FERN GROUP UAB

CONSOLIDATED FINANCIAL STATEMENTS PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022 (AUDITED)

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FERN GROUP UAB

Report on the Consolidated Audit of the Financial Statements

Opinion

We have audited the separate financial statements of the FERN Group UAB (hereinafter "the Company") and the consolidated financial statements of FERN Group UAB and its subsidiaries (hereinafter "the Group"), which comprise the statements of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year 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 and the Group as at 31 December 2022, and their financial performance and cash flows for the year 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 and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (hereinafter "IESBA Code") together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to the 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

Other information consists of the information included in the Company's and the Group's Annual Report for 2022, other than 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 to 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.

We also have to evaluate, if the financial information included in the Group's Annual Report corresponds to the financial statements for the same financial year and if the Company's and the Group's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The information given in the Company's and the Group's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's and the Group's Annual Report was prepared in accordance with the requirements of the Law on Corporate Reporting 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 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 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 and 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 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 and the Group'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 judgement 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 and 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 Company's and 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 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 and the Group 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.
- 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.

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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.

Jurgita Matulaitienė
Auditor
License No 000469

15 May 2023

Jonavos st. 60C, Kaunas
Grant Thornton Baltic UAB
Audit company's licence No 001513

*This is an unofficial translation into English of the Independent Auditors' report and Financial statements issued in Lithuanian language. The financial statements of FERN GROUP UAB originally issued in Lithuanian language have been audited.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group 2022	Group 2021	Company 2022	Company 2021
Revenue from contracts with customers	5	13,948,185		-	
Cost of sales	6	(14,449,853)		-	
Gross profit		**(501,668)**		**-**	
Selling expenses	7	(2,600)			
General and administrative expenses	8	(1,648,658)		(5,366)	
Impairment losses on financial assets		-		-	
Other gains/(losses) – net	9	(119,126)		-	
Operating profit/(loss)		**(2,272,052)**		**-**	
Finance income	10	15,203		-	
Finance costs	10	(308,031)		-	
Finance (costs) – net		(292,828)		-	
Profit/(loss) before income tax		**(2,564,880)**		**(5,366)**	
Income tax	11	40,899		-	
Profit/(loss) for the period		**(2,523,981)**		**(5,366)**	
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
--Revaluation of property, plant and equipment, net of tax		-		-	
Total comprehensive income/(expenses) for the period		**(2,523,981)**		**(5,366)**	
Net profit/(loss) attributable to:					
Shareholders of the Company		(2,223,077)			
Non-controlling interest		(300,974)			
Comprehensive income/(loss) attributable to:					
Shareholders of the Company					
Non-controlling interest					

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

The financial statements were approved and signed on 15 May 2023.

Nerijus Eidukevičius ____________________
Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group	Group	Company	Company
		As at 31 December 2022	**As at 31 December 2021**	**As at 31 December 2022**	**As at 31 December 2021**
ASSETS					
Non-current assets					
Property, plant and equipment	13	4,007,683		-	
Intangible assets	14	2,606,413		-	
Right-of-use assets	12	379,289		-	
Other financial assets		321,102		3 778 000	
Trade and other receivables	18	955,335		-	
Deferred tax asset		267,825		-	
		8,537,647		**3 778 000**	
Current assets					
Inventories	16	1,390,736		-	
Prepayments and deferred expenses	17	626, 734		2, 400	
Trade and other receivables	18	9,092,331		-	
Contract assets	18	1,180,143		-	
Other financial assets	19,27	1,980,707		-	
Cash and cash equivalents	19	59,342		7,308	
		14,329,993		**9,708**	
Total assets		**22,867,640**		**3,787,708**	
EQUITY					
Capital and reserves					
Issued capital	21	3,793,000		3,793,000	
Own shares (-)		-			
Legal reserve		-			
Reserve for acquisition of own shares		-			
Other reserves		-			
Retained earnings/(deficit)		(2,223,007)		(5,366)	
Equity attributable to equity holders of the parent		1,569,996			
Non-controlling interest		18,286			
Total equity		**1,588,280**		**3,787,634**	
LIABILITIES					
Non-current liabilities					
Borrowings	23	7,423,904		-	
Other payables	24	1,190,323		-	
Provisions	26	1,136,116		-	
Lease liabilities	12	258,051		-	
		10,008,394		**-**	
Current liabilities					
Borrowings	23	2,850,000		-	
Other payables	24	476,124		-	
Lease liabilities	12	182,861		-	
Trade payables	24	4,902,169		21	
Contract liabilities	24	1,122,288		-	
Income tax payable		-		-	
Employment-related liabilities	24	1,708,629		53	
Other payables and liabilities	24	28,895		-	
		11,270,966		**74**	
Total liabilities		**21,279,360**		**74**	
Total equity and liabilities		**22,867,640**		**3,787,708**	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Issued capital	Own shares (-)	Legal reserve	Reserve for acquisition of own shares	Other reserves	Retained earnings/(deficit)	Equity attributable to equity holders of the parent	Non-controlling interest	Total
Balance as at 31 December 2020	**-**	**-**	**-**	**-**	**-**	-			-
Net result	-	-	-	-	-	-			-
Other comprehensive income	-	-	-	-	-	-			-
Total comprehensive income /(expenses) for the period	**-**	**-**	**-**	**-**	**-**	-			-
Increase in/(decrease of) issued capital	-	-	-	-	-	-			-
Reserves used	-	-	-	-	-	-			-
Buyback of own shares	-	-	-	-	-	-			-
Balance as at 31 December 2021	**-**	**-**	**-**	**-**	**-**	-			-
Net result						(2,523,981)	(2,223,007)	(300,974)	(2,523,981)
Other comprehensive income									
Total comprehensive income /(expenses) for the period	**-**	**-**	**-**	**-**	**-**	**(2,523,981)**	**(2,223,007)**	**(300,974)**	**(2,523,981)**
Increase in/(decrease of) issued capital	3,793,000	-	-	-	-	-	-	-	3,793,000
Reserves established	-	-	-	-	-	-	-	-	-
Buyback of own shares	-	-	-	-	-	-	-	-	-
Increase (decrease) in the non-controlling interest during the acquisition of shares	-	-	-	-	-	-	-	319,261	319,261
Balance as at 31 December 2022	**3,973,000**	**-**	**-**	**-**	**-**	**(2,523,981)**	**(2,223,007)**	**18,287**	**1,588,280**

COMPANY'S STATEMENTS OF CHANGES IN EQUITY

Company	Issued capital	Own shares (-)	Legal reserve	Reserve for acquisition of own shares	Other reserves	Retained earnings/(deficit)	Total
Balance as at 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income /(expenses) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves established	-	-	-	-	-	-	-
Buyback of own shares	-	-	-	-	-	-	-
Balance as at 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net result	-	-	-	-	-	(5,366)	(5,366)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income /(expenses) for the period	**-**	**-**	**-**	**-**	**-**	**(5,366)**	**(5,366)**
Increase in issued capital	3,793,000	-	-	-	-	-	3,793,000
Reserves established	-	-	-	-	-	-	-
Buyback of own shares	-	-	-	-	-	-	-
Balance as at 31 December 2022	**3,793,000**	**-**	**-**	**-**	**-**	**(5,366)**	**3,787,634**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 2022	Group 2021	Company 2022	Company 2021
Operating activities					
Profit/(loss) for the period		(2,523,981)		(5,366)	
Eliminations:					
Income tax expenses/(benefit) recognised in profit or loss		(40,899)		-	
Depreciation and amortisation		264,715		-	
Loss/(gain) from disposal and write-off of property, plant and equipment		83,926		-	
Change in write-down allowance for inventories		(101,450)		-	
Impairment of financial assets		199,556		-	
Change in provisions		-		-	
Finance costs		300,562		-	
		(1,817,570)		***(5,366)***	
Changes in working capital:					
Change in inventories		1,119,307		-	
Change in prepayments and deferred expenses		(175,359)		(2,400)	
Change in trade and other receivables		(2,185,290)		-	
Change in contract assets		4,193,810		-	
Change in other financial assets		(901,978)		-	
Change in trade payables		(1,571,217)		21	
Change in contract liabilities		228,044		-	
Change in employment-related liabilities		(5,865)		53	
Change in other amounts payable and liabilities		(13,420)		-	
Change in other payables		(739,792)		-	
Cash flows from operating activities		***(1,869,391)***		***(7,692)***	
Income tax paid				-	
Net cash flows from operating activities		**(1,869,391)**		**(7,692)**	
Investing activities					
Acquisition of property, plant and equipment and intangible assets		(21,161)		-	
Disposal of property, plant and equipment and intangible assets		5,289		-	
Acquisition of investments, net of cash acquired and minority interest				-	
Disposal of investments				-	
Net cash flows used in investing activities		**(15,872)**		**-**	

CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

	Note	Group 2022	Group 2021	Company 2022	Company 2021
Financing activities					
Increase in issued capital		15,000		15,000	
Buyback of own shares		-		-	
Proceeds from borrowings	23	3,000,000		-	
Repayment of borrowings	23	(1,000,000)		-	
Interest paid	10	(300,562)		-	
Payments of lease liabilities	12	(55,738)		-	
Other increase/(decrease) in cash flows from financing activities		-		-	
Net cash flows from/used in financing activities		**1,658,700**		**15,000**	
Net increase/(decrease) in cash flows		**(226,563)**		**7,308**	
Cash and cash equivalents at the beginning of the period		**285,905**		**-**	
Cash and cash equivalents at the end of the period		**59,342**		**7,308**	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

FERN Group UAB (hereinafter the Company) is registered with the State Enterprise Centre of Registers of the Republic of Lithuania on 5 July 2022. In its operations, the Company follows the Constitution, the Law on Companies and other legal acts effective in the Republic of Lithuania.

