

**CLOSED-END INVESTMENT UNDERTAKING FOR INFORMED
INVESTORS CAPITALICA EUROPEAN OFFICE FUND UAB**

**FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 FEBRUARY TO 31 DECEMBER 2023,
PREPARED IN ACCORDANCE WITH LITHUANIAN FINANCIAL REPORTING STANDARDS
AND PRESENTED TOGETHER WITH THE ANNUAL REPORT AND
INDEPENDENT AUDITOR'S REPORT**

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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UAB “Capitalica European Office Fund”

Opinion

We have audited the financial statements of UAB “Capitalica European Office Fund” (the Company), which comprise the balance sheet as at 31 December 2023 and the statement of income, statement of changes in equity and statement of cash flows for the period from 13 February 2023 to 31 December 2023, 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, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the period from 13 February 2023 to 31 December 2023 in accordance with Lithuanian financial reporting standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (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 included in the Company's Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, 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 indicated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's Annual Report corresponds to the financial statements for the same financial year and if the Company'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 financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- ▶ The Company's Annual Report was prepared in accordance with the requirements of the Law on Reporting by Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Lithuanian financial reporting standards, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Darius Vaicekauskas
Auditor's licence
No. 000652

30 May 2024

STATEMENT OF PROFIT OR LOSS

for the period from 13 February to 31 December 2023

30 May 2024

(financial statements preparation date)

No	ITEMS	Notes	Financial year	Previous financial year
1.	OPERATING INCOME		961	-
1.1.	Interest income		1	-
1.2.	Dividends		-	-
1.3.	Lease income		-	-
1.4.	Gain from changes in value and sale of investments	7	960	-
1.5.	Gain from changes in foreign currency exchange rates		-	-
1.6.	Gain on derivatives		-	-
1.7.	Guarantee contributions		-	-
1.8.	Income related to sale/redemption of the Company's shares		-	-
1.9.	Other operating income		-	-
2.	OPERATING EXPENSES		-	-
2.1.	Loss from changes in value and sales of investments		-	-
2.2.	Loss from changes in foreign currency exchange rates		-	-
2.3.	Loss from derivatives		-	-
2.4.	Costs of selling the Company's shares		-	-
2.5.	Other operating expenses		-	-
3.	GROSS PROFIT (LOSS)		961	-
4.	GENERAL AND ADMINISTRATIVE EXPENSES		221	-
4.1.	Remuneration to Management Company		108	-
4.2.	Remuneration to depositary		3	-
4.3.	Remuneration to intermediaries		30	-
4.4.	Audit expenses		22	-
4.5.	Other general and administrative expenses	15	58	-
4.6.	Reimbursement of expenses(-)		-	-
5.	RESULTS OF OTHER ACTIVITIES		-	-
6.	INTEREST AND OTHER SIMILAR EXPENSES	14	153	-
7.	PROFIT (LOSS) BEFORE TAX		587	-
8.	INCOME TAX	2.12	-	-
9.	NET PROFIT (LOSS)		587	-

Director of Management Company CAPITALICA
ASSET MANAGEMENT UAB

(Title of the head of the Management Company)

(Signature)

Mindaugas Liaudanskas

(Full name)

Head of Accounting of SBA Competence and Service
Center UAB

(Title of a person able to handle accounting)

(Signature)

Milda Kiaušinytė

(Full name)

BALANCE SHEET

as at 31 December 2023

30 May 2024

(financial statements preparation date)

No	ITEMS	Notes	Financial year	Previous financial year
	ASSETS			
A.	NON-CURRENT ASSETS		4,840	-
1.	INTANGIBLE ASSETS		-	-
2.	PROPERTY, PLANT AND EQUIPMENT		-	-
2.1.	Investment property		-	-
2.1.1	Land		-	-
2.1.2	Buildings		-	-
2.2.	Other property, plant and equipment:		-	-
3.	FINANCIAL ASSETS		4,840	-
3.1.	Investments in group companies	6	4,589	-
3.2.	Investments in associates		-	-
3.3.	Other equity securities		-	-
3.4.	Non-equity securities		-	-
3.5.	Other investment units, shares, contributions of other collective investment undertakings		-	-
3.6.	Derivatives		-	-
3.7.	Term deposits		-	-
3.8.	Loans and receivables	8	251	-
3.8.1	Loans to group companies		250	-
3.8.2	Receivables from group companies		1	-
3.8.3	Loans to associates		-	-
3.8.4	Receivable from associates		-	-
3.8.5	Other receivables after one year		-	-
3.9.	Other non-current financial assets		-	-
4.	OTHER NON-CURRENT ASSETS		-	-
4.1.	Deferred tax assets		-	-
4.2.	Other assets		-	-
B.	CURRENT ASSETS		163	-
1.	INVENTORIES		-	-
1.1.	Prepayments made		-	-
1.2.	Inventory for internal use		-	-
2.	RECEIVABLES WITHIN ONE YEAR		-	-
2.1.	Receivables from sale of investments		-	-
2.2.	Debts owed by group companies		-	-
2.3.	Debts owed by associates		-	-
2.4.	Other receivables within a year		-	-
3.	SHORT-TERM INVESTMENTS		-	-
3.1.	Term deposits		-	-
3.2.	Money-market instruments		-	-
3.3.	Transferable securities		-	-
3.3.1	Non-equity securities		-	-
3.3.2	Equity securities of group companies		-	-
3.3.3	Other equity securities		-	-
3.3.4	Other investment units, shares, contributions of other collective investment undertakings		-	-
3.4	Derivatives		-	-
4.	CASH	4	163	-
C.	DEFERRED EXPENSES AND ACCRUED INCOME		-	-
	TOTAL ASSETS		5,003	-

**Closed-end investment undertaking intended for informed investors CAPITALICA EUROPEAN OFFICE
FUND UAB , 306246129, Upės st. 21-1, Vilnius**

FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 FEBRUARY TO 31 DECEMBER 2023

(all amounts are in EUR thousand unless otherwise stated)

