HLRE Holding Oyj
Consolidated Financial statements
1 February 2021–31 January 2022

Contents

Report of the Board of Directors

FINANCIAL PERIOD 1 FEBRUARY 2021–31 JANUARY 2022

GENERAL

The HLRE Holding Group (commonly referred to as the Vesivek Group in customer and marketing communications) is a fast-growing and evolving small and terraced real estate company focused on roof and drainage renovation, product development, manufacturing, sales and installation of rainwater systems and roof safety products. The Group operates in Finland and Sweden under the Vesivek brand.

In January 2022, the HLRE Holding Group operated in 17 (18) locations in Finland and three (three) in Sweden. The Group's head office and sheet metal roofing factory are located in Pirkkala, Finland, and the product development and manufacture of rainwater management systems and roof safety products and corporate sales function in Orimattila, Finland. The Group's customers include consumers, housing companies, construction companies and public-sector organisations.

In the consumer business, the Vesivek Group is the leading service company in the industry in Finland, delivering roofs with accessories and installation services from its own factory. The Group's service offering includes the customer promise "Weather protection in just one day," which is made possible by the in-house supply chain from product development to installation and the conceptualised business model. The majority share of a company engaged in the drainage business in Finland, acquired as part of the Group, strengthens the Group's service offering in the market for the renovation of single-family houses.

The Nesco Group, which designs, develops, fabricates and sells roof and roof safety products, includes the companies Nesco Invest Oy, Nesco Oy and Tuusulan Peltikeskus Oy. Nesco Oy is a Finnish company that designs, manufactures and sells rainwater management systems and roof safety products. Tuusulan Peltikeskus Oy is a Finnish company that sells rainwater management systems and roof safety and sheet metal products to consumers and construction companies, operating in the municipality of Tuusula in the Greater Helsinki region.

EUR 1,000	**1 February 2021 – 31 January 2022**	**1 February 2020 – 31 January 2021**	Change
Revenue	130,351.5	107,263.0	21.5%
EBITDA	12,210.9	10,007.9	19.3%
Profit or loss for the financial year	690.5	-10.0	7,005.3%
Equity ratio	28.3%	30.4%	-6.9%
Cash flow from operating activities	7,332.4	7,192.4	1.9%
Personnel on average	850	755	12.6%
Gross capital expenditure	-4,011.0	-1,592.4	151.9%

MAJOR EVENTS DURING THE FINANCIAL PERIOD

The Group's revenue for the financial year increased from EUR 107.3 million in the previous financial year to EUR 130.4 million (approx. 21.5%). In particular, the growth in revenue was driven by the acquisition of a majority stake in the company Salaojakympit Oy in February 2021 (the name was changed to Vesivek Salaojat Oy in February 2021), the development of the Swedish company’s business and, in Finland, growth in the roof installation business and product sales roof safety and rainwater systems.

The Group reorganised its financing on 12 February 2021. In connection with the reorganisation of financing, the Group’s parent company HLRE Holding Oy issued a secured three-year SEK 300 million bond that includes an option of increasing the total loan, when separately agreed conditions are met, by a maximum total of SEK 100 million to a maximum total of SEK 400 million in one or more tranches. The Company repaid the loans associated with the bank loan agreed with Danske Bank A/S Finland Branch with interest and expenses and redeemed the equipment included in the leaseback agreement signed with Danske Finance Oy on 12 April 2019 at the agreed residual value with the funds borrowed with the bond. The bond is a non-amortising bullet loan, and it involves a leverage covenant (ratio of net debt to EBITDA), which the company met at the time of signing the financial statements. The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021 and was listed on the Stockholm Stock Exchange corporate bond list after the end of the financial year on 8 February 2022.

In February 2021, in connection with the reorganisation of financing, the group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, a company controlled by the Group’s CEO. The Group’s CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. In February 2021, Salaojakympit Oy was renamed to Vesivek Salaojat Oy. Vesivek Salaojat Oy is a company engaged in installing underdrains, and the regions of Ostrobothnia, Vaasa region, Central Ostrobothnia, Central Finland, Pirkanmaa, Kuopio and Uusimaa generate a significant share of its revenue. The drainage business is carried out from the same locations and under the same operational unit and area management as Vesivek Oy, so the synergy benefits are clear.

The operations of the Kokkola location of Vesivek Oy and Vesivek Salaojat Oy ceased in autumn 2021. During the financial year, Vesivek Oy’s Oulu unit opened an office in Tornio, aiming to focus on roof and rainwater system installations near the northern Swedish border all the way to the Kalix region. Vesivek Salaojat Oy launched drainage operations at both the Kerava and Seinäjoki units during the financial year.

The Group’s company installing roof renovations in Finland, Vesivek Oy, migrated to mainly scaffolding-based roofing installations already during the 2019 financial year. Scaffolding, or work platforms, around a building function as fall protection and improve occupational safety, ergonomics and installation efficiency, as the work can be performed from the correct height without reaching. The scaffolding also protects the yard and access routes from any materials falling from the roof. During the financial year 2019, scaffolding work was mainly subcontracted, whereas in 2020, Vesivek Oy insourced scaffolding work at eight units in Finland and insourced scaffolding work in three more units in Finland units during the financial year 2021. At the end of the financial year 2022, all Finnish units carrying out roof installation work will carry out scaffolding by themselves either in whole or in part, and strengthening in-house scaffolding activities will continue to be a systematic goal in the coming years.

In spring 2020, the COVID-19 pandemic rapidly erupted, and its social and economic impacts have been significant in places, with increasing uncertainty and decreased visibility. The Group took immediate action in Finland and Sweden to safeguard the adequacy of the companies’ cash reserves, operating prerequisites and business. All locations improved safety by adopting guidelines, updating the operating models and discontinuing common morning meetings and coffee breaks to minimise physical encounters. These operating models have been continued during the extended pandemic during the financial year 2022 in all units in Finland and Sweden, monitoring the current infection situation in each area and the guidelines and recommendations issued by the local authorities.