The Company is a legal person with independent organisation of economic, financial, operational and legal activities. The Company is an equity company with its shareholder being INVL Baltic Sea Growth Fund, a closed-end private equity fund intended for professional investors. The Company's registration code is 306110392, VAT payer's code is LT100015604417, legal (registered) office at: Granito st. 3-101, LT-02241 Vilnius.

Main activity of FERN Group UAB (hereinafter "the Group") is development, manufacturing and installation of solutions in the areas of industrial construction, special installation works, technological equipment, pipework parts, tanks and reservoirs, pressurised vessels, and steel structures.

The Company is engaged in office administrative, office support and other business support service activities, as well as the development and implementation of operational strategies, guidelines, policies for group of companies, coordination and control of the activities of group companies, their expansion and development.

The Company and the Group were established in July 2022 and August 2022, respectively, therefore, these financial statements do not have comparative information of the previous reporting period.

As at 31 December 2022, the Company's main shareholder was:

Name	Company code	Interest held as at 31 December 2022 (%)	Interest held as at 31 December 2021 (%)	Registered address
closed-ended type investment fund intended for professional investors INVL Baltic Sea Growth Fund	126263073	100	-	Gynėjų st. 14, 01109, Vilnius

The Group is comprised of the Company (parent company) and the company, as indicated below:

Subsidiary:

Name	Company code	Interest held as at 31 December 2022 (%)	Interest held as at 31 December 2021 (%)	Registered address
Montuotojas UAB	121520069	88.05%	-	Granito st. 3-101, LT-02241 Vilnius

As at 31 December 2022, the Company's issued capital was divided into 3,793,000 ordinary registered shares with a nominal value of EUR 1.0 each. As at 31 December 2022, the Company's issued capital amounted to EUR 3,793,000. The Company did not acquire its own shares.

As at 31 December 2022, the actual number of the Company's and the Group's was 352 and 2 employees, respectively.

The set of financial statements comprise the Group's consolidate financial statements and the Company's separate financial statements.

The Company's management authorised these financial on 15 May 2023. The shareholders of the Company have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

2. Accounting policies

The principal accounting policies applied in the preparation of the Group's and the Company's financial statements for the year ended 31 December 2022 (the "financial statements") are set out below:

2.1. Basis for preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Group's and the Company's financial statements for the year ended 31 December 2022 have been prepared on a going concern basis and under the historical cost convention, except for certain categories of property, plant and equipment stated at revalued amounts.

The presentation currency of the financial statements is the euro, which is a functional currency of the Group and the Company, and all values are rounded to the nearest thousand (EUR'000) unless stated otherwise. The Group's and the Company's financial statements include comparative figures of the previous reporting period.

The Group's and the Company's financial year coincides with a calendar year.

2.2. Going concern

The financial statements have been prepared based on the assumption that the Group and the Company will continue its activities in the foreseeable future.

2.3. Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. UAB FERN Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee in accordance with IAS 10 Consolidated Financial Statements, the objective of which is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

2.4. Critical accounting estimates

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Income recognised under the percentage of completion method

Revenue from contracts in progress is recognised under the percentage of completion method, which also assumes that the stage of completion of contracts in progress can be determined reliably. A precise, systematic calculation and estimation of costs, forecasting and reporting of income and expenses has been introduced for determining the stage of completion. The estimated final result to be derived from each contract in progress project is being constantly monitored, deviations from the budget are analysed and if necessary, the profit estimate is adjusted.

Valuation of buildings stated at revalued amount

Useful lives of the Group's and the Company's property, plant and equipment and intangible assets are estimated once a year. Buildings are stated at revalued amount based on regular property valuations performed at least every five years to ensure that the carrying amount of buildings does not materially differ from their fair value at the reporting date. When preparing the financial statements the management referred to conclusions from consultations of the independent property valuers stating that as at 31 December 2022 there were no internal or external indications with respect to the buildings recognised at revalued amount showing significant changes in their fair value.

Impairment of receivables and contract assets

Impairment losses are determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. Judgement is exercised based on financial difficulties of the debtor or a group of debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments or delay in provision of services.

Impairment of non-current assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment, intangible assets and right-of-use assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the Group and the Company make estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

At the end of each reporting period, and whenever there is an indication that the asset may be impaired, the Company reviews the carrying amounts of its intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected net future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future net cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit, CGU) is estimated to be less than its net book amount, the net book amount of the asset is reduced to its recoverable value. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

As at 31 December 2022, there were no indications of property, plant and equipment and intangible asset impairment.

Assessment of the term of lease contracts

The Company determines the lease term as the non-cancellable term, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and the Company have signed lease contracts containing extension or termination options. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive to exercise the option to extend the lease or not to exercise the option to terminate the lease. After the commencement date, the Group and the Company reassess whether it is reasonably certain to exercise the option to extend the lease or not to exercise the option to terminate the lease when there is a significant event or a significant change in circumstances (e.g. major performed improvements to leasehold assets or major adaptation of leasehold assets).

Lease – calculation of the incremental borrowing rate

The Group and the Company cannot easily determine the interest rate implicit in the lease, therefore it uses the incremental borrowing rate (IBR) to assess lease liabilities. The IBR is the interest rate that the Group and the Company would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset of similar value to the right-of-use asset and under similar economic conditions. The IBR is the amount that the Group and the Company "would have" to pay and which has to be calculated when there is no observable interest rates (for example, for subsidiaries that do not enter into financing transactions) or when they need to be adjusted in view of lease terms and conditions. The Group and the Company calculate the IBR using the observable data (such as market interest rates) when such data is obtainable and when the Group and the Company is required to carry out assessments specific to a company or a separate party.

Provisions

At each balance sheet date, the Group and the Company assess the amounts of provisions for litigations and warranty liabilities.

Future events may cause changes in the assumptions that were used in performing these estimates. Result of such changes will be accounted for in the financial statements when established. As at the reporting date, there was no significant risk that the carrying amount of assets and liabilities will need a material adjustment in the coming reporting year due to a change in the management's assumptions and related estimates.

2.5. New standards, amendments and interpretations

2.5.1. Changes in accounting policies and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the Company's annual financial statements for the year ended 31 December 2022, except for the new standards which entered into force in 2022.

2.5.1.1 *Standards or interpretations issued and adopted for application in the European Union during the reporting period*

The following new and/or amended standards approved by the International Accounting Standards Board (IASB) and adopted by the European Union during the year ended 31 December 2022:

Standards and/or interpretations effective in 2022:
Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – cost of fulfilling a contract (amendments IAS 37)
Annual Improvements to IFRSs 2018-2020
References to Conceptual Framework

The application of these new and amended standards and interpretations had no material impact on these financial statements.

2.5.2. Standards issued but not yet effective and not early adopted

The Group and the Company did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in the EU.

The Group's and the Company's management is currently assessing the impact of the amendments on the financial statements.

Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The Amendments also clarify that:

(a) not all information about accounting relating to material transactions, other events or conditions is itself material;

(b) accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;

(c) disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and

(d) the Amendments do not relieve an entity from meeting other disclosure requirements within IFRS Standards.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Amendments are endorsed for application in the EU.

The Group's and the Company's management is currently assessing the impact of these amendments on the financial statements

Other standards

The following amended standards are not expected to have a significant impact on the Group's and the Company's financial statements:

Other new standards and amendments	IASB effective date	EU Endorsement status
Amendments to IAS 17 Insurance Contracts and IFRS 17 Insurance Contracts	As at 1 January 2023	Endorsed
Disclosure of Accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)	As at 1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IFRS 8)	As at 1 January 2023	Endorsed
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	As at 1 January 2023	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	As at 1 January 2023	Not yet endorsed

2.6. Foreign currency translation

Functional and presentation currency

All amounts in the Group's and the Company's financial statements are presented in the euros, which is the Group's and the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary balances of assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

2.7. Revenue and expense recognition

Revenue comprises the invoiced value for the sale of goods and services, net of value-added tax, rebates.

Revenue from contracts in progress is recognised in the period in which services are rendered. The Group and the Company conclude fixed price contracts.

Revenue and expenses are recognised respectively as revenue and expenses over the entire period of the performance of the contract. The Group and the Company use the percentage-of-completion method to determine the appropriate amount of revenue to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred to date as a percentage of the total estimated costs for each contract and by estimating deferred expenses. The total sum of planned costs is reassessed upon the change of circumstances and increase or decrease in recognised revenue is accounted for in the reporting period when the Group and the Company become aware of the change of circumstances.

When it is probable that total estimated contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract costs are recognised as expenses in the period in which they are incurred.

The amount of revenue recognised on each contract is compared against progress billings up to the year-end. Where the amount of recognised revenue exceeds the progress billings, the balance is shown under contract assets. Where the progress billings exceed the amount of recognised revenue, the balance is shown under contract liabilities.

Recognition of expenses. Expenses are recognised on an accrual basis and matching principle during the reporting period when income related to these expenses is earned, regardless of the timing of the cash payments. Expenditure incurred during the reporting period, which cannot be attributed directly to income earned and which will not generate any income in future reporting periods, are recognised as expenses when incurred.

Expenses are usually measured at the amount paid or payable, net of VAT. When a long term of settlement is established and no interest is charged, expenses are determined by discounting the amount of settlement at the market interest rate.

Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer, if the right to consideration is not conditional on the passage of time. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). A contract liability is recognised as revenue when the Group and the Company satisfy a performance obligation.