No	ITEMS	Notes	Financial year	Previous financial year
D.	EQUITY	5	3,764	-
1.	CAPITAL	9	3,017	-
1.1.	Subscribed capital		3,017	-
1.2.	Subscribed unpaid capital (-)		-	-
2.	SHARE PREMIUM		160	-
3.	REVALUATION RESERVE (RESULTS)		-	-
4.	RESERVES		-	-
4.1.	Legal reserve		-	-
4.2.	Other reserves		-	-
5.	RETAINED EARNINGS (LOSS)		587	-
5.1.	Profit (loss) of the reporting year		587	-
5.2.	Profit (loss) of the previous year		-	-
E.	PROVISIONS		-	-
1.	Provision for pensions and similar liabilities		-	-
2.	Provisions for taxation		-	-
3.	Other provisions		-	-
F.	PAYABLES AND OTHER LIABILITIES		1,229	-
1.	PAYABLES AFTER ONE YEAR AND OTHER LIABILITIES		450	-
1.1.	Debt liabilities	11	450	-
1.2.	Financial amounts owed to credit institutions		-	-
1.3.	Prepayments received		-	-
1.4.	Payables for financial and investment assets		-	-
1.5.	Payables under the bills of exchange and checks		-	-
1.6.	Payable to group companies		-	-
1.7.	Payables to associates		-	-
1.8.	Liabilities under derivative contracts		-	-
2.	PAYABLES WITHIN ONE YEAR AND OTHER LIABILITIES	12	779	-
2.1.	Debt liabilities		756	-
2.2.	Financial amounts owed to credit institutions		-	-
2.3.	Prepayments received		-	-
2.4.	Payables for financial and investment assets		-	-
2.5.	Payables under the bills of exchange and checks		-	-
2.6.	Payable to group companies		-	-
2.7.	Payables to associates		-	-
2.8.	Payables to Management Company and depository		11	-
2.9.	Other payables within one year		12	-
2.10.	Liabilities under derivative contracts		-	-
2.11.	Liabilities of tax on profit		-	-
2.12.	Employment-related liabilities		-	-
2.13.	Other current liabilities		-	-
G.	ACCRUED EXPENSES AND DEFERRED INCOME	13	10	-
	TOTAL EQUITY AND LIABILITIES		5,003	-

Director of Management Company CAPITALICA
ASSET MANAGEMENT UAB

(Title of the head of the Management Company)

(Signature)

Mindaugas Liaudanskas
(Full name)

Head of Accounting of SBA Competence and Service
Center UAB

(Title of a person able to handle accounting)

(Signature)

Milda Kiaušinytė
(Full name)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

30 May 2024

(financial statements preparation date)

Indicators	Issued capital	Share premium	Legal reserve	Revaluation reserve (results)		Other reserves	Retained earnings (loss)	Total
				Property, plant and equipment	Financial assets			
1. Balance at the end of the financial year before previous	-	-	-	-	-	-	-	-
2. Results of changes in accounting policies	-	-	-	-	-	-	-	-
3. Results of correcting material errors	-	-	-	-	-	-	-	-
4. Recalculated balance at the end of financial year before last year	-	-	-	-	-	-	-	-
5. Increase (decrease) in the value of property, plant and equipment	-	-	-	-	-	-	-	-
6. Profit (loss) not recognized in statement of profit and loss	-	-	-	-	-	-	-	-
7. Net profit (loss) for the year	-	-	-	-	-	-	-	-
8. Declared dividends and other payments related to profit distribution	-	-	-	-	-	-	-	-
9. Formed reserves	-	-	-	-	-	-	-	-
10. Realised reserves	-	-	-	-	-	-	-	-
11. Capital increase by selling shares, receiving contributions	-	-	-	-	-	-	-	-
12. Capital decrease by redemption of shares, reimbursement of contributions	-	-	-	-	-	-	-	-
13. Contributions to cover losses	-	-	-	-	-	-	-	-
14. Balance at the end of previous financial year	-	-	-	-	-	-	-	-

(continued on the next page)

**Closed-end investment undertaking intended for informed investors CAPITALICA EUROPEAN OFFICE
FUND UAB , 306246129, Upės st. 21-1, Vilnius
FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 FEBRUARY TO 31 DECEMBER 2023
(all amounts are in EUR thousand unless otherwise stated)**

Indicators	Issued capital	Share premium	Legal reserve	Revaluation reserve (results)		Other reserves	Retained earnings (loss)	Total
				Property, plant and equipment	Financial assets			
15. Increase (decrease) in the value of property, plant and equipment and financial assets	-	-	-	-	-	-	-	-
16. Profit (loss) not recognized in statement of profit and loss	-	-	-	-	-	-	-	-
17. Net profit (loss) for the year	-	-	-	-	-	-	587	587
18. Dividends and other payments related to profit distribution	-	-	-	-	-	-	-	-
19. Formed reserves	-	-	-	-	-	-	-	-
20. Realised reserves	-	-	-	-	-	-	-	-
21. Capital increase by selling shares, receiving contributions	3,017	160	-	-	-	-	-	3,177
22. Capital decrease by redemption of shares, reimbursement of contributions	-	-	-	-	-	-	-	-
23. Contributions to cover losses	-	-	-	-	-	-	-	-
24. Balance at the end of the current financial year	3,017	160	-	-	-	-	587	3,764

Director of Management Company CAPITALICA
ASSET MANAGEMENT UAB

(Title of the head of the Management Company)

Head of Accounting of SBA Competence and Service
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(title of a person able to handle accounting)

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Mindaugas Liaudanskas

(Full name)

Milda Kiaušinytė

(Full name)

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

30 May 2024

(financial statements preparation date)

(EUR)

No	Items	Notes	Financial year	Previous financial year
1.	Operating activities			
1.1.	Cash inflows of the reporting period		-	-
1.1.1	Proceeds from disposal of financial assets and investment property		-	-
1.1.2	Interest received		-	-
1.1.3	Dividends received		-	-
1.1.4	Rental payments received		-	-
1.1.5	Other income		-	-
1.2.	Cash outflows of the reporting period		(3,970)	-
1.2.1	Payments for acquisition of financial assets and investment property and liabilities settled	7	(3,629)	-
1.2.2	Payments related to general and administrative needs		(91)	-
1.2.3	Other payments	8	(250)	-
	<u>Net cash flows from operating activities</u>		(3,970)	-
2.	Financing activities			
2.1.	Sale of company shares, received contributions		3,178	-
2.2.	Redemption of shares, repayment of contributions		-	-
2.3.	Payments from profit		-	-
2.4.	Loans received	11	354	-
2.5.	Loans repaid		-	-
2.6.	Interest paid	12	(136)	-
2.7.	Cash flows related to other financing sources		-	-
2.8.	Other increases in cash flows from financing activities	12	2,000	-
2.9.	Other decreases in cash flows from financing activities	12	(1,263)	-
	<u>Net cash flow from/used in financing activities</u>		4,133	-
3.	Effects of changes in foreign exchange rates on net cash balances		-	-
4.	Net increase (decrease) in cash flows		163	-
5.	Cash at the beginning of the period		-	-
6.	Cash at the end of the period		163	-

Director of Management Company CAPITALICA
 ASSET MANAGEMENT UAB

(Title of the head of the Management Company)

Head of Accounting of SBA Competence and Service
 Center UAB

(Title of a person able to handle accounting)

(Signature)

(Signature)

Mindaugas Liaudanskas

(Full name)

Milda Kiaušinytė

(Full name)

Notes to the financial statements

1 General information

The closed-end investment undertaking for informed investors CAPITALICA EUROPEAN OFFICE FUND UAB (hereinafter – the Company, the Investment Undertaking) is a limited liability company registered in the Republic of Lithuania on 13 February 2023. Its registered office address is Upės st. 21-1, Vilnius.

The main activity of the Company – collective investment of informed investor assets in the real estate market in order to spread risks and earn profit for the Company’s shareholders. By Decision of the Bank of Lithuania No V 2023/(1.160.E-9004)-441-129 of 18 July 2023, to the Company was granted an authorisation to operate as an investment undertaking under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors. Before the issue of the licence, the Company operated as a private limited liability company and its shareholders had all the rights and obligations determined by the Law on Companies of the Republic of Lithuania.