In particular, the last quarter of the financial year was challenging in terms of the pandemic in Finland and Sweden. The installation units had to be made smaller and in many respects the units operated understaffed during the last quarter of the financial year. The units had to react very quickly to unplanned changes due to sick leaves and act quickly according to the updated instructions and plans.

CHANGES IN GROUP STRUCTURE

In February 2021, Vesivek Oy acquired a holding of 71.63% in Salaojakympit Oy, a company controlled by the Group’s CEO. The Group’s CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. In February 2021, Salaojakympit Oy was renamed to Vesivek Salaojat Oy. Vesivek Salaojat Oy became part of the roofing, roof safety and drainage installation business.

ESTIMATE OF MAJOR RISKS AND UNCERTAINTIES

The HLRE Holding Group assesses risks annually with the aim of minimising risks and better foreseeing them.

The Group’s growth and development are strongly linked with the growth and development of sales and success in internationalisation, and failure in them might have direct or indirect impacts on the Group’s business and growth opportunities or development of its profitability. In addition to the above, the Group’s business operations are exposed to personnel-related risks, such as risks relating to the recruitment and retention of skilled personnel. The Group’s business is exposed to occupational safety risks at the construction sites, which also includes a risk of potential procedures by the authorities or legal proceedings. In addition, the Group is exposed to international price fluctuations and production bottlenecks for the commodities it uses in its business, such as steel, aluminium and wood.

The Group’s business is exposed to seasonality which can be balanced by a service portfolio comprised of different product categories and extensive geographical distribution in Finland and through internationalisation. Moreover, the most significant business uncertainties are associated with risks relating to partners, such as the most significant suppliers, opening of new locations and their development, success in concept development and maintaining the concept.

Expansion into other countries involves several risks associated with foreseeing consumer needs, preferences and behaviour in the target markets, among other factors. Expansion into other countries involves the risk of the company’s conceptualised business model not establishing a position in the market and securing an established customer base. The company’s conceptualised business model can also be non-compliant with the local building regulations, customs or prevailing practices. The possible failure of the launch of new concepts, such as the drainage business concept, would incur costs to the company and have a material adverse impact on the company’s brand, financial position and business performance.

At the end of the financial year 2022, goodwill on the HLRE Holding Group's balance sheet amounted to EUR 40.3 million. It increased by approximately EUR 0.9 million as a result of the acquisition of a majority holding in Salaojakympit Oy in February 2021. Each year, the HLRE Holding Group tests goodwill for impairment and, if necessary, whenever there are indications that the value of the assets does not exceed their goodwill. During the financial year, HLRE Holding did not observe indications of not being able to recover the amount corresponding to the book value. Should there be negative changes in the profit and growth development of the HLRE Holding Group, this could lead to impairment of goodwill, which could have an unfavourable impact on the operating result and equity of the HLRE Holding Group.

The well-being of customers, partners and employees has also been a priority for the Group in the prolonged COVID-19 pandemic. The Group complies with the guidelines issued by the local health authorities in all of its locations to mitigate the pandemic. The Group has taken special measures according to its plan to ensure the safety of its customers and personnel and the continuity of its products and services in the exceptional situation caused by COVID-19.

During the financial year, COVID-19 caused challenges to the Group's business operations, and the last quarter of the financial year in particular was challenging in terms of infections in Finland and Sweden. The units had to react to unplanned changes due to sick leaves and they complied with updated and revised instructions, plans and regional regulations issued by the authorities.

In addition to the above and other normal business risks, the Group is not aware of material risks affecting its operations. The Group's revenue for the financial period from 1 February 2022 to 31 January 2023 is expected to grow and profitability to remain at least at the level of the financial period ended on 31 January 2022. The Group's growth will be generated from the increased efficiency of Vesivek Oy's existing locations in Finland and the acquisition of Salaojakympit Oy (currently operating as Vesivek Salaojat Oy) in February 2021. Moreover, growth in the Swedish subsidiary is believed to accelerate the growth of the Group during the financial year.

RISK MANAGEMENT

In its risk management, the HLRE Holding Group aims to be as systematic as possible as part of normal business processes. The Group has a risk management policy approved and followed up by the management team, supporting the achievement of strategic objectives and ensuring the continuity of business operations. The Group's risk management policy focuses on managing both risks associated with business opportunities and risks threatening the achievement of the Group's objectives. The management team analyses and assesses the most essential risks in terms of their probability and significance.

The review of business risks is part of the HLRE Holding Group's management system. Risks are classified into strategic, operational, financial and damage risks. Strategic business risks are associated with customer relationships, competitors' actions, political risks, brand, product and concept development, as well as investments. Operational risks are associated with shortcomings or errors in the company's operations or systems or external risks, such as legislation or unexpected decisions or policies of the legal system or authorities, or changes in raw material prices or supply issues. Financial risks are associated with changes in the interest and foreign exchange markets, refinancing and counterparty and trade receivable risks. Damage risks can cause accidents, property damage, interruptions in production, environmental impacts or liability for damages.

The risk management process aims to identify and assess the risks, after which measures are planned and implemented with regard to each risk. The measures can include avoiding the risk, mitigating it by different means, transferring the risk through insurance policies or contractually, or taking the risk in a managed and conscious manner. Control functions or measures refer to verifying procedures that mitigate risks and ensure that risk management measures are taken.

The HLRE Holding Group does not have a separate risk management function; the associated responsibilities follow the organisational distribution of responsibilities. The company's management team regularly reviews the risks. The company's Board of Directors and its Audit Committee review the most significant risks and related measures at least once a year in conjunction with the strategy process.