The Group and the Company receive advance payments under constructions contracts which are accounted for as contract liabilities. Where the transfer-acceptance statement for the contract performed is signed, yet the sale invoice has not been yet issued, the amount of revenue is accounted for as contract assets.

2.8. Current and deferred income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the Group's and the Company's profit is subject to income tax at a rate of 15%. Income tax expenses reported in the financial statements are based on the calculations made by the management in accordance with the Lithuanian regulatory legislation on taxes.

Tax losses can be carried forward for an indefinite period except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group and the Company change their activities due to which these losses were incurred except when the Group and the Company do not continue their activities due to reasons which do not depend on the Group or the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce current taxable profit by maximum 70%.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax is calculated using a 15% tax rate for all temporary differences that are expected to be realised in future periods.

The principal temporary differences arise from the difference between net book values and tax base of construction contracts, accrued expenses and provisions. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

2.9. Leases – where the Group and the Company are lessees

The Group and the Company recognise right-of-use assets and a respective lease liability at the lease inception date, i.e. the date when the Company can start to use the leased assets. Right-of-use assets are initially measured at cost and subsequently stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate. The Group and the Company normally use the incremental borrowing rate as a discount rate.

Lease liabilities are subsequently measured using the effective interest rate method. The lease term is a non-cancellable term; the periods covered by an option to extend or terminate the lease (if any) are included in the lease term only if it is reasonably certain that the lease will be extended or will not be terminated.

The lease liability is subsequently increased by the amount of interest on the lease liability and reduced by the amount of lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee (there were no guaranteed residual values as at 31 December 2022), or, as the case may be, there is a change in the estimate whether it is reasonably certain that the purchase or lease extension option will be exercised or it is reasonably certain that the option to terminate the lease term will not be exercised (no extension options under the lease contracts were accounted for as at 31 December 2022 due to uncertainty).

Right-of-use assets are measured at cost which comprises the amount of the lease liability at the initial measurement. As at 31 December 2022, the Group and the Company did not recognise any lease incentives, initial direct expenses, renewal expenses or other expenses in respect of the leased assets.

The depreciation period of right-of-use assets is normally the shorter of the useful life of the assets or the lease term. Depreciation is calculated using the straight-line method. As at 31 December 2022, the straight-line method was applied to the Group's and the Company's leased right-of-use assets.

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.10. Intangible assets

Intangible assets expected to provide economic benefit to the Group and the Company in future periods are stated at acquisition cost less subsequent accumulated amortisation. Amortisation is calculated on the straight-line method over their estimated useful lives (3–10 years). Depreciation is started to be calculated when the asset is brought into operation, i.e. to the location and condition necessary for it be capable of operating in the manner intended by management.

Intangible assets (the trademark) acquired during business combinations initially are accounted for at fair value at the acquisition date (which is treated as its cost) and presented separately from goodwill in the financial statements. Subsequently, non-current intangible assets acquired during business combinations are stated at acquisition cost less accumulated amortisation and impairment on the same basis as separately acquired intangible assets. Such intangible assets are amortised over the period of 10 years.

Goodwill is determined as the excess of the consideration transferred, i.e. as the amount of ownership interest in any acquiree and the fair value of the acquirer's previously held ownership interest (if any), less the amounts of the identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortised. The Group and the Company test goodwill for impairment annually.

2.11. Property, plant and equipment

Property, plant and equipment, except for buildings, is stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets.

Buildings are recorded at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Revaluations are made by ensuring that the carrying amount of buildings does not differ materially from that which is determined using fair value at the date of the preparation of the financial statements. The fair value of buildings is determined by certified independent property valuers. Each year the revaluation reserve for buildings is reduced by the amount of difference between depreciations calculated on the revalued carrying amount and the initial cost of buildings and it is transferred directly to retained earnings or deficit.

In case of revaluation, when the estimated fair value of an asset is higher than its net book amount, the net book amount of this asset is increased to the fair value and such increase is recorded as other comprehensive income in the revaluation reserve of property, plant and equipment under the shareholder's equity. However, such increase in value on revaluation is recognised as income only to the extent it does not exceed the amount of the previous revaluation decrease recognised in profit or loss. Subsequently until the next revaluation depreciation is calculated on the amount of depreciation expenses which is equal to the revalued amount, net of the asset's residual value.

Accumulated depreciation on the revaluation date is eliminated from the asset's total carrying amount and the new value of the asset is its revalued amount. Upon the disposal of this asset or by recognising depreciation of this asset annually, any revaluation surplus related to the depreciation or disposal of this asset is transferred to the balance of retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of assets. The cost of assets produced by the Group and the Company comprises the cost of materials, direct labour costs and other costs directly related to the production of the assets until such time as the asset is ready for use, as well as costs of dismantling, removing the assets and restoring the site on which they were produced.

Costs incurred to replace a component of property, plant and equipment are capitalised only when it is probable that economic benefits associated with the component will be received and the cost of the new component can be measured reliably. Costs for the maintenance of property, plant and equipment are accounted for in profit or loss when incurred.

Depreciation is calculated on the straight-line basis over the estimated useful life of separate components of property, plant and equipment. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the term of the lease and the expected useful life of the assets, unless it is reasonably certain that ownerships rights would be transferred by the end of the lease term.

The estimated useful lives are as follows:

Buildings	15–60 years
Structures and equipment	5–60 years
Plant and machinery	3–20 years
Vehicles	4–10 years
Other PP&E	3–10 years

Depreciation methods, residual values and useful lives are reviewed at each reporting date.

Gain or loss on disposal is calculated based on the sale price less net book value and accounted for at net value in other income or expenses. When a revalued asset is disposed, the part of the revaluation reserve attributable to this asset is transferred to retained earnings.

Construction in progress is transferred to the respective categories of property, plant and equipment when it is completed and ready for its intended use.

2.12. Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.13. Financial assets and financial liabilities

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.

Financial assets

<u>Initial recognition and measurement:</u>

On initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual nature of the cash flows of the financial asset and the Company's business model for managing financial assets. Except for trade receivables and contract assets that do not have a significant financing component, the Group and the Company initially recognise financial assets at fair value, plus, in case of financial assets not measured at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not include a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed for each financial instrument.

The Group's and the Company's business model for managing financial assets indicates how the Group and the Company manage their financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Group and the Company commit to purchase or sell the financial asset.

<u>Subsequent measurement</u>

After initial recognition, the Group and the Company measure financial assets at:

(a) amortised cost (debt financial instruments);

(b) fair value through other comprehensive income when accumulated profit or loss is transferred to profit or loss upon derecognition (debt financial instruments). As at 31 December 2022, the Group and the Company had no such financial instruments;

(c) fair value through other comprehensive income when accumulated profit or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2022, the Group and the Company had no such financial instruments;

(d) fair value through profit or loss. The Group and the Company had no such financial instruments.

<u>Financial assets measured at amortised cost (debt financial instruments)</u>

The Group and the Company measure financial assets at amortised cost provided that both of the following conditions are met:

i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest rate (EIR) method less impairment losses. Gains or losses are recognised in the statement of profit or loss and comprehensive income when the asset is derecognised, replaced or impaired.

The Group's and the Company's financial assets measured at amortised cost include trade receivables, other current and non-current receivables, loans granted and assets arising from contracts with customers (if any).

<u>Impairment of financial assets</u>

According to IFRS 9, the Group and the Company generally recognises expected credit losses (ECL) for all debt financial instruments that are not measured at fair value through profit or loss. ECL are based on the difference between the contractual cash flows receivable and cash flows expected to be received by the Group and the Company discounted at an approximate original effective interest rate. ECL are recognised in two stages. For credit exposures whose credit risk has not increased significantly since initial recognition, ECL are calculated for credit losses arising from default events that may occur within the next 12 months (12-month ECL). Credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment is provided for the amount of credit losses expected to occur within the remaining life of the credit exposure, irrespective of the timing of default (lifetime ECL).

(a) Assessment of impairment of trade receivables

The Group and the Company use the simplified method for calculating ECL for trade receivables and assets arising from contracts with customers. Therefore, the Group and the Company do not observe changes in credit risk, but recognise impairment at each reporting date on the basis of lifetime ECL. The Group and the Company use a matrix of expected loss rates, which is based on the historical credit loss analysis and adjusted to reflect future factors specific to debtors and economic environment. The Group and the Company consider that the debtor failed to meet his/her obligations related to financial assets when contractual payments are past due or when indications exist that the debtor or a group of debtors is experiencing significant financial difficulty, defaults in interest or principal payments, the probability occurs that they will enter bankruptcy or reorganisation procedures and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group and the Company calculate impairment on an individual basis as well by assessing the state of debts separately for each debtor, particularly in respect of more significant debts.

Financial liabilities

Initial recognition and measurement:

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, borrowings and payables. All financial liabilities are initially recognised at fair value and, in case of borrowings and payables, net of directly attributable transaction costs. The Group's and the Company's financial liabilities include trade and other payables, borrowings, including overdrafts and finance lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities classified as measured at fair value through profit or loss on initial recognition. Financial liabilities are classified as held for trading if they are incurred with a repurchase purpose in the near future.

Borrowings and other payables

After initial recognition, borrowings and other payables are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when liabilities are derecognised, as well as through the amortisation process. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Off-setting of financial instruments

Financial assets and financial liabilities are set off and the net amount is presented in the statement of financial position when there is an enforceable right to set off the recognised amounts and when there is intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. it is derecognised from the statement of financial position of the Group or the Company) when:

(i) the contractual rights to receive cash flows from the financial asset have expired; or

(ii) the Group or the Company retain the right to receive cash flows from financial assets, however assume a liability to pay all cash flows received to the third party under the transfer agreement without a significant delay; or

the Group and the Company have transferred the contractual rights to receive cash flows from financial assets; and (a) the Group and the Company have transferred substantially all the risks and rewards of ownership of the transferred financial asset; or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but have transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Fair value measurement

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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be available to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values of financial assets and financial liabilities are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable in the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the management at each reporting date. For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of assets or liabilities and the level of the fair value hierarchy as explained above.