The goal of the Company is to ensure a long-term growth of return to the shareholders by investing in the real estate market of the Baltic states (the Republic of Lithuania, the Republic of Latvia and the Republic of Estonia) and the Central European countries of the European Union (the Republic of Poland, the Czech Republic, the Republic of Bulgaria, the Republic of Romania), focusing on investing in real estate intended for administrative purposes. The Company invests in real estate objects which are in their early stages of development i.e. under construction, as well as in already completed real estate objects.

The Company is able to operate not longer than 7 years from the day on which the Bank of Lithuania issued the licence to operate as an investment undertaking. This term can be extended by 2 years.

The Company is managed by CAPITALICA ASSET MANAGEMENT UAB (hereinafter the “Management Company”), registered on 4 May 2016, company code 304234719, registered office address Upės st. 21-1, Vilnius. On 17 August 2016, license No 03-118 was issued to the Management Company by the Bank of Lithuania, enabling it to manage collective investment undertakings intended for informed investors operating under the Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors.

As at 31 December 2023, the Company’s shareholders were the following:

Shareholder	Ownership interest as at 31 December 2023, %
TABA Invest, UAB	33.14
Rytis Arbačiauskas	21.67
Minority shareholders	45.19
Total:	100.00

As at 31 December 2023, the issued capital amounted to EUR 3,017,450 and was divided into 3,017,450 units of ordinary registered shares with the nominal value of EUR 1 each. All the shares were fully paid.

As at 31 December 2023, the Company controlled the following subsidiaries:

Company	Country	Ownership interest (%) as at 31 December 2023	Main activities
Savanorių 18 UAB	Lithuania	100	Lease of real estate
SIA VERDE DEVELOPMENT	Latvia	100	Real estate lease and development

The Investment Undertaking’s securities accounts are managed by AB Šiaulių bankas, company code 112025254, registered address Tilžės st. 149, Šiauliai. Šiaulių Bankas AB also provides depository services for the investment company.

On 16 March 2023, a bond distribution agreement was concluded between the Company and Šiaulių Bankas AB, on the basis of which 2,000 units of bonds were issued, the nominal value of each was EUR 1,000. These 1-year bonds earn 10.0% annual interest paid every six months. As at 31 December 2023, 1,263 units of bonds were redeemed before maturity date.

1 General information (continued)

These financial statements have been approved by the Company's management on 30 May 2024. The Company's shareholders have a statutory right to approve these financial statements, or refuse to approve them and request the management to prepare a new set of financial statements.

2 Summary of accounting policies

2.1. Basis for preparing financial statements

These financial statements have been prepared in accordance with the Republic of Lithuania Financial Accounting Law, Republic of Lithuania Law on Collective Investment Undertakings for Informed Investors, Business Accounting Standard 39 of the Republic of Lithuania and other Business Accounting Standards (Lithuanian Financial Reporting Standards), including standards and methodological recommendations prepared and approved by the Authority of Audit, Accounting, Property Valuation and Insolvency Management.

These financial statements have been prepared in accordance with the Lithuanian Financial Reporting Standards (LFRS), effective for annual reporting periods beginning on or after 13 February 2023. The applied accounting principles are described below.

The Investment Undertaking is principally involved in investing activities, therefore cash flows from investing activities are classified as operating activities in the statement of cash flows.

The Company also prepares consolidated financial statements for the year ended 31 December 2023 in accordance with International Financial Reporting Standards (IFRSs). These financial statements are available at the Company's office, at Upės g. 21, Vilnius. As of the reporting date, the audit of the consolidated financial statements has not yet been completed.

2.2. Reporting currency

The Company keeps its accounting records and all amounts in these financial statements have been recorded and presented in euros, which is a national currency of the Republic of Lithuania.

2.3. Investment policy

The goal of the Company's investing activities is to ensure a long-term growth of return to the shareholders by investing in the real estate market of the Baltic states (the Republic of Lithuania, the Republic of Latvia and the Republic of Estonia) and in the Central European countries of the European Union (the Republic of Poland, the Czech Republic, the Republic of Bulgaria, the Republic of Romania), focusing on investing in real estate intended for administrative purposes.

The Company's assets can be invested directly into real estate objects (including land plots), which may be already constructed or under construction, by acquiring them by right of ownership and/or indirectly, i.e. when real estate objects are acquired by enterprises controlled by the Company, the purpose of which is to invest in and manage real estate objects whose equity and/or debt securities are held by the Company, or when the Company acquires the securities of enterprises that already have real estate objects, and/or the assets can be invested in other collective investment undertakings if the investment strategy of such collective investment undertakings complies with the investment strategy of the Company.

All immovable property must be acquired together with ownership of land or the long-term lease contracts.

A more detailed investment strategy of the Company is indicated in the approved Articles of Association of the Company available at the Company's registered office.

2.4. Financial risk management policy

The Company is managed to reduce all financial risks and taking into account the ruling of the Board of the Bank of Lithuania No 03-43 of 14 February 2019 On the approval of a description of the requirements for investment risk management policies for collective investment undertakings operating in accordance with the Law on Collective Investment Undertakings Intended for Informed Investors. On 26 July 2019, the investment risk policy of collective investment undertakings managed by CAPITALICA ASSET MANAGEMENT UAB was approved. The risks set out below can have an influence on investment value and determine the Company's net asset value (hereinafter – the NAV) and, accordingly, decrease the value of Company's shares per unit.

2 Summary of accounting policies (continued)

2.4. Financial risk management policy (continued)

Credit and counterparty risk

This risk includes the possibility of incurring losses due to the inability of a counterparty (including a creditor of a collective investment undertaking) to meet its financial obligations. The credit risk of transactions carried out by the undertakings managed by the Company, as well as counterparty risk is subject to prior assessment through a detailed analysis and assessment of the counterparty. The risk is also reduced by applying delivery versus payment (DVP) principles.

The risk related to the Company's funds in banks is limited by carrying out financial transactions with banks whose settlement risk is assessed as acceptable. Leases also include collateral, such as: a tenancy deposit; a parent's guarantee for lease if a subsidiary is a lessee.

The Company does not engage in borrowing activities and borrows only to special purpose vehicles under its control, therefore borrowing risk is limited.