PERSONNEL

At the end of the financial year, the number of personnel amounted to 821 (780), an increase of 41 persons or 5.3 per cent. The Group personnel averaged 850 (755) FTE, an increase of 95 employees, or 12.6 per cent. The Group's employee benefit expenses totalled EUR 50.3 (41.0) million, up EUR 9.3 million or 22.6 per cent. The increase in the number of employees consisted mainly of the acquisition of Salaojakympit Oy and organic growth in Finland and Sweden.

BOARD OF DIRECTORS

In accordance with article 10 of the Articles of Association of the Group's parent company HLRE Holding Oyj, the company's administration and appropriate organisation of operations is seen to by a Board of Directors with a minimum of three (3) and a maximum of ten (10) actual members according to the resolution of a general meeting of shareholders. The term of office of the Board members expires at the close of the next Annual General Meeting after their election.

At the company's Annual General Meeting on 14 April 2021, Pentti Tuunala, Kimmo Riihimäki, Ari Haapakoski, Timo Pirskanen, Mika Uotila and Anu Syrmä were re-elected as members of the Board of Directors. In its first meeting on 14 April 2021, the Board of Directors elected Pentti Tuunala as its Chair. In its meeting on 14 April 2021, the Board of Directors decided to elect Timo Pirskanen, Pentti Tuunala and Mika Uotila from among its number to continue as members of the Audit Committee and elected Timo Pirskanen as the Chair of the Audit Committee.

During the financial year 1 February 2021–31 January 2022, the Board of Directors convened 14 times. The attendance rate of the Board members was 98%. The Audit Committee convened 4 times during the financial period 1 February 2021–31 January 2022 with an attendance rate of 100%. Some of the meetings took place as Teams meetings due to the pandemic. Risk analyses related to the COVID-19 pandemic and associated monitoring were still on the Board's agenda.

REMUNERATION OF BOARD MEMBERS

The Annual General Meeting of the Group's parent company HLRE Holding Oy resolved on 14 April 2021 that EUR 1,000.00 per month be paid as compensation to each Board member independent of the company and its major shareholders. If a Board member is employed by a company belonging to the HLRE Holding group of companies or by Sentica Partners Oy, they are paid no compensation for Board membership. No separate fee is paid for Board or committee meetings.

Furthermore, the Annual General Meeting resolved that each Board member will be compensated for reasonable travel expenses against receipts in accordance with the practices of the HLRE Holding Group.

MANAGEMENT TEAM

The Company's Management Team, which has been in existence since November 2018, was dissolved in July 2021 and at its meeting on 28 October 2021, the Board of Directors confirmed the new Management Team of the Company as follows: Kimmo Riihimäki, CEO; Anu Lapiolahti, HR Director; Jari Raudanpää, CFO; Jari Lehtola, Managing Director of Vesivek Oy and Vesivek Salaojat Oy; Pasi Heikkonen, Managing Director of Nesco Oy; Jani Jylhä, Managing Director of Vesivek Sverige AB. The management team convenes regularly.

AUDITING

The Annual General Meeting of 14 April 2021 resolved to appoint PricewaterhouseCoopers Oy as the company's auditor for the financial year 1 February 2021–31 January 2022, with Markku Launis, Authorised Public Accountant, as the auditor with main responsibility.

CHANGE IN COMPANY FORM

At its meeting on 14 April 2021, the Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, that the Company's legal form be changed to a public limited company and its business name be changed to HLRE Holding Oyj.

INCREASE IN SHARE CAPITAL

At its meeting on 14 April 2021, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to increase the share capital from EUR 2,500 to EUR 80,000 by way of a reserve from the invested unrestricted equity.

COMPANY STRUCTURE AND SHAREHOLDING

The Group's parent company HLRE Holding Oyj is owned by funds managed by funds owned the Finnish private equity company Sentica Partners Oy and key personnel of the Group.

At the end of the financial period, HLRE Holding Oyj's share capital entered in the Trade Register amounted to EUR 80,000. At the end of the financial year, the number of HLRE Holding Oyj shares was 16,626,723. The company has one series of shares, and each share confers one vote at a general meeting. All shares confer equal rights to dividends and other distribution of assets. At the end of the financial year, the company had a total of 40 shareholders. The company transferred a total of 50,000 treasury shares held by the company to the Group's key employees during the financial year. At the end of the financial period, the company held 27,550 treasury shares.

The Board of Directors has no valid authorisations granted by the general meeting to repurchase shares or issue shares or grant other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act.

BOARD OF DIRECTORS' PROPOSAL CONCERNING THE USE OF THE COMPANY'S NON-RESTRICTED SHAREHOLDERS' EQUITY

The Group's parent company HLRE Holding Oyj's profit for the financial year was EUR -2,147.27. The Board of Directors proposes that the profit for the financial period be recognised as a change in profit and loss, after which distributable funds of EUR 18,991,547.37 will be available to the General Meeting. The Board of Directors' proposal to the general meeting is that no dividends be distributed.

MAJOR EVENTS AFTER THE FINANCIAL PERIOD

On 12 February 2021, the Group issued a three-year covered bond of SEK 300 million, which has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021. The terms of the bond stipulate that the bond must also be listed on a regulated market within one year of issue. The bond was listed on the Stockholm Stock Exchange corporate bond list on 8 February 2022.

The Group's operating environment is subject to uncertainty caused by the impairment of the general security situation in Europe and the COVID-19 pandemic and its development. The sudden deterioration in the general security situation at the end of February has increased uncertainty and caused a significant increase in the prices of raw materials and energy. The prolongation of the pandemic contributes to uncertainty in consumers' lives, and it has impacts on disposable income, purchase choices and consumer behaviour, among other things. These can present both challenges and opportunities to the development of the Group's business.

COVID-19 infections and the resulting exposure situations have remained relatively high in Finland and Sweden since the end of the reporting period. The Group has further tightened its COVID-19 guidelines further in relation to break facilities at the locations and use of face masks indoors, receiving visitors in the company's premises and internal meetings. The units actively monitor the official regional COVID-19 guidelines and associated updates and changes. In addition, the Group has prepared plans for reacting and adjusting operations to the current COVID-19 situation.