In the financial statements for the years ended 31 December 2022, the Group and the Company had no significant assets or liabilities re-measured or measured at fair value.

Assets and liabilities for which fair value is disclosed in the financial statements comprise trade and other receivables, trade and other payables, borrowings and loans granted. The management estimated that the fair value of borrowings and loans granted as at 31 December 2022 approximated their carrying amounts as they were subject to variable or fixed interest rates consistent with the market conditions, and the fair value of other above-mentioned financial assets and liabilities approximated their carrying amount largely due to the short-term maturities of these instruments as at 31 December 2022.

2.14. Inventories

The Group's and the Company's inventories are current assets used to generate revenue for the Group and the Company within one year or within one operating cycle and which are not related to the implementation of long-term construction agreements. Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company from the tax authorities), transportation and other costs directly attributable to their acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories that are no longer suitable for realisation are written off.

2.15. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in current bank accounts.

2.16. Short-term lease and lease of low-value assets

The Group and the Company apply short-term lease recognition exemption (i.e. for leases expiring within 12 months after the commencement date and with no purchase option). In addition, low-value asset recognition exemption is applied to leases of low-value assets. Lease payments in relation to short-term leases and lease of low-value assets are recognised as expenses on a straight line basis over the lease term.

2.17. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If the payment period is longer, they are classified as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.18. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at the amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of borrowing using the effective interest method.

2.19. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20. Provisions

Provisions for liabilities are recognised in the statement of financial position when there are obligations arising from past events and it is probable that expenses will be required in the future to settle these obligations, and when the amount of liabilities can be measured reliably. Provisions for liabilities are calculated by discounting estimated future cash flows to their present value using a pre-tax discount rate reflecting actual market assumptions regarding time value of money and risk specific to the asset concerned.

Provisions for warranty repair services are recognised when the related construction services are sold, i.e. a provision of assurance nature, because the Group and the Company do not provide additional guarantees to clients. The amount of provisions is based on historical data and probabilities about warranty repairs.

2.20.1. Employee benefits

Social security contributions

The Group and the Company pay social security contributions to the state Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Group and the Company pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as an expense on an accrual basis and are included in employee costs. Each year social security contributions are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Long-term employee benefits

Each employee leaving the Group and the Company at retirement age is entitled to a 2-month salary benefit in accordance with the laws of the Republic of Lithuania. The long-term employee benefit obligation is estimated at the reporting date based on the actuarial calculations and using the projected unit credit method.

Bonus plans

The Group and the Company recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21. Grants and subsidies

Grants and subsidies are recognised at fair value where there is sufficient evidence that the grant or subsidy will be received and the Group and the Company will comply with all conditions attached.

Government and the EU asset-related grants comprise grants received in the form of non-current assets or cash and intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised in the statement of profit or loss and other comprehensive income by reducing the depreciation charge of the assets over the useful life of the underling non-current assets. Liabilities arising from asset-related grants are reported in 'Grants and subsidies' under non-current liabilities in the statement of financial position.

Government grants and EU grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also all grants other than asset-related grants are considered as grants related to income. Income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Income-related grants are recognised in the statement of profit or loss and other comprehensive income.

2.22. Issued capital

Ordinary registered shares are stated at nominal value. Consideration received for the shares sold in excess over their nominal value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

Own shares. Where the Group and the Company or their subsidiaries purchase the Group's and the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in the statement of profit or loss on the sale, issuance, or cancellation of treasury shares.

2.23. Reserves

Other reserves are established based on the decision of annual general meeting of shareholders on profit to be appropriated. This reserve may be used only for the purposes approved by annual general meeting of shareholders.

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5% of net profit are required until the reserve reaches 10% of the share capital. The legal reserve cannot be used for the payment of dividends; however, it may be used to cover future losses.

Reserve for acquisition of own shares. This reserve is maintained as long as the Group and the Company are involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the acquisition cost of treasury shares acquired.

2.24. Related parties

Related parties are defined as shareholders, key management personnel, their close family members and companies that are directly or indirectly (through the intermediary) controlled by the Group and the Company or are under common control with another company of the Group. Such relation empowers one of the parties to exercise control or make significant influence over the other party in making financial and management decisions.

2.25. Contingent assets and liabilities

A contingent liability is not recognised in the financial statements. It is disclosed 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 of income or economic benefits is probable.

2.26. Events after the reporting period

All subsequent events after the end of the reporting period (adjusting events) are accounted for in the financial statements if they relate to the reporting period and have significant impact on the financial statements. All subsequent events that are significant but not adjusting events are disclosed in notes to the financial statements.

2.27. Intercompany offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, except when it such offsetting is allowed or required under the specific standard.

3. Financial risk management

In its activities, the Group and the Company are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk, and liquidity risk. The Group's and the Company's risk management programme focuses on the unpredictability of financial markets and seeks to mitigate the potential adverse effects on the financial performance.

Risk management is carried out by the Group's and the Company's management. The Group and the Company do not use any derivatives to hedge financial risks, however, risks are managed through continuous market monitoring and the most appropriate solutions. Risk management includes actions aimed at mitigating foreign exchange risk, interest rate risk and credit risk.

3.1. Credit risk

Credit risk is a risk of counterparty defaulting on its obligations arising from financial instrument or a contract with a customer and incurring financial losses.

The Group and the Company do not have significant credit concentration risk related to receivable amounts, including the loans granted. The Group's and the Company's exposure to credit risk arises from operating activities (trade and other receivables) and from financing activities (loans granted, finance lease). The Group's and the Company's credit risk relating to cash balances is limited since the Group and the Company are dealing only with well-established financial institutions.

Credit risks or the risks of counterparties defaulting, are controlled by the application of credit terms and monitoring procedures. The risk arising from trade receivables is managed by monitoring settlement terms.

The primary objective of the Group's and the Company's treasury management is to ensure security of funds. Credit risk of a counterparty is managed by entering into transactions only with reliable financial institutions (or subsidiaries of such institutions) that have been awarded a long-term credit rating (in foreign currency) not lower than A- by Fitch Ratings (or an equivalent of other international credit rating agency).

(a) Maximum exposure to credit risk before collateral held and other credit enhancements (credit risk exposures relating to on-balance sheet assets net of provisions):

Group	**As at 31 December 2022**
Cash and cash equivalents	59,342
Trade and other receivables	10,047,666
Contract assets	1,180,143
	11,287,151

The Group and the Company do not classify receivables and other financial assets exposed to credit risk according to credit quality, because the Group's and the Company's clients are related to different industrial sectors.

Collaterals

The Group and the Company receive guarantees as a collateral to secure payment of certain trade receivables. Under these guarantees the Group and the Company can receive payment from third parties if the counterparty fails to fulfil its obligations.

Impairment of financial assets

For all trade receivables and contract assets, the Group and the Company apply a simplified approach to measure the amount of lifetime expected credit losses. To assess expected credit losses, trade receivables and contract assets are grouped on the basis of similar credit risk characteristics and the number of days past due. Contract assets are related to recognised revenue for which invoices have not been issued yet and therefore it is treated that contract assets have in principle the same risk characteristics as trade receivables under the same contracts. Accordingly, in the Group's and the Company's opinion, expected credit losses for trade receivables are similar to expected credit losses for contract assets. Expected credit losses are calculated on the basis of the history of payments made over the last several years. A historical impairment loss rate is updated in view of current and future macroeconomic indicators affecting clients' abilities to settle their liabilities. When assessing the expected credit loss the Group and the Company also take into consideration payments received after the balance sheet date. In respect of individually significant customers, the management carries out the individual assessment of expected credit losses taking into consideration their credit history, future factors and subjective risk factors relating to the debtor.

Information on the Group's trade receivables and contract assets is presented in the table below:

	As at 31 December 2022
Receivables not past due	6,645,767
Receivables past due	5,121,125
Past due up to 62 days	*2,505,968*
Past due from 63 to 92 days	*0*
Past due from 93 to 360 days	*86,335*
Past due more than 361 days	*2,528,821*
Contract assets	1,180,143
Total	12,947,035
Expected credit loss allowance	(1,389,377)

(b) Cash and cash equivalents

The credit risk relating to cash balances on bank accounts is not high because the Group and the Company conduct transactions with banks that have high credit ratings assigned by the international credit rating agencies. As at 31 December 2022, Swedbank AB was assigned the following credit ratings: AA- (by Fitch credit rating agency), Aa2 (by Moody's credit rating agency), AA- (by S&P credit rating agency). As at 31 December 2022, the risk of loss or depreciation of cash balances was not identified.

3.2. Market risk

Market risk is a risk of fluctuations in the fair value of financial instruments or future cash flows as a result of changes in market prices. There are two types of market risk – foreign exchange risk and interest rate risk.

3.2.1 Foreign exchange risk

Foreign exchange risk is a risk of fluctuations in the position or future cash flows as a result of changes in exchange rates.

The Group and the Company conduct transactions of sale and purchases in the euros, and accordingly, the overall Group's and Company's risk remains low.

3.2.2 Interest rate risk

Interest rate risk is a risk of fluctuations in the fair value of financial instruments or future cash flows as a result of changes in market interest rates.