Market risk

Market risk is the likeliness that upon change in market variables (real estate value, interest rate, exchange rate, equity securities, commodity prices, etc.) the Company will incur losses due to the transaction concluded. Market risk consists of:

- Interest rate risk is the probability of incurring a loss as a result of a change in interest rates due to assets held by the Company which are sensitive to interest rate fluctuations. This risk is assessed by analysing the size of the modified financial term and hedging derivatives may be used. The risk of higher interest rates and costs of servicing borrowings, which would result in losses, is managed in strict compliance with the level of debt that can be assumed, as well as by hedging against interest rate risk in the relevant transactions in financial instruments. All loans and bonds issued by the Company bear fixed interest rates.
- Foreign exchange risk is the decrease in the value of an asset due to exchange rate fluctuations, depending on the currency in which the assets and the liabilities are denominated. Exchange rate risk can be mitigated by focusing on investments in euros or by entering into hedging transactions. Also, if the Company's strategy is to invest in higher-risk financial instruments, an open foreign exchange position may be considered part of the investment strategy and exchange rate risk may be deliberately assumed.
- Equity (financial instruments) price risk is the probability of incurring losses due to volatility in the prices of equity securities and related derivatives. This risk is mitigated by proper assessment and continuous analysis of issuers' risk and diversification of the portfolio by investing in line with the requirements for equity risk set out in the Company's documents.

Real estate value risk

Risk of incurring losses when deterioration of the global, regional or national economy results in a decrease in rental of real estate and other income. The risks associated with real estate are subject to prior assessment by conducting a thorough investment analysis before investing in a specific object.

Operational risk: the main sources of this risk are poor employee performance, undue processes, inadequate IT support and security, external factors such as robbery, counterfeiting, political decisions, etc. To reduce this risk, an organizational structure is established, which clearly defines the functions and competencies, the implementation of accounting procedures through a regular verification, the use of reliable technological systems, the temporary employee replacement, thus ensuring the going concern.

Debt risk

Risk of loss due to failure to meet commitments made in a timely and proper manner. The management of this risk is based on a set maximum level of debt that can be assumed, which does not exceed 80% of total Company's assets. The Company checks compliance with the set indicator before assuming any debt obligations.

2 Summary of accounting policies (continued)

2.4. Financial risk management policy (continued)

Concentration risk

The aim is to avoid additional risk in the investment portfolio arising from concentration to a single counterparty, geographical region or other relevant criterion. The potential magnitude of the change in the value of the portfolio is reduced by maintaining a sufficiently diversified portfolio of investment instruments (Note 2.9 pastaba).

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle its current obligations or can settle them on terms that are materially disadvantageous by attracting additional funds or realizing its assets.

Also, it is a risk to suffer losses due to low market liquidity, making it impossible to acquire or sell assets in the investment portfolio at the desired time and desired price. The Company's liquidity risk is managed by continuously assessing, monitoring and comparing future liabilities with expected proceeds. Liquidity risk is assessed through an assessment of liquidity sources and liquidity needs. The risk can also be assessed in the light of the results of the stress tests.

2.5. Principles of recognizing the assets value increase and decrease

Monetary measurement principle: all the assets of the Company, their decrease and increase are expressed monetarily in the financial statements.

Accrual basis: the increase and decrease of the Company's assets are recorded in the accounts when they occur and presented in the financial statements of those periods, regardless of whether cash is received or disbursed.

Substance over form principle: by reflecting the increase or decrease in assets, the Company pays attention to their content and substance rather than just to the requirements of formal submission. The Company registers economic operations and events and provides in financial statements in terms of their content and economic substance, even if such presentation differs from the legal form.

Cash increase is recognized by registering the monetary increase in a bank account. A decrease in this account is recognized accordingly. Foreign currency transactions are accounted for at the official exchange rate published by the Bank of Lithuania on the date of the transaction.

An increase in securities is recognised when the securities are acquired or the value of the securities has increased. Accordingly, the decrease in securities is recognised after selling them or when their value has decreased.

The moment of recognition of securities is the day of transaction, when the ownership of the securities is transferred.

2.6. Rules for accounting of deductions to the Management Company and the depository, and other expenses

The increase in the receivables item is recognised by making prepayments and/or recording the receivables. Decrease is recognised after receiving goods, services, money or when accounting for the impairment of the assets.

The Company's assets are used to cover all the operating expenses of the Company, including expenses related to the implementation of the Company's investment strategy. If any expenses to be covered with the assets of the Company are paid by the Management Company using its own assets, then the Management Company shall be entitled to reimburse the amount of such expenses from the assets of the Company by transferring the amount of the expenses incurred on behalf of the Company to the Management Company's account.

An annual management fee is paid to the Management Company from the Company's assets, and is estimated as 1.5% of the average annual NAV, but not less than EUR 50,000 per year. The management fee payable to the Management Company is calculated on an accrual basis for each calendar day in proportion to the annual fee and is paid to the Management Company once a month, no later than on the 15th day of the following month.

After the end of the calendar year and the determination and publication of the Company's NAV as of the last day of December, the Management Company will recalculate the management fee payable for the previous calendar year by applying the average annual NAV. If an overpayment or underpayment of the management fee is determined during the recalculation, the management fee payable for the month of December of the previous calendar year will be reduced or increased, respectively, by the corresponding amount of overpayment or underpayment.

2 Summary of accounting policies (continued)

2.6. Rules for accounting of deductions to the Management Company and the depository, and other expenses (continued)

The success fee is payable to the Management Company only if the annual investment return of the Company exceeds the minimum threshold of the Company's annual return, i.e. 7% after deducting all the expenses indicated in the Company's Articles of Association. In such case, 15% of the amount by which the minimum Company's investment return exceeds minimum threshold is paid to the Management Company. The Company's annual investment return for the period from day of issuance of the licence to conduct activities of an investment fund until the moment of calculation is determined as follows:

- by using Microsoft Excel formula XIRR, which evaluates when negative (shareholder contributions to the Company (which are included in the formula XIRR when changes in the Company's Articles of Association are registered due to the increase of issued capital)) and positive (Company's payouts to the shareholders, the last positive flow is the value of investments at the time of calculation) Company's flows took place, and what was their extent.
- If the calculated Company's annual investment return exceeds minimum threshold of the Company's annual investment return, the last positive flow is lowered by trial until the Company's annual investment return, calculated by Microsoft Excel XIRR formula, reaches 7%.
- The amount by which the last positive flow will be reduced will be the amount, by which the minimum Company's investment return exceeds minimum threshold.

The amount of the success fee due to the Management Company is calculated each time the NAV is calculated. If the success fee due to the Management Company is determined when calculating the NAV, this amount is included in the Company's accounting as the Company's non-current liability to the Management Company, as well as in NAV calculations, and this is taken into account when estimating the final NAV. The success fee is paid after the life of the Company comes to the end or 50% of accrued success fee can be paid to the Management Company in advance. If the success fee calculated in the following year is lower than success fee calculated in the previous year or that it should not be paid to the Management Company at all, the Company's commitment to the Management Company is reduced accordingly and the Management Company refunds to the Company the success fee received in advance so that the total amount paid in advance does not exceed 50% of the calculated success fee.

In addition, the amount of the success fee that is payable to the Management Company and is no longer refundable (hereinafter the "Non-Refundable Amount of the Success Fee") will also be determined for the purpose of calculating the NAV each time the Company's funds are distributed to investors. For the purposes of calculating the Non-Refundable Amount of the Success Fee, it shall be set to correspond to the proportion of the Company's distributions to investors as a percentage of the Company's NAV that is available at the time of the distribution, i.e., the Non-Refundable Amount of the Success Fee shall be proportionate to the amount of the Company's funds available for distribution to investors as a percentage of the NAV.