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Consolidated statement of comprehensive income

1000 EUR	Note	1.2.2021-31.1.2022	1.2.2020-31.1.2021
REVENUE	**4**	**130 352**	**107 263**
Other operating income	5	1 063	1 080
Materials and services	6	-45 375	-36 755
Employee benefits expense	7	-50 257	-41 006
Depreciation, amortisation and impairment	6	-7 855	-7 600
Other operating expenses	6	-23 572	-20 573
OPERATING PROFIT		**4 356**	**2 408**
Finance income	16	1 146	345
Finance cost	16	-4 148	-2 436
Finance costs - net		-3 003	-2 091
PROFIT/LOSS BEFORE TAX		**1 353**	**317**
Income tax expense	21	-663	-327
PROFIT/LOSS FOR THE PERIOD		**691**	**-10**
Profit attributable to:			
Owners of the parent company		623	-53
Non-controlling interests		68	43
		691	**-10**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-54	45
		-54	**45**
TOTAL COMPREHENSIVE INCOME		**637**	**35**
Total comprehensive income attributable to:			
Owners of the parent company		574	-12
Non-controlling interests		63	47
		637	**35**

Consolidated balance sheet

1000 EUR	Note	31.1.2022	31.1.2021
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	40 304	39 437
Intangible assets	9	657	787
Property, plant, equipment	10	27 188	26 632
Other non-current financial assets		48	48
Non-current loan receivables	15	7	9
Other non-current receivables	15	26	0
Deferred tax assets	21	169	50
NON-CURRENT ASSETS		**68 400**	**66 963**
CURRENT ASSETS			
Inventories	11	15 464	11 105
Trade and other receivables	12	9 598	9 494
Loan receivables	15	63	625
Income tax receivable		198	0
Cash and cash equivalents		5 201	2 219
CURRENT ASSETS		**30 524**	**23 443**
ASSETS		**98 923**	**90 406**
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	18	80	3
Reserve for invested unrestricted equity	18	18 002	18 079
Translation differences	18	-17	31
Retained earnings	18	9 935	9 309
Owners of the parent company		**28 000**	**27 422**
Non-controlling interests		**-37**	**93**
EQUITY		**27 963**	**27 515**
NON-CURRENT LIABILITIES			
Finance and lease liabilities	15	51 197	21 445
Employee benefit obligation	15	422	389
Deferred tax liabilities	21	216	395
NON-CURRENT LIABILITIES		**51 834**	**22 229**
CURRENT LIABILITIES			
Finance and lease liabilities	15	4 633	29 809
Other current liabilities	13	13 528	10 590
Derivatives	15	484	34
Income tax liabilities		482	229
CURRENT LIABILITIES		**19 126**	**40 662**
Liabilities		**70 960**	**62 891**
EQUITY AND LIABILITIES		**98 923**	**90 406**

Consolidated statement of changes in equity

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
	18							
EQUITY 1.2.2021		**3**	**18 079**	**31**	**9 309**	**27 423**	**93**	**27 515**
Comprehensive income								
Profit/loss for the period					623	623	68	691
Other comprehensive income:								
Translation differences		0	0	-49	0	-49	-5	-54
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**-49**	**623**	**574**	**63**	**637**
Transactions with owners								
Acquisition of treasury shares		0	0	0	-28	-28	0	-28
Sale of treasury shares		0	0	0	102	102	0	102
Reclassifications		78	-78	0	-24	-24	0	-24
Other changes		0	0	0	-38	-38	-15	-53
Total transactions with owners		**78**	**-78**	**0**	**11**	**11**	**-15**	**-3**
Changes in ownership interest without loss of control					-7	-7	1	-6
Changes in ownership interest resulting in a loss of control		0	0		0	0	-179	-180
TOTAL EQUITY 31.1.2022		**80**	**18 002**	**-17**	**9 935**	**28 000**	**-37**	**27 963**

1000 EUR	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Accumulated earnings	Total	Non-controlling interests	Total equity
EQUITY 1.2.2020	18	**3**	**18 079**	**-10**	**9 333**	**27 404**	**45**	**27 449**
Comprehensive income								
Profit/loss for the period					-53	-53	43	-10
Other comprehensive income:								
Translation differences		0	0	42	**0**	42	4	46
TOTAL COMPREHENSIVE INCOME		**0**	**0**	**42**	**-53**	**-11**	**47**	**36**
Transactions with owners								
Sale of treasury shares		0	0	0	30	30	0	30
Total transactions with owners		**0**	**0**	**0**	**30**	**30**	**0**	**30**
TOTAL EQUITY 31.1.2021		**3**	**18 079**	**31**	**9 309**	**27 423**	**93**	**27 515**

Consolidated cash flow statement

1000 EUR		1.2.2021-31.1.2022	1.2.2020-31.1.2021
Cash flows from operating activities			
PROFIT/LOSS FOR THE PERIOD		691	-10
Adjustments to the profit/loss for the period			
Depreciation, amortisation and impairment	6	7 855	7 600
Financial income and expenses	16	3 633	2 257
Income tax espenses	21	663	327
Other adjustments		415	-360
Adjustments total		12 565	9 825
Working capital changes			
Increase / decrease in inventories	11	-4 278	-918
Increase / decrease in trade and other receivables	12	1 137	-825
Increase / decrease in trade payabels	13	784	1 111
Interest paid	16	-2 469	-1 706
Interest received	16	21	16
Other financial items	16	-432	-121
Income taxes paid	21	-687	-180
Net cash from operating activities		**7 332**	**7 192**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible asse	9,10	-3 436	-1 592
Proceeds from sale of property, plant and equipment and intangible assets	9,10	326	91
Acquisition of subsidiaries, net of cash acquired	9,20	-201	0
Purchase of financial assets	9,17	0	-3
Loans granted to related parties		0	-590
Loans granted		-27	-31
Proceeds from repayments of loans		298	56
Net cash used in investing activities		**-3 038**	**-2 069**
Cash flows from financing activities			
Purchase of treasury shares		-28	0
Proceeds from sale of treasury shares		78	30
Repayment of current borrowings	15	-25 820	-2 050
Addition / deduction of current borrowings		8	3
Proceeds from non-current borrowings	15	29 074	0
Repayment of non-current borrowings	15	0	-2 596
Payment of lease liabilities		-4 900	-4 003
Net cash used in financing activities		**-1 588**	**-8 616**
Net change in cash and cash equivalents		**2 706**	**-3 492**
Cash and cash equivalents, opening amount	15	2 219	5 711
Net increase/decrease in cash and cash equivalents		2 706	-3 492
Effects of exchange rate fluctuations on cash held		0	0
Cash and cash equivalents	15	5 201	2 219