Some of the Group's and the Company's financial assets and financial liabilities bear a variable interest rate linked with EURIBOR and expose the Group and the Company to the interest rate risk.

As at 31 December 2022, the Group and the Company had no financial instruments designated to hedge against the interest rate risk.

The following table demonstrates the sensitivity of the Group's and the Company's pre-tax profit to a reasonably possible shift in interest rate with all other variables held constant (for assets and liabilities with a variable interest rate). There is no impact on the Group's and the Company's equity, other than current year profit impact.

	Increase/decrease, percentage points	**Impact on profit before tax**
2022	+0.5%	14,713
	-0.5%	(14,713)

3.1. Liquidity risk

The Group's and the Company's policy is to maintain an adequate amount of cash and cash equivalents or to ensure funding through available credit lines in order to be able to settle the liabilities set forth in the strategic plans. The Group's and the Company's current liquidity (total current assets / total current payables and current liabilities) and quick ratios ((total current assets – inventories) / total current payables and current liabilities) as at 31 December 2022 were 1.27 and 1.29, respectively.

The current level of debt allows the Company to optimise its capital structure by financing its operations through long-term borrowing solutions – long-term loans or bond transfer agreements.

Having assessed positive cash flows from operating activities in the upcoming years and possibilities to extend the settlement of current payables, the Group's and the Company's management believes that the Group and the Company will be able to continue on a going concern basis in 2022 and the years beyond.

Undiscounted cash flows from financial liabilities

The table below analyses the Group's expected undiscounted cash flows from liabilities at their nominal values plus future finance charges.

As at 31 December 2022 **Liabilities**	**Up to 6 months**	**Between 6 and 12 months**	**Between 1 and 5 years**	**After 5 years**	**Total**
Borrowings	400,000	2,450,000	7,423,904	-	10,273,904
Lease liabilities	77,848	77,908	253,540	-	409,296
Trade payables	4,902,148	-	-	-	4,902,148
Total liabilities	5,379,996	2,527,908	7,677,444	-	15,585,348

3.4. Capital risk management

Management uses equity reported in the statement of financial position for capital risk management purposes.

The Group's and the Company's key objectives when managing capital are to ensure their ability to continue on a going concern basis, return on investments for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Pursuant to the Lithuanian Law on Companies, the Group's and the Company's issued capital must not be lower than EUR 25 thousand, and equity must not be lower than 50% of the Group's and the Company's issued capital.

The Group and the Company establish their capital structure by considering the internal factors of its operating activities, planned investments and development, and by taking into account the Group's and the Company's business strategies, external significant existing or expected factors affecting the market, regulatory and economic environment.

4. Assessment of the impact of Russia's invasion of Ukraine on the Group's and the Company's financial statements

The Group and the Company assessed the current, and to the extent feasible, likely, impact of Russia's invasion of Ukraine on the Group's and the Company's financial position, performance, cash flows, and the key risks and uncertainties to which the Group and the Company is exposed. Since the Group and the Company have neither significant transactions, nor subsidiaries in the affected markets, the Group's and the Company's management represents the following:

(a) no expected credit losses adjustments should be made as the Group and the Company do not have balances with affected markets;

(b) no adjustment to the carrying amounts of assets and liabilities should be made;

(c) the situation does not have impact on the Group's and the Company's ability to continue as a going concern;

(d) general potential effects that are tightly related to the Group's and the Company's activities are an increase in electricity and natural gas prices, possible disruptions in supply chains as well as increased inflation and growing prices of other materials.

As to the above no significant impact of Russia's invasion of Ukraine on the Group's and the Company's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, the final impact of the Russia's invasion of Ukraine on the Group's and the Company's operations cannot be assessed in full yet.

5. Revenue from contracts with customers

The table below contains information on each reportable operating segment. The performance of operating segments was assessed with reference to revenue of each operating segment. Information on operating segments was prepared using the same accounting policies as those applied for the purpose of the Group's and the Company's statements of results of operations.

The Company did not generate income during 2022. Breakdown of the Group's revenue by type:

	2022
Revenue from installation projects	5,644,287
Revenue from manufacturing projects	5,772,316
Revenue from thermal route projects	1,141,076
Other revenue from operating activities	351,308
Revenue under contracts in progress	1,039,198
Total	13,948,185

All revenue of the Group and the Company is recognised over time.

6. Cost of sales

The Company did not incur any cost of sales during 2022. The Group's cost of sale as at 31 December 2022 was as follows:

	2022
Construction subcontractors	2,436,486
Raw materials and consumables	4,264,722
Wages and salaries and related taxes	2,246,747
Staff leasing	2,174,826
Depreciation charge for the year	51,144
Transportation expenses	111,678
Accommodation expenses	334,915
Expenses for the lease of equipment and machinery	609,267
Utility expenses	324,293
Tools expenses	62,187
Inventory allowances	(101,450)
Other expenses	1,935,038
Total	**14,449,853**

7. Selling and marketing expenses

The Company did not incur any selling and marketing expenses during 2022. The Group's selling and marketing expenses as at 31 December 2022 were as follows:

	2022
Advertising expenses	2,580
Representation expenses	20
Total	**2,600**

8. General and administrative expenses

In 2022, the Company's general and administrative expenses amounted to EUR 5,366, of which: payroll and related tax expenses amounted to EUR 239, programme maintenance expenses to EUR 2,686, consulting services to EUR 2,420, and other to EUR 21. The Group's general and administrative expenses were as follows:

	2022
Wages and salaries and related taxes	836,283
Fuel and car maintenance expenses	58,307
Insurance expenses	5,203
Tax expenses	73,189
Utility expenses	16,451
Repair expenses	2,103
Consulting services	23,680
Lease expenses	53,165
Depreciation expenses	213,571
Amortisation expenses	76,250
Programme maintenance expenses	48,119
Telecommunications	3,168
Training costs	5,300
Other	233,869
Total	**1,648,658**

9. Other gains/(losses) – net

In 2022, the Company had no results from other activities. In 2022, the Group's other net gain/(loss) was as follows:

	2022
Gain (loss) on disposal of property, plant and equipment	3,478
Other income	(122,604)
Other gains/(losses) – net	**(119,126)**

10. Results of financing activities

In 2022, the Company neither incur finance expenses, nor earn finance income. As at 31 December 2022, the Group's finance expenses were as follows:

	2022
Interest on late payment and interest income	15,203
Total finance income	**15,203**
Interest expenses	(300,562)
Interest on operating lease	(6,243)
Other finance costs	(1,226)
Total finance costs	**(308,031)**
Finance gains/(losses) – net	**(292,828)**

11. Income tax

The Group's income tax expenses consisted of current year income tax and deferred tax for the reporting period.

	2022
Current year income tax (expenses)	-
Change in deferred income tax	40,899
Total	**40,899**

According to the Law on Corporate Income Tax, taxable profit for 2022 was subject to income tax at a rate of 15%.

Income tax calculated on the Group's profit before tax differs from the final amount that would arise using the tax rate applicable to profit of the Company as follows:

	2022
Profit/(loss) before income tax	**(2,559,514)**
Income tax expenses/(benefit) at tax rate of 15%	(383,927)
Non-deductible expenses	408,211
Non-taxable income	(65,183)
Deductible amount of sponsorship	-
Income tax expenses/(benefit)	**(40,899)**

Deferred tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. The calculation of deferred income tax is presented in the table below:

	2022
Provisions	170,417
Write-downs of inventories to net realisable value	19,729
Impairment of trade receivables	208,407
Vacation reserve	131,691
Revaluation of non-current assets	(91,868)
Trademark	(176,572)
Other	6,021
Deferred tax asset/(liability) at the end of the period	**267,825**
Deferred tax asset/(liability) at the beginning of the period	226,926
Change in deferred tax:	
Takeover on business combination	-
Recognised in the statement of profit or loss and other comprehensive income	40,889
Recognised in the statement of changes in equity	-
Total movement in deferred tax during the period	**40,889**

12. Right-of-use assets and lease liabilities

The Company has not entered into agreements for lease.

The Group has entered into agreements for the lease of premises and vehicles. The terms and conditions of the lease do not provide for any restrictive covenants on the Group's activities in relation to dividends, additional borrowings or additional long-term lease.

The carrying amount of the Group's right-of-use assets and movements during the period were as follows:

	Buildings	Vehicles	Tools and other assets	Total
As at 31 December 2021 *(separate UAB „Montuotojas")*	**94,112**	**528,172**	**-**	**622,285**
Additions/disposals	**-**	**-**	**-**	**-**
Adjustments	-	(87,173)	-	(87,173)
Depreciation charge for the year	(36,274)	(119,549)	-	(155,823)
As at 31 December 2022 (Group)	**57,839**	**321,450**	**-**	**379,289**

The carrying amount of lease liabilities and movements during the period were as follows:

	Buildings	Vehicles	Tools and other assets	Total
As at 31 December 2021 *(separate UAB „Montuotojas")*	**99,897**	**537,812**	**-**	**637,709**
Additions/disposals	-	-	-	-
Adjustments	-	(87,173)	-	(87,173)
Interest charged	2,355	10,911	-	13,266
Lease payments	(40,983)	(126,230)	-	(167,213)
As at 31 December 2022 (Group)	**61,269**	**335,320**	**-**	**396,589**

In the statement of financial position, lease liabilities are recognised together with finance lease liabilities.