A one-time distribution fee will be paid to the Management Company if it is provided in the Prospectus. Distribution fee is set by the Management Company's decision, however it cannot exceed 2% of the amount invested in the Company by the investors, i.e. the amount paid by the investors at the moment of increase of authorized capital for the signed shares or the value of non-monetary contribution to the Company. If distribution fee is applied, it will be paid by the investors by transferring the set distribution fee amount to the Company together with settlement for the Company's shares, however, shares will not be issued for the amount of distribution fee, and the distribution fee amount will not be included in Company's NAV. The distribution fee will be paid out to the Management Company based on the invoice issued by the Management Company to the Company.

The Company's assets and liabilities are measured in accordance with the laws of the Republic of Lithuania, LFRS and the Methodology of Calculation of the Net Asset Value approved by the Bank of Lithuania, as well as other regulations.

2.7. Frequency and methods of measurement of assets and liabilities

Assets (or part thereof) are written off only when the rights to these assets (or part thereof) are implemented, upon the expiration of rights or when these rights are transferred

Financial assets include cash, cash equivalents, receivables and investments in subsidiaries. Receivables are initially recorded at cost. The impairment of receivables is accounted for when there are indications that the value of receivables could be impaired. In such case the book value of receivables is reduced as to the impairment account. Impaired receivables are written off once they are considered irrecoverable.

2 Summary of accounting policies (continued)

2.7. Frequency and methods of measurement of assets and liabilities (continued)

Liabilities (or part thereof) are written off only when they are extinguished, i.e. when liabilities indicated in the contract are satisfied, annulled or no longer valid.

Financial liabilities include amounts payable for received goods and services, loans and bonds.

The calculation of assets and liabilities is based on their fair value, which has to reflect the NAV, for which these assets are most likely to be sold. Investments in subsidiaries are measured and reported at fair value in the financial statements.

The fair value of financial instruments traded on regulated markets is determined based on the average market prices published on the measurement date, as well as to the prices of similar financial assets or other fair value measurement techniques established in the financial markets.

The Investment Company has a defined period of operation (7 years, with option to extend for further 2 years), during which it sells subsidiaries, which are therefore measured at fair value.

Equity securities that are not traded on the regulated markets are measured as follows:

- Based on the assessment made by the independent business appraiser, who is authorised to carry out assessments and meets the criteria stipulated in the Company's Articles of Association, if no more than 12 months have passed since the assessment and no events took place after the assessment that led to the current market price being lower or higher than the one determined by the appraiser.
- If for certain reasons it is not possible to employ the previously mentioned method, the measurement is performed on a conservative ownership basis, i. e. on the basis of audited (if audited) financial statements of companies owned by the Company, in which the assets of such companies are reported at fair value. Equity securities (equity capital) are reported in the financial statements divided by the number of all equity securities and multiplied by the number of company's securities owned by the Company. If the equity capital is in the negative, the total amount of equity securities is considered to be equal to one euro. Equity securities are measured at least once every 12 months.
- If for certain reasons none of the previously mentioned techniques can be applied, measurement is performed based on the likely sale price, determined according to the selected valuation technique, which is generally applied and recognized in the financial market.

Debt securities, monetary market instruments and loans which are not traded in the regulated markets, are measured at amortised cost using the effective interest method.

Real estate (both directly owned by the Company and owned by real estate companies acquired by the Company) is measured by fair value at least once a year.

Other assets are valued at the most probable selling price determined based on the chosen valuation technique, which is generally applied and recognized in the financial market.

Bank term deposits are measured at amortised cost. Cash and funds in the credit institutions are measured at nominal value.

NAV of the Company is calculated by deducting Company's liabilities (including management and success fees) from the Company's assets. When calculating NAV, the values of the Company's assets and liabilities are calculated separately. The Company's NAV is calculated based on the NAV determination rules set out in the Company's Articles of Association.

Additional liabilities that the Company must meet by the redemption date of the bonds (29 March 2024) are as follows: The Company cannot have any borrowings from third parties.

The company does not engage in investment in loans. The Company can only lend its assets to the SPVs. The Company cannot provide property guarantees or warranties for the fulfilment of the obligations of third parties, but the Company can provide property guarantees or warranties for the fulfilment of the obligations of the SPVs.

2 Summary of accounting policies (continued)

2.8. Share valuation rules

The value of the Company's share is determined by dividing NAV by the total number of shares issued by the Company. The value of the Company's share is determined at an accuracy of four decimals and rounded according to mathematical rounding rules. The total value of all shares issued by the Company is always equal to the Company's NAV.

The Company's NAV and the value of the Company's shares is determined each month based on the data of the last day of the previous month. The Company's NAV is also calculated based on the actual data of the day on which a decision was made by the Bank of Lithuania to issue a license to the Company enabling it to operate as an investment undertaking. The Company's NAV shall also be determined when the Company increases or reduces its issued capital (based on data of the date of registration of the amended Articles of Association), receives additional contributions from the Company's shareholders (based on the data of the day the contributions are credited to the Company's account), and pays funds to its shareholders as dividends (based on the data of the day the entire amount of dividends provided is transferred from the Company's account).

The Company's share offers and share subscription agreements are concluded and shares are issued at the issue price per share determined based on the Company's last calculated net asset value per share.

2.9. Structure of investment portfolio

The Company's investments are subject to the following portfolio diversification requirements:

- During the period of the Company's activity up to 10% of the Company's assets can be comprised of idle funds, which can be temporarily invested in deposits for a term no longer than 12 months and which can be retrieved on demand from the credit institution which has a registered office in a country belonging to the European Economic Area or any other country, where the risk limiting supervision is no less strict than in the European Union; also debt securities of investment ranking of companies operating in any country.

The Company's direct and indirect investments in real estate may represent up to 100% of the Company's assets.

The Company's investment period (the period during which the Company searches for objects in line with its investment strategy in which the Company's assets could be invested and invests in selected objects in line with the Company's investment strategy) may be commenced the Management Company's decision at any time upon the approval of the Company's Articles of Association by the Bank of Lithuania and upon the occurrence of appropriate circumstances, but may not exceed 4 years from the date of the Bank of Lithuania's approval of the Company's Articles of Association. The Company will strive for the Company's assets to consist (directly and/or indirectly) of at least 4 real properties at the end of the investment period.

2.10. Cash and cash equivalents

Cash includes cash in the bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Such investments mature in less than three months and are subject to insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are considered to be cash in the current bank accounts and deposits the terms of which on the day of signing the contract are no less than three months.

2.11. Provisions

Provisions are recognised only when the Company has a legal obligation or irrevocable commitment as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognised as interest expenses.

2.12. Income tax

In 2023, the standard rate of income tax at a rate of 15% was applicable to companies of the Republic of Lithuania.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivatives. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself.