Notes to the consolidated financial statements

INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are the financial statements of a group of companies comprised of HLRE Holding Oyj, Business ID 2611405-7 (hereinafter referred to as “HLRE Holding”, “the Company” or “the parent company”) and its subsidiaries, which are jointly referred to as “HLRE”, “HLRE Group” or “the Group”.

The parent company of the Group is domiciled in Pirkkala, and its registered address is Jasperintie 273, FI-33960 Pirkkala, Finland. A copy of the financial statements is available from the address Jasperintie 273, FI-33960 Pirkkala, Finland.

These consolidated financial statements include the consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity for the financial years ended 31 January 2022 and 31 January 2021 and notes thereto. The Company’s Board of Directors approved the consolidated financial statements for publication on 12 April 2022.

In accordance with the Finnish Limited Liability Companies Act, shareholders can adopt or reject the financial statements at a general meeting of shareholders held after their publication. The general meeting has the right to amend the consolidated financial statements.

1. Accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the IFRS Interpretations Committee (IFRS IC) applied by companies reporting under the IFRS standards as approved for application in the European Union. The notes to the financial statements also meet the requirements of the Finnish legislation on accounting and companies act which supplement the IFRS.

The measurement of assets and liabilities is based on cost, with the exception of certain financial assets and liabilities (derivative instruments and financial assets at fair value through profit or loss), which are measured at fair value.

The consolidated financial statements are presented as thousands of euros, unless otherwise specified, and the numbers are rounded off to the nearest thousand. Because of this, the sum of individual figures can deviate from the reported total. The operating currency of the Company is the euro, which is also the reporting currency of the Company and Group. The assets included in the financial statements of the subsidiaries included in the Group are measured in the currency of the primary operating environment of each subsidiary.

<u>Translation of items denominated in foreign currencies</u>

Transactions denominated in foreign currencies are translated into EUR at the exchange rates of the transaction dates, or if the items have been re-measured, at the exchange rates of the measurement dates. Foreign exchange gains and losses arising from sales and purchase payments associated with actual business operations are recognised above operating profit, and financing-related exchange rate differences are recognised in financial items in the income statement.

The assets and liabilities of the Swedish subsidiary are translated into EUR at the exchange rate of the closing date. The income and expenses of the Swedish subsidiary are translated into EUR at the average exchange rate for the financial year. Translation differences arising from the translation of a subsidiary's financial statements are recognised in other comprehensive income, and they are accumulated in a separate Translation differences item under shareholders' equity.

In its financial statements, the HLRE Holding Group focuses on information that it considered to be relevant to its stakeholders and other readers of the financial statements. The notes to the consolidated financial statements are divided into six sections, with each section containing the related relevant accounting principles. These sections are information about the consolidated financial statements, key information relating to income statement, personnel, assets and liabilities used in business operations, capital structure and financing, and other notes. The purpose of this presentation method is to provide the reader with a clear idea of the Group's financial position and result and the chosen accounting principles.

2. Management judgement and sources of uncertainty

Preparing the consolidated financial statement requires the management to use estimates and assumptions that have impacts on applying the accounting principles and amounts of assets, liabilities, income and expenses recognised in the financial statements. Significant estimates or management judgements are reviewed in the following notes:

- impairment of goodwill, note 9
- leases, note 10
- measurement of inventories, note 11
- impairment of trade receivables, Note 17
- Accounting for the acquisition of Salaojakympit Oy, Note 20

The estimates and management judgements are continuously reviewed. They are based on prior experience and other factors, such as expectations of future events with potential financial impacts on the company and which are considered to be reasonable under the circumstances in question.

In spring 2020, the COVID-19 pandemic rapidly erupted, and its social and economic impacts have been significant in places, with increasing uncertainty and decreased visibility. The Group took immediate action in Finland and Sweden to safeguard the adequacy of the companies' cash reserves, operating prerequisites and business. All locations improved safety by adopting guidelines, updating the operating models and discontinuing common morning meetings and coffee breaks to minimise physical encounters. These operating models have been continued during the extended pandemic during the financial year 2022 in all units in Finland and Sweden, monitoring the current infection situation in each area and the guidelines and recommendations issued by the local authorities.

In particular, the last quarter of the financial year was challenging in terms of the pandemic in Finland and Sweden. The installation units had to be made smaller and in many respects the units operated understaffed during the last quarter. The units had to react very quickly to unplanned changes due to sick leaves and act according to the updated instructions and plans.

At the end of the financial year 2022, goodwill on the HLRE Holding Group's balance sheet amounted to EUR 40.3 (39.5) million. The acquisition of a majority holding in Salaojakympit Oy during the financial year increased the goodwill by EUR 0.9 million. Each year, the HLRE Holding Group tests goodwill for impairment and, if necessary, whenever there are indications that the value of the assets does not exceed their goodwill. During the financial year, HLRE Holding did not observe indications of not being able to recover the amount corresponding to the book value. Should there be negative changes in the profit and growth development of the HLRE Holding Group, this could lead to impairment of goodwill, which could have an unfavourable impact on the operating result and equity of the HLRE Holding Group.