The following amounts are recognised in the statement of profit or loss and other comprehensive income:

13. Property, plant and equipment

	Buildings and structures	Plant and machinery	Vehicles	Tools and other assets	Construct ion in progress	Total
Acquisition cost/revalued amount: *(separate UAB „Montuotojas")*						
Balance as at 31 December 2021	**4,735,450**	**4,863,955**	**781,881**	**423,708**	**-**	**10,804,994**
Additions	-	177,181	-	90,814	-	267,995
Disposals and write-offs	-	(95,071)	(69,106)	(134,793)	-	(298,970)
Reclassified from/to +/-	-	-	-		-	
Balance as at 31 December 2022 (Group)	**4,735,450**	**4,946,065**	**712,775**	**379,729**	**-**	**10,774,019**
Depreciation: *(separate UAB „Montuotojas")*						
Balance as at 31 December 2021	**1,442,529**	**4,259,799**	**579,185**	**269,357**	**-**	**6,550,870**
Depreciation charge for the year	126,965	218,256	72,174	75,066	-	492,461
Depreciation of assets written off and disposed	-	(85,630)	(60,352)	(131,013)	-	(276,995)
Balance as at 31 December 2022 (Group)	**1,569,494**	**4,392,425**	**591,007**	**213,410**	**-**	**6,766,336**
Net book amount:						
(separate UAB „Montuotojas") **As at 31 December 2021**	**3,292,920**	**604,155**	**202,696**	**154,351**	**-**	**4,254,122**
(Group) As at 31 December 2022	**3,165,956**	**553,640**	**121,768**	**166,319**	**-**	**4,007,683**

As at 31 December 2022, the Company did not have any item of property, plant and equipment.

As at 31 December 2022, the Group's assets were pledged to secure a debt obligation under pledge/mortgage contracts.

The Group’s
fully depreciated property, plant and equipment still in use:

Acquisition cost	**As at 31 December 2022**
Buildings, structures	45,195
Plant and machinery	193,677
Motor vehicles, other fixtures, fittings, tools and equipment	468,101
Total property, plant and equipment	**706,973**

14. Intangible assets

	Computer software	Goodwill	Trademark	Total
Acquisition cost: *(separate UAB „Montuotojas“)*				
Balance as at 31 December 2021	**10,505**	**-**	**1,811,000**	**1,821,505**
Additions	-	1,425,621	-	1,425,621
Disposals and write-offs	(4,805)	-	-	(4,805)
Impairment	-	-	-	-
Balance as at 31 December 2022	5,700	1,425,621	1,811,000	3,242,321
Amortisation: *(separate UAB „Montuotojas“)*				
Balance as at 31 December 2021	**4,963**	**-**	**452,750**	**457,713**
Amortisation charge for the year	1,900	-	181,100	183,000
Amortisation of assets written off	(4,805)	-	-	(4,805)
Balance as at 31 December 2022	**2,058**	**-**	**633,850**	**635,908**
Net book amount:				
(separate UAB „Montuotojas“) **As at 31 December 2021**	**5,542**	**-**	**1,358,250**	**1,363,792**
As at 31 December 2022 (Group)	**3,642**	**1,425,621**	**1,177,150**	**2,606,413**

As at 31 December 2022, the Company did not have any item of intangible assets.

As at 31 December 2022, the Group and the Company had no intangible assets pledged.

The Group did not have any intangible assets fully amortised but still in use as at 31 December 2022.

In August 2022 following the decision of the sole shareholder, the increase of the Company's authorized capital was paid with a non-monetary contribution - UAB Montuotojas shares, the value of which amounted to 3,778 thousand Eur. For this reason, on the date of business acquisition, the market value of these shares was determined and goodwill equal to 1,426 thousand Eur was recognized as intangible assets.

During the preparation of the Group's financial statements, no impairment of this goodwill was identified, based on the performed analysis and market value calculations using the income method.

15. Other financial assets

As at 31 December 2022, the Group's financial assets comprised shares issued by other companies.

Name of securities	As at 31 December 2022
Shares in Rafako SA	318, 493
Shares in other companies	2,609
Total	321,102

In Q4 2022, following the effective court decision, the creditors of the Polish boiler manufacturer Rafako under the restructuring, including the Group and the Company which were involved in the construction of the Vilnius cogeneration power plant (CHP), will recover 60% of the debt in the coming financial periods, and another 20% was paid out in new shares of Rafako.

16. Inventories

The Company had no inventories as at 31 December 2022. The Group's inventories comprised the following:

	As at 31 December 2022
Raw materials, fuel and low-value assets	1,490,217
Unfinished goods	-
Other inventories	32,044
Write-down to net realisable value	(131, 525)
Total inventories	**1,390,736**

As at 31 December 2022, all current inventories of the Group were neither pledged to the bank nor transferred to third parties.

Unfinished goods include manufactured products of metal structures that have not been fully completed.

17. Prepayments and deferred expenses

The Company's prepayments and deferred expenses amounted to EUR 2,400.
As at 31 December 2022, the Group's prepayments and deferred expenses comprised the following:

	As at 31 December 2022
Prepayments	559, 551
Deferred expenses	67,183
Less: impairment	-
Total prepayments	**626, 734**

18. Trade and other receivables, contract assets

	As at 31 December 2022
Trade receivables (non-current)	955,335
Impairment of trade receivables (non-current)	(921,137)
Trade receivables (current portion)	10,465,135
Impairment of trade receivables (current portion)	(468,240)
Contract assets (accrued revenue based on the stage of completion)	1,180,143
Total trade receivables and contract assets – net	**11,211,236**

The Group's non-current receivables comprise receivables from Rafako S.A. The Group is a creditor of RAFAKO S.A. in its restructuring process that takes place in the Republic of Poland. The Group's right of claim in respect of RAFAKO S.A. arises from outstanding payment for the construction work amounting to EUR 1,210,091, whereof: non-current trade receivable amount is EUR 955,335, current trade receivable amount is EUR 254,756, impairment is EUR 921,317.

Trade receivables are non-interest bearing and are collectible on 30–60 days term.

Movements in collectively assessed impairment of the Group's receivables were as follows:

	Assessed impairment
Balance as at 31 December 2021 *(separate UAB „Montuotojas")*	**(1,394,657)**
Impairment charge for the year	6,024
Impairment, write-off of bad debts	(744)
Balance as at 31 December 2022	**(1,389,377)**

Other receivables

	As at 31 December 2022
VAT refundable	-
Other receivables	16,573
Total	**16,573**

19. Cash and cash equivalents, other financial assets

The Company's cash balances as at 31 December 2022 amounted to EUR 7,308. The Group's cash balances as at 31 December 2022 consisted of the following:

	As at 31 December 2022
Cash at bank	59,342
Other financial assets	1,980,707
Total	**2,040,049**

As at 31 December 2022, the Group and the Company did not have any term deposits. Cash was not pledged as collateral.

The Company's other non-current financial assets comprise credit enhancements with different maturities: performance guarantees, performance warranties, etc. Existing guarantees are disclosed in Note 27.

20. Net debt

Net debt is a liquidity ratio under IFRSs, which is used to determine the ratio of debt to highly liquid assets held by the Group and the Company. For the purpose of net debt calculation, financial debts comprise only borrowings from financial institutions, lease liabilities and other payables relating to financing.

	As at 31 December 2022
Cash and cash equivalents	(59,342)
Non-current borrowings	7,423,904
Current borrowings (including overdraft and accrued interest)	2,850,000
Lease liabilities	440,913
Net debt	**10,655,475**

21. Share capital structure

Capital structure of the Company:

Items	Number of shares	Amount
By type of shares		
Ordinary shares	3,793,000	3,793,000
Total		
State-owned or municipal share capital		
Own shares held by the Company		
Shares held by subsidiaries		

The nominal value of the Company's share is EUR 1. All the shares have been paid in full.

22. Legal reserve

Legal reserve. The legal reserve is a compulsory reserve established under the laws of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the share capital. The legal reserve shall not be used for the payment of dividends, but may be used to cover future losses only. Other reserves. The Group and the Company had no other reserves as at 31 December 2022.

Legal and other reserves were not established at the end of the period.

23. Borrowings

As at 31 December 2022, the Company did not have any loans. The Group's borrowings comprised as follows:

	As at 31 December 2022
Non-current	
Borrowings from the parent	1,500,000
Other borrowings	5,650,000
Accrued interest	273,904
Current	
Borrowings from the parent	-
Other borrowings	2,850,000
Accrued interest	-
Total	**10,273,904**

All borrowings of the Group are denominated in the euros.

In 2022, the Group concluded a loan agreement with the parent for the amount of EUR 1,500,000, and a credit agreement with limited partnership Pagalbos Verslui Fondas for the amount of EUR 4,500,000.

The loan agreements have financial and non-financial covenants binding upon the Group and the Company.

24. Trade and other payables, and other current liabilities

The Company's current liabilities totalled EUR 74, of which EUR 53 were payroll and related taxes, and EUR 21 were trade payables.

The Group's trade and other payables, and other current liabilities were as follows:

	As at 31 December 2022
Contract liabilities (payments from buyers on acquisition of inventories, etc.)	1,122,288
Trade payables	4,902,169
Accrued vacation pay	877,939
Wages and salaries and related taxes payable	830,690

Income tax liabilities	-
Other payables and accrued expenses	28,895
Trade and other amounts payable	**7,761,981**

Other payables comprised as follows:

	As at 31 December 2022
Non-current liabilities:	
Other payables	1,190,323
Current liabilities:	
Other payables	476,124
Total other payables	**1,666,447**

In 2022, the Group used aid measures provided by the State Tax Inspectorate and State Social Security Fund for the taxpayers affected by COVID-19 outbreak – tax credit agreements, deferral and rescheduling of underpaid taxes to the state budget for up to 5 years, with no interest charged thereon. As at 31 December 2022, liabilities totalled EUR 1,666,447, whereof: non-current portion amounted to EUR 1,190,323, and current portion amounted to EUR 476,124.

