. Deferred income tax assets are realised when the company expects to generate future profits. As at 31 December 2022, no deferred income tax asset is recognised as the Company's management does not have sufficient evidence that taxable profits will be generated to allow the realisation of these temporary differences.

15 Liquidity risk and going concern

As at 31 December 2022 The Company's liabilities exceed the Company's assets by EUR 469 673. Liquidity risk is managed by planning the movement of the Company's cash flows. At the end of the reporting period, the Company has generated a net profit of EUR 95 218 after partly restoring the impaired loans, but had a negative equity of EUR 469 673, with current liabilities exceeding current assets by EUR 1 082 (at the end of the previous reporting period, the Company made a loss of EUR 567 354, with a negative equity of EUR 564 891 and current liabilities exceeding current assets by EUR 9 886).

Due to the extended timeline involved in the development and construction of renewable energy projects, it takes several years before these parks begin generating revenue from their primary operations. As a result, the Company's management anticipates potential short-term liquidity challenges during the project development phase.

To reduce liquidity risks, cash flow forecasts are made. Short-term financing through shareholders' capital and the issuance of bonds will be used to manage short-term cash flow (inflows and payments) mismatches if necessary. The company will continue to strive to implement the Company's strategy by acquiring UAB Raguvėlės vėjas and developing wind farm projects in Lithuania.

According to the Law on Companies of the Republic of Lithuania, a Company's equity capital may not be less than ½ of its share capital, as specified in its articles of association. The Company did not meet the minimum capital requirement. Subsequent to the date of these financial statements, it is planned to capitalise part of the loans received from related parties in order to bring the Company's equity capital in line with the above requirement. The financial statements of the Company have been prepared based on the principle of business continuity, as the Company's parent companies will provide financial support to the Company, to the extent economically reasonable, for at least twelve months from the date of approval of the financial statements.

16 Contingent assets and liabilities

The company has concluded agreements on the acquisition of shares of UAB Raguvėlės vėjas and UAB Pakruojo vėjas. The share purchase transaction is carried out in two stages. Upon full fulfillment of the pre-requisites of the first stage, the Company will pay the first part of the price and acquire full ownership of the shares. The purchase price of the shares will depend on the number of MW of total power installed by the Wind Farm authorised to be built by the Company. Contingent assets and liabilities are due to uncertainties related to the moment and price of the transfer of shares. As at 31 December 2022 the shares have not yet been purchased, under the contract the obligation to pay arises after the completion of the first stage.

17 Subsequent events

On 6 January 2023, the Company took over 80 % of the shares in UAB Raguvėlės vėjas in accordance with the Annex to the Share Purchase and Sale Agreement signed by the seller and the Company. The shares of the Company taken over are pledged in favour of the Seller until the planned development works are fully completed and paid for by the Company.

On 16 January 2023, the company VĮ Registrų Centras registered new articles of association of the Company.

On January 2023, the Company issued 46 000 units of bonds under the existing agreements dated 14 February 2022, the bonds were purchased by the shareholders pro rata.

On 9 February 2023, the Company issued 2 507 000 units of bonds under the existing agreement with Shareholder 1 dated 14 February 2022.

On 10 February 2023, the Company issued 2 507 000 units of bonds under the existing agreement with Shareholder 2 dated 14 February 2022.

On 10 February 2023, the Company provided a guarantee of EUR 5 000 000 to the company LITGRID AB. The guarantee expires on 9 April 2026. The subject of the guarantee is the connection of electricity production facilities to electricity transmission networks.

On May 2023, the Company issued 17 000 units of bonds under the existing agreements dated 14 February 2022, the bonds were purchased by the shareholders pro rata.

Financial statements signed with an electronic signature:

General Manager

Grėtė Bukauskaitė

Representative of a company providing accounting services

Virginija Skirmantė