2 Summary of accounting policies (continued)

2.12. Income tax (continued)

The losses from disposal of securities and/or derivative financial instruments can be carried forward for five consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature. As from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Deferred taxes are calculated using the liability method. Deferred tax is recognized, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at a tax rate which will (as expected) be applied for the period during which the assets will be realized and the liability covered, based on the tax rates which were adopted or essentially adopted on the date of the statement of financial position. Deferred tax assets are recognized in the statement of financial position to the extent that the management expects it to be realized in the near future, based on the taxable profit forecasts. If it is likely that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Based on the requirements of Article 12 of the Law on Income Tax of the Republic of Lithuania, the Company is not subject to income tax. Income of collective investment entities, including dividends and other distributed profits, is considered tax-free income.

2.13. Revenue and expense recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Expenses are recognised in accordance with the principles of accrual and comparability during the reporting period in which they are incurred, regardless of the moment of cash payments made.

2.14. Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses from these transactions and from the translation of assets and liabilities denominated in foreign currencies at date of the statement of financial position are recognized in the statement of profit or loss. These balances are translated using the closing rate.

2.15. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due under the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of profit and loss. The reversal of impairment loss previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after impairment recognition. Such reversal is accounted in the statement of profit and loss. However, the increased amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted for in the same caption of the statement of profit and loss as the impairment loss.

2.16. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2 Summary of accounting policies (continued)

2.17. Events after the reporting period

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

2.18. Offsetting

When preparing financial statements, the assets and liabilities, revenue and expenses are not set-off, except the cases when certain standard specifically requires such set-off. These bonds were successfully redeemed from the received shareholders' contributions for the increase of the authorized capital, which amounted to 1.4 million. euros.

2.19. Going concern

As at 31 December 2023, the Company's current liabilities exceeded current assets by EUR 625 thousand. The current liabilities of EUR 737 thousand consisted of placed bonds maturing on 29 March 2024. These bonds were successfully redeemed from the shareholders' contributions received for the share capital increase, which amounted to EUR 1.4 million.

The management plans to continue working profitably in 2024. to earn a profit, and believes that the Fund will generate sufficient income and cash flow in the future to carry out its operations and meet its obligations, therefore these financial statements have been prepared on a going concern basis.

3 Non-current financial assets

	Investments in group companies	Loans to group companies	Total
Balance as at 1 January 2023	-	-	-
Additions	3,629	-	3,629
Loans granted (Note 8)	-	250	250
Repayment of loans and interest	-	-	-
Accrued interest on loans	-	1	1
Change in fair value (Note 7)	960	-	960
Balance as at 31 December 2023	4,589	251	4,840

4 Cash and cash equivalents

As at 31 December 2023, cash and cash equivalents comprised cash at the bank.

As at 31 December 2023, the Company did not have any restricted cash.

5 Net assets, number and value of investment units at the beginning and end of the reporting period, at the start of the investment activities

Indicators	As at 31 December 2023	As at 18 July 2023	As at 13 February 2023
Net assets value (NAV), EUR	3,764,086	1,580,037	-
Number of investment units (shares) outstanding	3,017,450	1,692,500	-
Value of an investment unit (share), EUR	1.2474	0.9336	-

Value of net assets is equal to the equity.

In 2023, the Company's issued capital increased by EUR 3,017,450.

In 2023, the Company did not hold any of its own shares.

Closed-end investment undertaking intended for informed investors CAPITALICA EUROPEAN OFFICE FUND UAB , 306246129, Upės st. 21-1, Vilnius
FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 FEBRUARY TO 31 DECEMBER 2023
(all amounts are in EUR thousand unless otherwise stated)

6 Structure of investment portfolio

Distribution of investments	As at 31 December 2023		As at 31 December 2022	
	Market value (EUR)	Net assets (%)	Market value (EUR)	Net assets (%)
By investment property				
Investments in group companies:	4,589	91.72	-	-
Savanorių 18 UAB, 88,800 units of shares, company code 304118472	4,224	84.43	-	-
SIA Verde Development, 2,800 units of shares, company code 40203395348	365	7.29	-	-
Loans to group companies:	250	5.00	-	-
SIA Verde Development, 2,800 units of shares, company code 40203395348	250	5.00	-	-
Receivables from group companies:	1	0.02	-	-
SIA Verde Development, 2,800 units of shares, company code 40203395348	1	0.02	-	-
Cash:	163	3.26	-	-
Šiaulių bankas AB	163	3.26	-	-
Total:	5,003	100	-	-
By currency				
EUR	5,003	100	-	-
Total:	5,003	100	-	-
By geographical area				
Lithuania	4,387	87.69	-	-
Latvia	616	12.31	-	-
Total:	5,003	100	-	-

On 14 December 2023, a loan agreement was signed between SIA Verde Development and CAPITALICA EUROPEAN OFFICE FUND UAB. As at 31 December 2023, the remaining amount of unpaid loan was EUR 250,000, interest – EUR 1,048. The loan and interest are due on 31 December 2027, interest rate is set at 9%.

The Company's investments can represent up to 100% of the Company's total assets, but all immovable property must be acquired together with ownership of land or the long-term lease contracts. In this context, the Company adhered to the risk of investment fragmentation as at 31 December 2023.

7 Change in the value of investments during the reporting period due to their acquisition, sale or redemption and change in fair value

Investments	Change (13/02/2023 – 31/12/2023)					
	Balance as at 13 February 2023	Acquired	Sold (redeemed)	Increase in value	Decrease in value	Balance as at 31 December 2023
Investments in group companies:	-	3,629	-	960	-	4,589
Savanorių 18 UAB, 88,800 units of shares, company code 304118472	-	3,626	-	598	-	4,224
SIA Verde Development, 2,800 units of shares, company code 40203395348	-	3	-	362	-	365

During 2023 the Company purchased equity securities of two entities:

- UAB Savanorių 18, company code 304118472, registration address Upės st. 21-1, Vilnius - built and fully leased business center in Vilnius;
- SIA VERDE DEVELOPEMNT, company code 40203395348, registration address Rigas iela 25C, Valmiera, Riga - a plot of land located at Hanzas iela 14I, 14F, Riga, where a business center will be developed.

As at 31 December 2023, the market value of investments in real estate was estimated, based on valuations of independent real estate appraisers Newsec Valuations UAB (UAB „Savanorių 18“) and Colliers International Advisors (SIA Verde Development), having appropriate recognized professional qualifications and necessary experience in valuation of property. The Company calculates the value of net assets not only if events defined in the Articles of Association take place, but also on every last day of a month, therefore, the market value of investments was also estimated under the equity method, i.e. on the basis of the financial statements of the companies owned by the Company prepared in accordance with the procedure established by legal acts. The assets of such companies are reported at fair value in these financial statements. In this case, the value of equity securities is the amount of equity (equity capital) divided by the total number of equity securities and multiplied by the number of securities held by the Company in that company.

The increase in investment value of Savanorių 18 UAB as at 31 December 2023 was result of the better-than-expected indexation outcome of 3.5%.

The increase in investment value of SIA Verde Development was recorded due to acquisition of the land plot below the market price.

The increase in values of investments owned by the Company is accounted in the statement of profit or loss under the caption “Gain from changes in value and sale of investments”, and decrease – under the caption “Loss from changes in value and sales of investments”.

