INVL

UAB REFI ENERGY

INTERIM CONDENSED UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION

CONTENTS

MAIN INFORMATION

Management

Liudas Liutkevičius (CEO)

Address of registered office and company code

Registered address:

Gynėjų g. 14,Vilnius, Lithuania

Company code 306284592

Bank

AB Šiaulių Bankas

AB SEB Bankas

These financial statements were approved by the Management Company for issue and signed on 7 September 2023:

Document signed with a qualified e-signature	Document signed with a qualified e-signature
Liudas Liutkevičius Chief operating officer	Agnė Stančikaitė Chief accountant

STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023	31 December 2022
Current assets			
Cash	3, 4	3,449,500	-
Total current assets		**3,449,500**	**-**
TOTAL ASSETS		**3,449,500**	**-**
Share capital	1, 3.1, 7	2,500	-
Reserves		-	-
Retained earnings		(63,829)	
Total equity		**(61,329)**	
Non - current liabilities			
Guaranteed fixed rate notes	3.1	3,500,000	**-**
Total non - current liabilities		**3,500,000**	**-**
Current liabilities			
Interest on notes	4	9,236	-
Trade payables		1,593	-
Total current liabilities		**10,829**	**-**
TOTAL LIABILITIES		**3,510,829**	**-**
TOTAL EQUITY AND LIABILITIES		**3,449,500**	**-**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	1st Half Year 2023	1st Half Year 2022
Revenue			
Income		-	-
Transaction expenses		(54,173)	-
Fees for securities		(57)	-
Salaries and related expenses (including vacation reserve)		(321)	-
Other operating expenses		(42)	-
Operating profit (loss)		**(54,593)**	**-**
Finance cost	5	(9,236)	-
Profit/(loss) before tax for the reporting period		**(63,829)**	**-**
Income tax expenses		-	-
Profit/(loss) for the reporting period		**(63,829)**	**-**
Other comprehensive income for the reporting period		-	-
Increase / (decrease) in net assets attributable to the participants of the Subfund during the reporting period		**(63,829)**	**-**

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Legal reserve	Retained earnings	Total
Balance as at 31 December 2022		**-**	**-**	**-**	**-**
Share capital issue		2,500	-	-	-
Net profit/(loss)for the six months ended 30 June 2023		-	-	(63,829)	(63,829)
Total comprehensive income for the six months ended 30 June 2023		**2,500**	**-**	**(63,829)**	**(61,329)**
Transfer to reserves		-	-	-	-
Total transactions with owners of the Company, recognised directly in equity		**2,500**	**-**	**(63,829)**	**(61,329)**
Balance as at 30 June 2023		**2,500**	**-**	**(63,829)**	**(61,329)**

STATEMENT OF CASH FLOWS

	Notes	1st Half Year 2023	1st Half Year 2022
Cash flows from operating activities			
(Purchase) of financial assets		-	-
Operating expenses paid		(53,000)	-
Net cash flows from operating activities		**(53,000)**	**-**
Cash flows from investing activities			-
Purchase/disposal of non-current assets		-	-
Net cash flows from investing activities		**-**	**-**
Cash flows from financing activities			
Issue of shares		2,500	-
Notes issued		3,500,000	-
Net cash flows from financing activities		**3,502,500**	**-**
Net increase in cash and cash equivalents		**3,449,500**	**-**
Cash and cash equivalents at the beginning of the period		-	-
Effect of movements in exchange rates on cash held		-	-
Cash and cash equivalents at the end of the period		**3,449,500**	**-**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

UAB REFI Energy (hereinafter 'the Company', code 306284592) is a limited liability company registered in the Republic of Lithuania. The address of the office is Gynėjų str. 14, Vilnius, Lithuania.

The company was incorporated 28 March 2023. Share capital amounted to EUR 2,500. As at 30 June 2023 the authorised capital of the Company consisted of 2.500 ordinary registered shares with a nominal value of EUR 1. All shares of the company are fully paid. The company has not acquired its own shares.

As at 30 June 2023 the sole shareholder of the Company is "INVL Renewable Energy Fund I"(hereinafter – REFI, fund code I134).