KEY INFORMATION RELATING TO INCOME STATEMENT

This section discloses information that is relevant to understanding the Group's result of the financial period and performance.

3. Segment information

The Board of Directors of HLRE Holding is the Group's chief operating decision-maker, and operating segments have been specified based on the information reviewed by the Board of Directors in order to allocate resources and assess the profitability of business operations. The Board of Directors manages the HLRE Group as a single integrated business aggregate, and therefore HLRE has a single operating and reporting segment.

The profitability of the business aggregate is estimated internally in accordance with the Finnish Accounting Standards (FAS) based on revenue, EBITDA and operating profit. In FAS-compliant internal reporting, EBITDA is defined as operating profit before depreciation, amortisation and impairment.

EUR 1,000	**FAS**	Adjustments	**IFRS**	
Consolidated income statement	1 February 2021–31 January 2022		1 February 2021–31 January 2022	**Consolidated statement of comprehensive income**
Revenue	130,352		130,352	Revenue
EBITDA (*)	8,127			
Depreciation, amortisation and impairment	-2,948	-4,907	-7,855	Depreciation, amortisation and impairment
Operating profit	5,179	-823	4,356	**Operating profit**
			-3,003	Financial income and expenses
			1,353	Profit (loss) before taxes
			-663	Income taxes
			691	Profit or loss for the financial period
	FAS	Adjustments	**IFRS**	
Consolidated income statement	1 February 2020–31 January 2021		1 February 2020–31 January 2021	**Consolidated statement of comprehensive income**
Revenue	107,263		107,263	Revenue
EBITDA (*)	4,973			
Depreciation, amortisation and impairment	-2,635	-4,965	-7,611	Depreciation, amortisation and impairment
Operating profit	2,338	70	2,408	**Operating profit**
			-2,091	Financial income and expenses
			317	Profit (loss) before taxes
			-327	Income taxes
			-10	Profit or loss for the financial period

(*) FAS EBITDA = FAS operating profit + FAS depreciation, amortisation and impairment

The most significant differences between the Group's net result reported internally in accordance with FAS and HLRE's profit and loss for the financial period reported according to IFRS are comprised of the following item:

- The Group's depreciation, amortisation and impairment reported according to FAS does not include the amortisation of right-of-use assets included in the reported depreciation, amortisation and impairment. The depreciation and amortisation in internal FAS-compliant reporting does not include amortisation of goodwill.

4. Revenue

The revenue of the HLRE Holding Group is primarily generated by roofing and roof product installations for single-family homes and housing companies pursuant to the service concept developed by the Company, as well as project and direct sales of rainwater management systems and roof safety products. The entire service chain – product development, manufacturing, sales and installation – is managed in-house by the Group.

The "Weather protection in just one day" installation for a single-family home pursuant to the service concept is realised in two days in the best-case scenario. A two-day roofing renovation is made possible by skilled installation assisted by a crane, in which each work phase is planned and assigned in advance and the work phases have been prepared, as well as by a proprietary sheet metal roofing factory.

In addition, the Group acquired a majority holding in a company carrying out drainage renovations for small sites in Finland in February 2021. Drainage consists of a carefully considered installation concept for single-family houses and housing companies. With the help of the service package concept, the drainage renovation of a single-family house is carried out in an average of 3–5 days.

This acquisition is discussed in more detail in section 20 of the financial statements.

In Finland, receivables from roofing, roof product and drainage installations in accordance with the consumer service concept are primarily allocated to Laatutili. Laatutili is a renovation loan granted by the OP bank. Using a Laatutili loan, the customer can pay for the roofing renovation in a single interest-free and expense-free instalment with a term of payment of 30 days or over a longer repayment period as monthly instalments agreed separately with the OP bank. The term of payment for installations not realised under the Laatutili facility is 10 days. In direct sales, the term of payment varies from 14 to 30 days, depending on the customer.

The Group's IFRS-compliant principles of revenue recognition are described in more detail under "Revenue: Accounting principle" on page 20 of these financial statements.

Breakdown of revenue by country for the financial year ended 31 January 2022

During the financial year ended 31 January 2022, the HLRE Holding Group operated in Finland and Sweden. The Swedish roofing renovation business was launched in the Stockholm region in 2016, and the Company's second Swedish location was opened in the summer of 2018. The third location in Sweden was opened in Flen in the Stockholm region spring 2019. In 2021, Vesivek Oy's Oulu unit expanded its operations to Tornio, where the focus is on providing roof renovation services to northern Sweden up to the Kalix area. In addition, a marginal share of the Group's revenue came from direct sales of Nesco Oy's products to the Baltic countries and Russia:

1000 EUR	1.2.2021- 31.1.2022	SHARE %	1.2.2020- 31.1.2021	SHARE %	DIFF.
Finland	109672	84,1 %	90577	84,4 %	19095
Sweden	20055	15,4 %	16092	15,0 %	3963
Baltic countries and Russia	625	0,5 %	594	0,6 %	31
TOTAL	130352	100,0 %	107263	100,0 %	23089

Of the Group’s revenue for the financial year 1 February 2021–31 January 2022, Finland accounted for approximately 84% (84%), Sweden for approximately 15% (15%) and export sales to the Baltic countries and Russia for 0.5% (0.6%).

The Group’s non-current assets totalled EUR 68.4 million (EUR 67.1 million) on 31 January 2022, of which Sweden accounted for EUR 3.4 million (EUR 3.0 million) in euros.

Assets and liabilities based on contracts with customers

The trade and other receivables on the balance sheet include EUR 674 (509) thousand of non-invoiced revenue recognition based on the percentage of completion of roof and drainage renovations. Non-invoiced receivables are short-term by nature and typically due during the next reporting period. The trade and other payables include EUR 0 (29) thousand of liabilities based on volume discounts and EUR 95 (36) thousand of advance payments from customers.