25. Financial transactions with the Group's and the Company's management personnel and other related persons

Company	**Current financial year**
Employment-related payments to management personnel	140
Average number of management personnel per year	1

Group	**Current financial year**
Employment-related payments to management personnel	594,292
Average number of management personnel per year	6

There were no significant transactions with related persons during 2022.

26. Provisions

	2022
Provisions	
Opening balance	1,136,116
Increase (provisions established)	-
Decrease (provisions utilised)	-
Closing balance	**1,136,116**

Provisions for warranty repairs. The amount of the provision for warranty repairs is estimated with reference to historical data, i.e. the historical amount of costs incurred annually by the Company in relation to warranty repairs, defect elimination, and similar. As the Group establishes the provisions, it also takes into account the warranty period for the elimination of defects.

Provisions for claims received. The provisions for claims received are established with reference to the claims received. The management assesses the claims for reasonableness and estimates the potential costs.

The Group has established provisions of EUR 987,070 for possible losses relating to potential infringement of the agreement on the performance of construction works of the Lazdynai Multifunctional Wellness Centre located at Erfurto st. 13. On 5 June 2017, the group entities (the "Joint Arrangement Partners"), including the Company, signed the Lazdynai Swimming Pool Agreement with the value of EUR 21.7 million (incl. VAT) at the date of signing. In 2019, it became known that the principal Joint Arrangement Partner became insolvent and the Administration of the Vilnius City Municipality, i.e. the client of the Lazdynai Swimming Pool Agreement, demanded that the remaining Joint Arrangement Partners complete the performance of the Agreement. The Group and the Company, together with the rest of the Joint Arrangement Partners, estimated the costs necessary to complete the Agreement and established the provision of EUR 750 thousand at the end of 2019 in view of a part of future losses that could possibly be attributed to the Company. In the beginning of 2020, the Vilnius City Municipality unilaterally terminated the Lazdynai Swimming Pool Construction Agreement. In objection to such decision, the Joint Arrangement Partners filed the claim against the Vilnius City Municipality, which was rejected by the court of first instance.

27. Off-balance sheet rights and commitments

Capital commitments

There were no capital commitments (contracts were signed for these commitments but they were not incurred at the end of the reporting period).

Guarantees and sureties issued

As at 31 December 2022, the Group had valid guarantees for the amount of EUR 1,980,708:

Name of client/guarantor	Object of surety	Date of issue	Maturity date	Guarantee amount	Insurance company/bank
Client 1	Manufacturing and installation of metal structures	22/12/2020	18/12/2023	23,270	AS CITADELE BANKA LITHUANIA BRANCH
Client 2	Manufacturing and installation of metal structures	28/01/2021	21/03/2025	792,347	AS CITADELE BANKA LITHUANIA BRANCH
Client 3	Manufacturing and installation of metal structures	27/10/2021	27/10/2024	60,137	AS CITADELE BANKA LITHUANIA BRANCH
Client 4	Manufacturing and installation of metal structures	27/07/2022	27/07/2023	20,389	AS CITADELE BANKA LITHUANIA BRANCH
Client 5	Manufacturing and installation of metal structures	25/08/2022	08/08/2024	3,623	AS CITADELE BANKA LITHUANIA BRANCH
Client 6	Manufacturing and installation of metal structures	21/10/2022	12/03/2023	60,600	SEB Bank AB
Client 7	Manufacturing and installation of metal structures	07/11/2022	07/11/2025	998,436	AS CITADELE BANKA LITHUANIA BRANCH
Client 8	Manufacturing and installation of metal structures	28/11/2022	09/02/2023	21,906	Swedbank AB
			Total	**1,980,708**	

The Group's management believes that companies for which guarantees and sureties were issued, will perform its liabilities to creditors, therefore as at 31 December 2022, it did not account for any liabilities related to the aforementioned guarantees and warranties.

28. Related party transactions

During 2022 and as at 31 December 2022, the members of the Group's and the Company's Board and other key management personnel of the Group and the Company did not engage in significant related party transactions.

29. Events after the reporting period

Reorganisation of Montuotojas UAB

On 26 May 2022, the General Meeting of Shareholders of Montuotojas UAB adopted a resolution to initiate the reorganization of Montuotojas UAB through division or demerger, providing that following the reorganization or demerger of Montuotojas UAB, the business activities will be undertaken by two or more legal entities, to each of which the part of the business activities of Montuotojas UAB will be transferred. In accordance with the provisions of Article 71 of the Law on Companies of the Republic of Lithuania, part of the assets, rights and obligations of Montuotojas UAB are split-off and new companies of the same legal form are formed on the basis of the assets, rights and obligations assigned to this part: FERN EPC UAB and FERN PRODUCTION UAB (hereinafter FERN PRODUCTION), which will possess an independent legal status. Legal demerger took place on 4 January 2023.

On 19 September 2022, the Company's General Meeting of Shareholders adopted a resolution to reduce issued capital of Montuotojas UAB by EUR 3,608,291.05, through reduction of the nominal value of each share of Montuotojas UAB from EUR 0.27 to EUR 0.14, and, as appropriate, the issued capital of Montuotojas UAB is reduced from EUR 7,494,142.95 to EUR 3,885,851.90, which will be divided into 27,756,085 units of ordinary registered shares with a nominal value of EUR 0.14. The issued capital of Montuotojas UAB is reduced only for the purpose of eliminating losses reported in the balance sheet of Montuotojas UAB. The resolution was registered on 4 January 2023.

The FERN Group, which has been in operation since 4 January 2023, consists of three separate companies by area of their activity:

- MONTUOTOJAS UAB – industrial construction, special installation works;
- FERN PRODUCTION UAB – manufacture of specialised industrial technical equipment;
- FERN EPC UAB – general contracting services and project management in the industry sector.

With the demerger, the ongoing contracts were transferred to FERN Production UAB and FERN EPC UAB, and, under these contracts, the performance guarantees remained in the asset of Montuotojas UAB.

Sale of financial asset

In February 2023, the sale of a financial asset, i.e. shares in Rafako SA, took place.

Other events

There were no other significant events after the reporting period and before the issue date of the financial statements.

CONSOLIDATED ANNUAL REPORT FOR 2022

APPROVED:

by the Board of FERN Group UAB

Minutes No __ dated .../.../2023

Consolidated annual Report for 2022

The consolidated annual report of FERN Group UAB (hereinafter the “Company”) and group company MONTUOTOJAS UAB for the year 2022 has been prepared in accordance with:

- Article 37(12)(2) of the Law on Companies of the Republic of Lithuania;
- Article 25 of the Law on Corporate Reporting of the Republic of Lithuania;
- Law on Consolidated Reporting by Groups of Undertakings of the Republic of Lithuania;
- International Financial Reporting Standards.

1. STATEMENT OF THE GROUP'S AND COMPANY'S CHIEF EXECUTIVE OFFICER

Dear customers, partners, employees and shareholders,

FERN Group UAB was registered in the Register of Legal Entities of the Republic of Lithuania on 5 July 2022, whose subsidiary on 31 December 2022 was UAB "MONTUOTOJAS". The FERN Group, consists of four separate companies since 4 January 2023:

- UAB "FERN GROUP" – management company;
- MONTUOTOJAS UAB – industrial construction, special installation works;
- FERN PRODUCTION UAB – manufacture of specialised industrial technical equipment;
- FERN EPC UAB – general contracting services and project management in the industry sector.

UAB "MONTUOTOJAS" transformed into a new group of engineering services and industrial construction companies the "FERN GROUP". The aim of the changes is the sustainable growth of the organisation and its development into adjacent sectors and new geographic markets.

The refinement of individual activities made it possible to give a new stimulus to development, to more clearly identify and control the outcome of these activities, and to increase efficiency and flexibility of financial management. The new structure of the Group will make it easier to develop new areas of activity, acquire and integrate businesses that will reinforce current activities or complement the service portfolio and, without any doubts, will enable to bring together the managers and top-level experts that will reinforce the competence of the group of companies.

The name "FERN GROUP" was not chosen by chance. Fern is a plant that means longevity and symbolizes the long history of UAB "MONTUOTOJAS". At the same time, it is a symbol of the new green era, of harmony. "FERN GROUP" chooses this path.

All contracts concluded by UAB "MONTUOTOJAS" so far will be fulfilled in full scope. New contracts will be concluded with UAB "MONTUOTOJAS", UAB "FERN PRODUCTION" and UAB "FERN EPC", depending on their field of activity.

Nerijus Eidukevičius

CEO of FERN GROUP

2. GENERAL INFORMATION

The consolidated report of the FERN group of companies is prepared for the 12-month period ending in 31 December 2022. All figures are for 31 December 2022, unless stated otherwise. The annual report contains financial information of UAB FERN Group and its subsidiary UAB "Montuotojas". UAB FERN Group and its subsidiary are together referred to as the Group.

The Company was established in July 2022, and the Group in August 2022, therefore, these financial statements do not contain comparative information for the previous period.

COMPANY'S CONTACT DETAILS

Name	FERN Group, UAB
Legal form	Private limited liability company
Registration date	05 July 2022
Company code	306110392
Registered address:	Granito st. 3-101, Vilnius
Telephone	+370 5 233 2590
Email, website	info@fern.lt, www.montuotojas.lt

GROUP COMPANY'S DETAILS

Name	UAB „MONTUOTOJAS“
Legal form	Private limited liability company
Registration date	11 August 1992

Company code	121520069
Registered address:	Granito st. 3-101, Vilnius
Telephone	+370 5 233 2590
Email, website	info@montuotojas.lt, www.montuotojas.lt

CHANGES IN THE COMPANY'S ORGANISATIONAL STRUCTURE

The Company's supervisory board is a collegial supervisory body. The supervisory board's competence, decision-making and the procedure for electing and recalling members are determined by laws, other legal acts and the Company's articles of association. The company's supervisory board consists of three members who are elected at the general meeting of shareholders for a four-year term. In 14 June 2022 a decision was made to elect the Supervisory Board of FERN GROUP for a term of 4 (four) years.