The main objective is to invest in renewable energy and/or other infrastructure objects located in the investment area and to earn above average risk-adjusted returns. Recent international initiatives, such as the Paris Agreement on Climate Change of December 2015, the EU Green Deal and the Green Deal launched in May 2020, and the EU's target to generate at least 32% of its electricity from renewable sources by 2030, have accelerated the liberalisation of the electricity generation sector in the EU. To achieve its objective, the Company will invest the in green field and brown field renewable energy (solar, wind, biogas, etc.) projects.

As at 30 June the Company had two employees.

2. Basis of preparation and accounting policies

2.1. BASIS OF PREPARATION

Statement of compliance

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

The Company keeps its accounting and all the amounts in these financial statements are accounted for and presented in the national currency of the Republic of Lithuania, the euro.

The financial year of the Company corresponds to the calendar year.

The preparation of the financial statements according to IFRS requires use of certain significant accounting estimates. It also requires the management to make judgements related to the accounting principles applied by the Company.

Adoption of new and/or amended IFRSs and IFRIC interpretations

During the reporting year (as of 1 January 2023) the following amendments to IFRS and interpretations of IFRIC came into effect:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023).

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

There are no other new standards, amendments to existing standards or interpretations which are not yet effective and could have a significant effect on the Company.

2.2. FUNCTIONAL AND PRESENTATION CURRENCY

All the amounts in these financial statements are presented in the national currency of the Republic of Lithuania, the euro, which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the year end. All translation differences are accounted for in profit or loss. All non-monetary items carried at historical cost and denominated in foreign currency are translated using the exchange rates prevailing at the dates of original transactions. All non-monetary items carried at fair value and denominated in foreign currency are translated using the exchange rates prevailing at the dates of fair value measurement.

2.3. FINANCIAL ASSETS

As the business model applied to the Company's financial assets measured at amortised cost is to hold assets in order to receive the cash flows intended under contracts and they are the principal loan amounts and interest payments; therefore, the Company has financial assets measured at amortised cost which includes cash and cash equivalents.

2.4. CASH AND CASH EQUIVALENTS

In the statement of financial position, cash and cash equivalents include cash at bank and cash in hand as well as short-term deposits with an original maturity of up to 3 months. Cash and cash equivalents in credit institutions are valued at face value, and fixed-term deposits are measured at amortised cost.

2.5. FINANCIAL LIABILITIES

The Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, less (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Financial liabilities included in trade payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Guaranteed fixed rate notes

A fixed rate bond is a long-term debt instrument that pays a fixed coupon rate for the duration of the bond. Financial liabilities included in guaranteed fixed rate notes are recognised initially at fair value less directly attributable transaction costs. After initial recognition, notes are subsequently measured at amortised cost using the effective interest method. Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.6. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the retained earnings.

2.7. INCOME TAX AND DEFERRED TAX

The profit tax for the reporting period is calculated in accordance with the tax legislation approved or substantially approved at the end of the reporting period in the countries where the Company operates and earns taxable profits. Management regularly assesses its position on tax returns for situations in which the applicable tax rules may be subject to differing interpretations. Management recognises provisions, where appropriate, based on amounts expected to be paid to tax authorities.

The standard corporate income tax rate in Lithuania was 15% in 2023 and 2022.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognised to the extent that it arises from the initial recognition of goodwill; from the initial recognition of an asset or liability, other than in a business combination, that at the time of the transaction had no effect on either accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated using tax rates (and legislation) that are enacted or substantially enacted as at the reporting date and that are planned to be applied for the year when the related deferred tax asset is realised or when the deferred tax liability is settled.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will allow the temporary differences to be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities, where the intention is to offset the balances on a net basis.

2.8. FINANCE COST

Finance costs are expensed in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.9. EMPLOYEE BENEFITS

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays 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 expenses on an accrual basis and included in payroll expenses.

3. Financial risk management

3.1. FINANCIAL RISK FACTORS

The risk management function within the Company is carried out in respect of financial risks, operational risks, and legal risks. Strategical risk management was executed by the management of the Company. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Company's principal financial liabilities comprise borrowings and trade payables. The main purpose of the borrowings is to raise finance for the Company's operations. The Company have not used any derivative instruments so far, as management considered that there is no necessity for them.

The main risks arising from the financial instruments are credit risk and liquidity risk. The risks are identified and disclosed below.