8 Loans granted

Loan recipient	Balance as at 31 December 2022	Loans received during 2023	Loans repaid during 2023	Interest rate	Interest charges 1 January 2023 – 31 December 2023	Repayment date	Balance as at 31 December 2023
SIA Verde Development	-	250	-	9%	1	31/12/2027	251
Total:	-	250	-	-	1	-	251

On 14 December 2023, a loan agreement was signed between SIA Verde Development and CAPITALICA EUROPEAN OFFICE FUND UAB. The maximum amount of the loan to be granted is EUR 1,000,000. The loan and interest are due on 31 December 2027, interest rate is set at 9%.

9 Capital

In accordance with the Companies Law of the Republic of Lithuania, the equity of a company cannot be less than ½ of the company’s issued capital, provided in the Articles of Association. As at 31 December 2023, the Company complied with this requirement.

10 Reserves

Legal reserve

The legal reserve is mandatory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the issued capital.

As of 31 December 2023, the legal reserve had not been formed.

Distributable reserves

Distributable reserves are formed based on the resolution of the General Meeting of Shareholders regarding the profit distribution and are provided for in the Company's Articles of Association. These reserves can be used only for the purposes approved by the General Meeting of Shareholders.

The Company's equity makes up more than ½ of the issued capital provided for in the Articles of Association and the Company has made profit in 2023, the shareholders will be offered to transfer retained earnings into the next year.

11 Payables after one year and liabilities

Item	As at 31 December 2023
Success fee calculated for the Management Company	85
Interest bearing loans from related parties	365
TOTAL:	450

As described in the Note 2.6, a success fee is paid to the Management Company by using the Company's assets, if the annual return of the Company's investments exceeds 7%. In such case, 15% of the amount by which the minimum Company's investment return exceeds minimum threshold is paid to the Management Company. The success fee is paid after the life of the Company comes to the end or 50% of accrued success fee can be paid in advance. There were no success fee advance payment as at 31 December 2023.

On 8 May 2023, the Company signed a loan agreement with Savanorių 18 UAB, on the basis of which a loan of EUR 354 million was granted by Savanorių 18 UAB at an annual interest rate of 5%. The loan is due on 31 December 2027. As at 31 December 2023, the remaining amount of unpaid loan was EUR 354,000, with accrued interest of EUR 11,036.

The Company is committed that the total financial debt of the Company's group of companies will not exceed 80%. As at 31 December 2023, the total debt of the Company's group companies was EUR 5,650,182, the total assets of the Company's group companies amounted to EUR 11,846,077. The calculated indicator as at 31 December 2023 was 47.70% (Note 2.7).

The Company confirms that during 2023 the Company did not grant loans to third parties, did not provide guarantee or warranty for the fulfilment of the obligations of third parties, nor did it provide assurance for the fulfilment of the obligations of third parties by pledging or mortgaging the Company's assets, except for securing the fulfilment of obligations of legal entities controlled by the Company.

12 Payables within one year and liabilities

Item	As at 31 December 2023
Short-term bonds	737
Interest payable on bonds	19
Amounts payable to the Management Company	11
Other payables within one year	12
TOTAL:	779

Payables within one year, including payables to related parties, are interest-free and are normally settled on 30 day term, except for interest payable on bonds, which have a maturity of 90 days.

On 16 March 2023, a bond distribution agreement was concluded between the Company and Šiaulių Bankas AB, on the basis of which 2,000 units of bonds were issued, the nominal value of each was EUR 1,000. These 1-year bonds earn 10% annual interest. The Company has already redeemed early 1,263 units of bonds and paid EUR 136 thousand of accrued interest.

13 Accrued expenses and deferred income

Item	As at 31 December 2023
Accrued audit expenses	9
Accrued amounts payable to the depository	1
TOTAL:	10

14 Interest and other similar expenses

Item	13 February 2023 – 31 December 2023
Interest on bonds	142
Interest on loans from related parties	11
TOTAL:	153

15 Other general and administrative expenses

Item	13 February 2023 – 31 December 2023
Consultation expenses	24
Expenses of other companies' services	23
Advertising services	5
Services of financial institutions	5
Insurance expenses	1
TOTAL:	58

16 Return on investments

	Reporting period	A year ago	2 years ago	10 years ago
Change in value of an investment unit (share), EUR	0.3138			-
Annual gross return on investment	78.03%			-
Annual net return of investments	71.08%			-

Change in value of an investment unit (share) is calculated from the date of issuance of the license enabling to operate as an investment undertaking, i.e. as from 18 July 2023, when the nominal value of one share was EUR 0.9336.

The Company's annual gross return on investment is calculated by excluding the success fee. The annual net return on investment is calculated after the success fee. Return on investments is calculated using the Microsoft Excel formula XIRR which determines the time of negative and positive flows of the Company occurred, and the size of these flows (for more details see Note 2.6).

17 Related party transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions. The Company's related parties are as follows:

- CAPITALICA ASSET MANAGEMENT UAB (Management Company);
- companies under the Company's control.
- Other SBA Group companies.

17 Related party transactions (continued)

Transactions with related parties during 2023 and balances as at 31 December 2023:

2023

Related party	Purchases	Sales (accrued interest on loans)	Receivables (loans granted with accrued interest)	Purchases (accrued interest on loans)	Payables	Dividends received
CAPITALICA ASSET MANAGEMENT UAB	113*	-	-	-	96*	-
Companies under the Company's control	-	1	251	11	365**	-
Other SBA Grupė companies	-	-	-	-	-	-
TOTAL:	28	1	251	11	376	-

* The success fee payable to the Management Company in 2023 was recorded in the statement of profit or loss at amount of EUR 85, thousand, and the amount payable of EUR 85 thousand was recorded under liabilities.

** Loans received with accrued interest.

18 Events after the reporting period

On 29 March 2024, the remaining amount of EUR 737 thousand of bonds and accrued interest, which had been placed in accordance with the bond placement agreement of 16 March 2023 with Šiaulių bankas AB, were fully redeemed.

On 13 March 2024, the Company increased its authorised capital by EUR 1 095 959.

A profit distribution draft proposal has not yet been prepared by the management of the Company on the day the financial statements.

There were no other significant events after the reporting period in the Company.

ANNUAL REPORT FOR 2023 OF CLOSED-END INVESTMENT UNDERTAKING INTENDED FOR INFORMED INVESTORS CAPITALICA EUROPEAN OFFICE FUND UAB

GENERAL INFORMATION ABOUT THE COMPANY

Closed-end investment undertaking intended for informed investors CAPITALICA EUROPEAN OFFICE FUND UAB (hereinafter – the Company) was incorporated on 13 February 2023. The Company's issued capital as at 31 December 2023 amounted to EUR 3,017,450, split into 3,017,450 units of ordinary registered shares with nominal value of EUR 1 each. 33.14% of the shares in the Company were held by TABA Invest UAB, and 21.67% by Mr. Rytis Arbačiauskas. The remaining shares are controlled by minority shareholders, each holding less than 10% of all shares.