Accounting principle

The revenue of the HLRE Group was primarily generated from the sales of roofing, drainage and rainwater management systems and roof safety products and their installations during the financial year, as well as drainage renovations following the acquisition early in the financial year. The performance obligations are clearly identifiable in the customer contracts and orders.

IFRS 15 Revenue from Contracts with Customers includes a five-step guideline on the recognition of revenue which determines the amount and timing of recognising revenue. A sale is recognised based on the transfer of control, either over time or at a point in time. When calculating revenue, sales income is adjusted for indirect taxes and discounts.

Roofing and roof product installations include the products and their installation service. Typically, the products are customised based on the customer’s needs, such as the dimensions of roofs, in conjunction with the installation. The customer has ordered turnkey delivery of a functional roof solution from the Company, which constitutes a single performance obligation. The installation takes place very quickly, usually over a few days, and the corresponding sale is recognised at a point in time once the turnkey delivery has been made.

Drainage for single-family houses consists of a carefully considered installation concept, including the installation of drainage products and ground and yard work. With the help of the service package concept, the drainage renovation of a single-family house can be carried out in an average of 3–5 days in thawed soil. The company has a very limited number of larger sites that take from a few weeks to slightly over a month to complete.

In winter, the drainage service package is divided into two deliveries made at different times: when the soil is not thawed, drainage work taking on average a few days, and finishing work in the yard in thawed soil. Finishing works carried out in thawed soil are mainly carried out within one day and their share of the total delivery of the drainage project is invoiced when the finishing work is completed. The customer may choose to carry out the finishing work on the yard themselves, in which case the drainage will be carried out quickly with one project during the non-thawed soil period and fully invoiced when the work is completed. The performance obligations are clearly identifiable in the customer contracts and orders.

With regard to product sales, individual products constitute a performance obligation, and the sale is recognised as revenue at a single point in time when control is transferred to the customer. Typically, this takes place at the time of delivery when the significant risks and benefits associated with ownership have been passed on to the buyer and the HLRE Holding Group does not have factual control over the sold goods and when receiving consideration is probable. The account receivable is recognised in connection with revenue recognition of the sale, because the Company is thereafter entitled to a payment that is only conditional on the passage of time. Because the performance obligations are fulfilled over a very short period or at a single point in time when control is transferred as described above, the Company makes use of the exemption allowed by the standard to not report the transaction price allocated to the remaining performance obligations.

The terms of payment of sold products are primarily less than 30 days.

Key management judgements and estimates

The Company's management uses customer project-specific judgment to determine the recognition principle and to assess whether revenue has been recognised for the appropriate period at each balance sheet date, taking into account materiality. Although performance obligations are met and revenue is recognised at one point in time as a rule, materiality analysis is applied at each balance sheet date, which relates to whether larger projects in progress should be recognised according to the percentage of completion.

5. Other operating income

EUR 1,000	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
Gain on disposal of property, plant and equipment and intangible assets	109	138
Rental income	119	103
Provision income	565	438
Other operating income	272	401
	1,063	**1,080**

Other operating income is comprised of rent income from owned premises leased to external parties, insurance indemnities received, sales of recycling materials and bank commissions from Laatutili customer financing.

6. Operating expenses

Materials and services

*)Amended

EUR 1,000	1 February 2021–31 January 2022	1 February 2020–31 January 2021
Purchases during the financial period	-40,934	-31,034
Change in inventories of finished goods and work in progress	1,005	-130
Work performed for own purposes and capitalised	24	32
Change in inventories of materials	3,257	1,045
External services	-8,728	-6,668
Materials and services	-45,375	-36,755

*) *Comparative information concerning the income statement and balance sheet presented in the financial statements for the period from 1 February 2020 to 31 January 2021 has been restated as a result of the accounting treatment of the configuration and customisation costs of the systems implemented as cloud services pursuant to the IFRS Interpretations Committee (IFRIC) decision of April 2021. See Note 9.*

External services are comprised of scaffolding subcontracting expenses to a significant extent and, as of the beginning of the financial year 2022, of subcontracting costs associated with transports of the drainage business. In the financial year 2022, Vesivek Oy further expanded scaffolding work as part of its in-house operations, and the aim is to continue insourcing as planned over the next few years.

The company grants roof installations a fixed five-year installation warranty. Because the costs relating to repairs under warranty have not been significant, the company has not recognised a related provision.

The company also grants a limited five-year installation warranty for drainage installations. Moreover, the costs of repairs under the installation warranty have not been significant and the company has not entered a provision for them.

Depreciation, amortisation and impairment

1000 eur		
Amortization according to plan	**1.2.2021-31.1.2022**	**1.2.2020-31.1.2021**
Development expenses	-17	-5
Intangible rights	-139	-158
Other intangible assets	-2	-5
	-159	**-168**
Depreciation according to plan		
Buildings and structures	-2 747	-2 692
Machinery and equipment	-4 927	-4 718
Other tangible assets	-19	-23
	-7 693	**-7 432**

Other operating expenses

EUR 1,000	1 February 2021–31 January 2022	1 February 2020–31 January 2021
Premises expenses	-1,241	-1,150
Machinery and equipment expenses	-6,543	-5,603
Marketing expenses	-3,705	-3,319
Other operating expenses	-12,082	-10,277
	-23,572	**-20,349**

The other biggest unspecified items are optional personnel expenses of EUR 2,056 thousand (EUR 1,805 thousand) and kilometre allowances and per diems of EUR 2,368 thousand (EUR 1,863 thousand).