Credit risk

As at 30 June 2023 the Company had no significant concentrations of credit risk. With respect to credit risk arising from cash and cash equivalents and deposits the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

According to the European deposit insurance scheme, cash, cash equivalents and deposits of up to EUR 100 thousand of every legal entity in each bank are covered with insurance. All the Company's balance of cash and cash equivalents are covered with the insurance. The insured amounts of cash placed on AB Šiaulių bankas accounts were exceeded by EUR 3,350 thousand as at 30 June 2023 All cash balances have a low credit risk at the reporting date and the impairment loss determined on 12-month expected credit losses is resulted in an immaterial amount.

Total Company's cash and cash equivalents comprised funds in current accounts, the financial institutions having control over them had Moody's Prime-3 rating.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with strategic plans. The liquidity risk of the. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of guaranteed fixed rate bonds. The liquidity risk management is divided into long-term and short-term risk management. The aim of the short-term liquidity management is to meet daily needs for funds. Short-term liquidity for the Company is controlled through monthly monitoring of the liquidity status and needs of funds. Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Company evaluate the possibilities to attract needed funds. The Company's liquidity ratio (total current assets / total current liabilities) as at 30 June 2023 was approximately 319. As at 30 June 2023 the current assets were higher than current liabilities by EUR 3,438,671. The management of the Company forecasted the cash flows of the Company for 2023 and the forecast indicates that the Company will have sufficient funds to cover liabilities, which fall due in 2023.

The table below summarises the maturity profile of the company's financial liabilities as at 30 June 2023 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	83,125	249,375	3,832,500	-	4,165,000
Trade and other payables	-	9,236	-	-	-	9,236
Balance as at 30 June 2023	**-**	**92,361**	**249,375**	**3,832,500**	**-**	**4,174,236**

3.1. CAPITAL MANAGEMENT

The primary objective of the capital management is to ensure that the Company maintain a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Company's management supervises the investments so that they are in compliance with requirements applied to the capital, specified in the appropriate legal acts, as well as provide the Company's management with necessary information. The Company's capital comprises share capital, reserves and retained earnings. The Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may, return capital to shareholders or issue new shares. The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company did not comply with this requirement as at 30 June 2023. There are no plans yet to rectify the situation.

4. Guaranteed fixed rate notes

	30 June 2023	31 December 2022
Non-current:		
Fixed rate notes	3,500,000	-
Current:		
Interest portion of fixed rate notes	9,236	-
Total	**3,509,236**	**-**

All notes are expressed in EUR. Notes were issued with fixed interest rate.

The Company has raised funds for renewable energy development projects in the neighbouring country through a private placement of 2-year 9.5% fixed-rate bonds to institutional and private investors. The notes are guaranteed by the Company’s shareholder INVL Renewable Energy Fund I. The proceeds of the issue of notes will be used to provide funds to INVL Renewable Energy Fund I or its controlled entities with the aim to finance construction projects developed by INVL Renewable Energy Fund I in the Republic of Poland.

5. Finance cost

Finance cost for the six-month period of 2023 amounts to EUR 9,236 and consists of interest expenses for guaranteed fixed rate notes issued on 20 June 2023.

6. Financial instruments by categories

As at 30 June 2023 the Company’s only asset was cash and cash equivalents and it was carried at amortised cost. The carrying amount of cash and cash equivalents of the Company as at 30 June 2023 approximated their fair value because they are short-term and the impact of discounting is immaterial.

30 June 2023	Financial liabilities at amortised cost
Liabilities in the statement of financial position	
Guaranteed fixed rate notes	3,500,000
Interest payable	9,236
Trade payable	1,593
Total	**3,510,829**

7. Share capital and reserves

As at 30 June 2023 the Company’s share capital was divided into 2,500 ordinary registered shares with the nominal value of EUR 1.00 each. All the shares of the Company were fully paid. As at 30 June 2023 the Company held none of its own shares.

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses. As at 30 June 2023 the Company has not yet formed this reserve.

8. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The related parties of the Company were the key management personnel, including other companies under INVL Renewble Energy Fund I control or joint control of key management and participants having significant influence. Under IAS 24, AB "Invalda INVL" and its controlled companies (hereinafter - Other related parties) are also classified as related parties.

The management remuneration contains short-term employee benefits. Key management of the Company includes the member of Investment Committee of INVL Renewable Energy Fund I who is also the CEO of the Company. Total renumeration for the six month of 2023 for key management amount for EUR 15.

There were no loans granted to key management during the reporting period or outstanding at the end of the reporting period.

9. Subsequent events

No post-reporting events occurred from the balance sheet date till the date of issuance of the financial statements.