Chief Executive Officer	Nerijus Eidukevičius
Board	Darius Šulnis Vytautas Plunksnis Diana Ūselytė

INFORMATION ON SUPERVISORY BOARD MEMBERS:

JOB POSITION HELD AT FERN GROUP	COMPANY	JOB POSITION HELD
BOARD MEMBERS		
Darius Šulnis	Invalda INVL AB, company code 121304349, Gynėjų st. 14, Vilnius	President (main workplace)

	INVL Asset Management UAB, company code 126263073, Gynėjų st. 14, Vilnius	Member of the Investment Committee at INVL Baltic Sea Growth Fund
	INVL Asset Management UAB, company code 126263073, Gynėjų st. 14, Vilnius	Chairman of the Board
	Šiaulių bankas AB, company code 112025254, Tilžės st. 149, Šiauliai	Member of the Supervisory Board
	Litagra UAB, company code 304564478, Savanorių av. 173, Vilnius	Member of the Board
Vidas Venckus	INVL Asset Management UAB, company code 126263073, Gynėjų st. 14, Vilnius	Private equity partner
	INVL Asset Management UAB, company code 126263073, Gynėjų st. 14, Vilnius	Member of the Investment Committee at INVL Baltic Sea Growth Fund
	Minivet Holding UAB, company code 306127331, Gynėjų st. 14, Vilnius	Chairman of the Board
	Minivet Holding UAB, company code 306127331, Gynėjų st. 14, Vilnius	Director
	FERN GROUP UAB, company code 306110392, Granito st. 3-101, Vilnius	Member of the Supervisory Board
	FERN EPC UAB, company code 306209472, Granito st. 3-101, Vilnius	Chairman of the Board
	FERN PRODUCTION UAB, company code 306208064, Granito st. 3-101, Vilnius	Chairman of the Board
Diana Ūselytė	INVL Asset Management UAB, company code 126263073, Gynėjų st. 14, Vilnius	Senior analyst
	FERN Group UAB, company code 306110392, Granito st. 3–101, Vilnius	Member of the Supervisory Board

	FERN EPC UAB, company code 306209472, Granito st. 3–101, Vilnius	Member of the Board
	FERN PRODUCTION, company code 306208064, Granito st. 3-101, Vilnius	Member of the Board

The Group and the Company had no branches and representative offices as at 31 December 2022.

INFORMATION ON SHARES

The Company's authorized capital in 2022 July 5 (on the day of the Company's registration in the register of legal entities) amounted to EUR 15,000 (fifteen thousand euros), divided into 15,000 (fifteen thousand) ordinary registered shares with a nominal value of EUR 1 (one euro).

The Company and INVL Baltic Sea Growth Fund (a private equity investment fund for closed-end professional investors, code P003, operating through the management company INVL Asset Management UAB), signed the share subscription agreement of FERN Group, UAB in 9 August 2022, on the basis of which the authorized capital of the Company was increased by issuing 3,778,000 new ordinary registered shares of the Company, each of which has a nominal value of EUR 1 (one euro). Considering this, from 9 August 2022 the Company's authorized capital is 3,793,000 EUR (three million seven hundred and ninety-three thousand euros), divided into 3,793,000 (three million seven hundred and ninety-three thousand) ordinary registered shares with a nominal value of 1 EUR (one euro).

The company has not purchased or transferred its own shares in 2022.

3. GROUP AND COMPANY'S ACTIVITIES

3.1 Company's activities

The main activity of the Group companies is the development, production and installation of solutions for industrial construction, special installation works, technological equipment, pipelines, reservoirs, pressure vessels, and steel structures.

The main objectives of the Company are the formation and determination of the activity strategies, operational guidelines, policies of the Group companies as well as coordination and control of the activities, their expansion, and development of the Group companies.

4. OVERVIEW OF PERFORMANCE

COMPANY'S FINANCIAL RESULTS

Income	The company did not generate any income in 2022
Costs	The company incurred operating costs of 5,366 EUR in 2022
Net operating result	The net operating result is a loss of EUR 5,366 in 2022.

GROUP'S FINANCIAL RESULTS

Income	The Group earned 14 million EUR income in 2022
Costs	The Group incurred 16,5 million EUR expenses in 2022
Net operating result	The net operating result is a loss of 2,5 million EUR in 2022.

In 2023, the Group plans revenue growth, optimization of operations and fixed costs, and profitable activities. This can be reasonably expected by taking into account the current project portfolio and the potential of new projects.

STATEMENT OF FINANCIAL CONDITION

On December 31, 2022, the Group's assets amounted to 22,8 million Eur. The group's long-term assets amounted to 8,5 million Eur. The value of the group's short-term assets at the end of 2022 amounted to 14,3 million. Eur.

5. GROUP AND COMPANY'S BUSINESS ENVIRONMENT

5.1 Analysis of the environmental factors determining the business activity

When assessing the influence of the external environment, the Company considers political, economic, social and technological factors.

The quality of the Company's activities is influenced by the employees' accumulated operational/work experience and competences. The work of the company's employees is organized in accordance with the laws of the Republic of Lithuania, resolutions of the Government of the Republic of Lithuania, and other normative legal acts.

The company focuses on exploiting the identified opportunities by taking advantage of the strengths of the organization. At the same time, the company pays great attention to identified weaker areas.

5.2 Group and Company's risks

FINANCIAL RISKS

In its operations, the Group and the Company may be exposed to financial risks: credit risk, liquidity risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's financial performance.

CREDIT RISK

The Group and Company's credit risk arises from receivables, and is managed through verification of new clients. The Company's main clients are large industrial, construction and energy companies operating in Lithuania. Despite reasonable credit risk management measures applied by the Company, the risk still exists that certain clients will become insolvent and will not be able to make payments in due time.

LIQUIDITY RISK

Liquidity risk is management on weekly basis by properly planning movement of the Group and Company's cash flows for the next several months and ensuring an adequate amount of free liquid cash.

MARKET (INTEREST RATE) RISK

Revenue and cash flows of the Group and Company are not affected significantly by the fluctuations in the market interest rates.

COMPANY'S PRIORITIES IN RELATION TO SUSTAINABLE BUSINESS AND SOCIAL RESPONSIBILITY

The ESG Strategy developed by the Group established four main sustainability directions for 2023-2026. These are:

» **Sustainable production processes.** To ensure the efficient implementation of manufacturing and engineering project processes with the least environmental impact possible, and conserving energy and resources.

» **Safety and health of employees, training and well-being.** To ensure a safe and healthy working environment, various opportunities for learning and development, to promote employee well-being and satisfaction at work.

» **Quality of products and services.** To ensure high quality of products and services provided and their safety for human health.

» **Innovations.** To implement innovative technologies in design, production and installation processes to make more efficient use of resources and facilitate human work. To develop new products using innovative technologies.

In line with the ESG Strategy, the Group will work consistently until 2026 to meet its strategic goals in terms of sustainability.

6. BUSINESS PLANS AND PROSPECTS

Sustainable growth and expansion of the organization into adjacent sectors and new geographic markets.

The Group and Company aims is to be less dependent on fluctuations in the Lithuanian market, increase the exports of installation services and production activities. The major export markets of interest are the EU countries.

» The share of the EPC projects will further increase the in total revenue structure. The Group and Company further enhances the engineering competences creating higher added value for clients as well as the project management competences. Digitalised solutions for both production and project management will be implemented.

» The Group and Company will further enhance its operational efficiency by eliminating the inefficient internal functions and outsourcing services from external suppliers; improve property management efficiency by selling redundant property.

» The targets set for the Group and Company include consistent growth of revenue and profitability.

7. RELATED PARTY TRANSACTIONS

Information about related party transactions is disclosed in the annual financial statements.

8. GROUP AND COMPANY'S SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Date	Significant events during the reporting period
08/08/2022	By the decision of the Board of the Company, the terms and conditions of separation of the Company were approved, according to which two new companies of the same legal form were to be established on the basis of the assets, rights and obligations assigned to this part: FERN EPC UAB and FERN PRODUCTION UAB.
19/09/2022	During the General Shareholder Meeting, the following decisions were adopted: (1) To split-off part of the assets, rights and obligations of the Company and to establish two new companies of the same legal form on the basis of the assets, rights and obligations assigned to this part: FERN EPC UAB and FERN PRODUCTION UAB. (2) To reduce the Company's issued capital by EUR 3,608,291.05, through reduction of the nominal value of each share of the Company from EUR 0.27 to EUR 0.14. (3) To approve new wording of the Articles of Association of the Company continuing its business activities after separation and decrease in issued capital, as well as new wording of the Articles of Association of FERN EPC UAB and FERN PRODUCTION UAB established on the basis of the assets, rights and obligations split-off. (4) To revoke the Board before the end of its term and to elect a new Board for the office term of 4 (four) years.

Date	Significant events after the end of the reporting period
04/01/2023	FERN EPC UAB and FERN PRODUCTION UAB were established.
04/01/2023	The Company's issued capital was reduced (new wording of the Articles of Association of the Company were registered with the Register of Legal Entities).
15/02/2023	Donatas Užkuraitis resigned from the position of the Chief Commercial Officer.