The main activity of the Company – collective investment of informed investor assets in the real estate market in order to spread risks and earn profit for the Company's shareholders. On 18 July 2023, the Bank of Lithuania issued a licence to the Company to operate as an investment company. Before the issue of the licence, the Company operated as a private limited liability company.

The Company is managed by CAPITALICA ASSET MANAGEMENT UAB (hereinafter the "Management Company"), which on 17 September 2016 gained a permit to act as a management company of collective investment subjects for informed investors, issued by the Bank of Lithuania.

Analysis of the Company's financial and non-financial performance

In 2023, the Company earned a net profit of EUR 587 thousand.

As at 31 December 2023, the Company's assets amounted to EUR 5,003 thousand.

On 18 July 2023, after receiving the licence from the Bank of Lithuania to operate as an investment company, the management of the Company was transferred to the Management Company, for this reason the Company had no employees as at 31 December 2023.

Description of main risks

When performing its activities, the Company is exposed to various risks. The Company's Board is responsible for managing the Company's risks and assessing the adverse effect on its objectives and performance. The identification and management of specific risks is assigned to the relevant functions within the Company. Given the external and internal environment, the risk level is assessed when adopting both strategic and operational decisions. Risk management forms an integral part of the Company's operational processes, therefore potential risks are under permanent monitoring and evaluation.

Environmental risk. The environmental risk is relatively low: office-based operations without using hazardous substances and with minimum waste generation. However, the Fund is committed to reduce environmental impact by saving energy, choosing environmental goods and promoting public transport at work. The data centres managed by the Fund designed to ensure high energy efficiency standards, the Fund continuously invests in technologies for reducing energy consumption and heat release. To reduce pollution, we are constantly renewing our vehicle fleet with greener cars. The Company is nearly paper-free in almost every area, and has switched to digital process and document management. The Fund's declared values highlight the environmental aspect, and its social campaigns are related to environmental issues, e.g. tree planting, dune cleaning.

Corruption risk. The Company complies with international legal norms governing human rights and labour relations, and the highest anti-corruption and environmental standards. SBA Group and its companies are guided by the SBA Group Code of Corporate Culture, which establishes standards and norms for transparent work, business ethics and anti-corruption behaviour for all employees (avoidance of conflict of interests, neutrality in political processes, and prohibition of gifts or services if they are intended to unfairly confer an advantage or a bias on the decisions made). Across all countries where the companies part of the SBA Group operate, we base our business on statutory and regulatory requirements, including but not limited to anti-corruption legislation. Acting in the business interests of the companies part of the SBA Group, we shall not offer bribes or make any other unlawful payments to the representatives of public authorities, including facilitation payments (low value informal payments). Both internal and external reporting channels (pasitikejiminija@sba.lt) are also in place and available to employees and/or business partners of SBA Group companies to report potentially corrupt practices.

In 2023, the Company neither acquired, nor transferred its own shares.

As at 31 December 2023, the Company had no branches or representative offices.

Significant events that took place after the end of the financial year.

No significant events took place after the end of the financial year, except those, that are described in Note 18 of the explanatory notes.

Business plans and forecasts of the Company.

The Company will continue its activity and pursue increase in long-term return for the investors. The increase of the Company's issued capital and investments in acquisition of new objects will be pursued throughout 2024.

The Company does not conduct any research and development activities.

As at 31 December 2023, the Company had no derivatives.

Information on the other executive positions held by the Management Company's Manager and members of the Board.

Mr. Mindaugas Liaudanskas, a director of Management Company, also serves as a chair of the Board at SIA Verde Development, company code 40203395348, address Rigas iela 25C, Valmiera. He also serves as a member of the Board of TanaHub OU, company code 16402226, address Harju maakond, Tallinn, Põhja-Tallinna linnaosa, Põhja pst 25 and S911 OU, company code 16219640, address Harju maakond, Tallinn, Põhja-Tallinna linnaosa, Põhja pst 25, Marupe Hub SIA, company code 40203396790, address Audeju iela 15-4, Riga and Dreilini HUB SIA, company code 40203461770, address Audeju iela 15-4, Riga.

Mr. Andrius Barštys, a chair of the Board, also serves as a chair of the Board at SIA Hanza 14, company code 40203157541, address Miera iela 93-27, Ryga, and a chair of the Investment Committee at Koinvesticinis Fondas KŪB, company code 304537659, address Konstitucijos ave. 7, Vilnius. He also holds managerial positions in the following companies: Fox Holdings UAB, company code 303016870, address Šiaulių st. 97, Bajorų village. Vilnius city municipality, PC Luizė UAB, company code 302761548, address Šiaurės ave. 15-1, Klaipėda, Žaliaklanio parkas UAB, company code 304287223, address K. Donelaičio st. 62-1, Kaunas, Verslo Centras 135 UAB, company code 301733282, address: Žalgirio st. 135, Vilnius, Hanza 14, company code 305966736, address Jogailos st. 9, Vilnius, and at Savanorių 18 UAB, company code 304118472, address Upės st. 21-1, Vilnius. He also a member of the Board at SIA Verde Development, company code 40203395348, address 25C Rigas iela, Valmiera.

The member of the Board Jolanta Grašienė is also the member of the Boards of SBA Urban UAB, company code 302675889, address Upės g. 21-1, Vilnius, UAB SBA Modular, company code 305283904, address Upės st. 23, Vilnius, SBA Grupė UAB, company code 132206739, address Upės st. 21-1, Vilnius, SBA Home UAB, company code 242131620, address Joniškės st. 21, Klaipėda and the Chair of Board of SBA Competence and Service Center UAB, company code 304960328, address Upės st. 23, Vilnius. The main position of Jolanta Grašienė is the vice president of SBA Grupė UAB, company code 132206739, address Upės st. 21-1, Vilnius.

The member of the Board Adam Saulius Vaina is also the member of the Board of SBA Grupė UAB, company code 132206739, address Upės st. 21-1, Vilnius, GAUMINA UAB, company code 224497630, address Gedimino ave. 27 Vilnius, Mobilios Aplikacijos UAB, company code 303105746, address Gedimino ave. 27, Vilnius, Mediapark Grupė UAB, company code 304050320, address Gedimino ave. 27, Vilnius, ME Investicija UAB, company code 302489393, address Račių st. 1, Vilnius, OU Civitta International, company code 12241708, address Ria tn 24a, Tartu. Adam Saulius Vaina is also a partner of CIVITTA UAB, company code 302477747, address Gedimino ave. 27, Vilnius, he is also the head of VŠĮ Civitta foundation, company code 303363287, address Gedimino ave. 27, Vilnius, Kavija UAB, company code 303091773, address Gedimino ave. 27, Vilnius, Mediapark Grupė UAB, company code 304050320, address Gedimino ave. 27, Vilnius, Entra holdings UAB, company code 302790286, address Gedimino ave. 27, Vilnius.

Director of Management Company CAPITALICA ASSET MANAGEMENT

Mindaugas Liaudanskas

30 May 2024