Auditors' fees

EUR 1,000	1 February 2021–31 January 2022	1 February 2020–31 January 2021
Statutory auditing	-91	-70
To auditor: Other fees and services	-61	0
	-152	**-70**

PERSONNEL

This section provides information about how the HLRE Holding Group rewards its personnel and key managers. The section includes information about employee benefits and related party information relating to the key personnel as follows:

- Employee benefit expenses
- Information about key managers

7. Employee benefit expenses

The employee benefit expenses and other personnel expenses are as follows:

EUR 1,000	1 February 2021–31 January 2022	1 February 2020–31 January 2021
Salaries and fees	40,202	33,583
Pension expenses - defined contribution plans	6,757	4,632
Other employee benefit	3,298	2,791
	50,257	**41,006**

Total personnel expenses increased by slightly over 22% during the financial year compared to the previous financial year.

Wages and salaries are mainly comprised of monthly salaries, hourly wages and performance bonuses paid to the employees. The employees are entitled to extensive occupational health care services, and some of the employees have company cars and phone benefits. In addition to statutory insurance, the employees are covered by leisure-time accident insurance.

In spring 2020, the Finnish government decided to lower the employment pension contributions of employers temporarily by 2.6 percentage points due to the COVID-19 pandemic. The decrease was in force from 1 May to 31 December 2020 with regard to employer's statutory insurance contributions ("TyEL") paid between May and December 2020. The decrease will be compensated for by increasing the employer's pension contribution share in 2022–2025.

In Sweden, the government compensated employers for a certain proportion of sick pay starting from April 2020 in conjunction with the COVID-19 pandemic. The compensation has been a certain proportion of actual costs of sick leave, depending on their amount. The total compensation in the financial year 2022 was approximately EUR 58 (55) thousand.

Other social security contributions mainly include other social security expenses apart from pension expenses.

The Group has a reward scheme based on years of service. In accordance with the rewards for years of service, employees are paid a lump-sum reward for having worked a certain number of years as follows.

PERSONNEL REWARDS

The structure concerning the entire Group:

5 years	**1 week salary**	25 years	**2 weeks salary**
10 years	**1,5 weeks salary**	30 years	**3 weeks salary**
15 years	**2 weeks salary**	35 years	**3 weeks salary**
20 years	**2 weeks salary**		

Liability and expense calculations relating to rewards for years of service pursuant to IAS 19 as Note 23. The calculations also include a forecast for the next financial year.

Accounting principle

Short-term benefits

Short-term employee benefits include wages and salaries, including fringe benefits and annual holiday pay to be paid within 12 months, and bonus and performance rewards connected to profit or personal performance. Short-term employee benefits are recognised in other liabilities with regard to work performed by the closing date and measured at the value expected to be paid once the liabilities are settled.

Post-employment benefits

The pension arrangements of the HLRE Holding Group are defined contribution plans. A defined contribution plan is a pension arrangement under which the Group makes fixed payments to a separate unit and has no legal or factual obligation to make additional payments if the said unit does not have adequate funds for paying all benefits relating to work performed during the current and previous financial years to all employees. Payments made to defined contribution plans are recognised directly through comprehensive income for the period to which the payments are connected.

Other long-term benefits

Other long-term employee benefits include leaves associated with long service or sabbaticals, anniversary benefits or other benefits relating to long service and long-term unemployment benefits.

8. Information about key management personnel (incl. key management's shareholdings) and share-based payment schemes

Remuneration of key management personnel

The Company's Board of Directors appoints the CEO and the Deputy CEO and decides on the terms and conditions of their employment. The Board of Directors confirms the wages and other benefits paid to the management team based on the CEO's proposal and the principles of remuneration of the Company's other senior management.

The wages and salaries and other taxable benefits paid to the CEO and rest of the Group's management team for the financial year ended 31 January 2022 are presented below. The compensation paid is comprised of fixed monthly salary and fringe benefits.

1000eur	**1.2.2021-31.1.2022**	**1.2.2020-31.1.2021**
Remuneration of the CEO		
Salary, other remuneration and benefits	127	128
Pension expenses - defined contribution plans	10	6
Total	137	134
Remuneratioon of the Group management team (excluding the CEO)		
Salary, other remuneration and benefits	436	502
Pension expenses - defined contribution plans	80	75
Total	516	577
Remuneration of Board members	45	27
Key management and Board of Directors total	698	738

The employment contract of CEO Kimmo Riihimäki can be terminated with a period of notice of three (3) months by either party. If the Company terminates the contract, the Company pays the CEO an amount corresponding to the total wages for three (3) months as a lump-sum compensation.

Kimmo Riihimäki is subject to a 24-month non-competition and non-solicitation clause, with a related contractual penalty of EUR 100,000 for each breach by the CEO. If the losses incurred by the Company exceed the above-mentioned contractual penalty, the CEO must compensate the amount of the loss in full.

The CEO contract will expire at the latest upon the retirement of Kimmo Riihimäki. The CEO's retirement age is 65.

The members of the Group management team have periods of notice of three or six months. They are entitled to severance pay. In addition, the members of the management team are bound by non-competition and non-solicitation clauses with contractual penalties.

HLRE Holding Oy directed share issues and transferred treasury shares at the Group's key management personnel and other key employees in 2014–2022. At the end of the financial year 1 February 2020–31 January 2021, the company decided on a directed transfer of treasury shares, wherein the company's management personnel and other key employees were offered a total of 107,550 treasury shares to purchase at a price of EUR 1 per share. The purchase price of the shares is considered to be equal to the fair value of the shares at the time of purchase. At the end of the financial period 1 February 2020–31 January 2021, the company had 77,550 treasury shares. The company's key personnel acquired a total of 50,000 of these during the financial period 1 February 2021–31 January 2022. At the end of the financial period 1 February 2021–31 January 2022, the company held 27,550 treasury shares.

Because the key employees' share purchases took place at fair value and at the same price as the share subscriptions of the Company's other shareholders, the schemes do not include a benefit pursuant to IFRS 2 and no expense has been recognised for them.

The key employees' shareholdings include an obligation to work. The Company has the right, but not an obligation, to redeem the shares at the lower of original subscription prices of the share issues or fair value as specified in the shareholder agreement in case of resignations of the key employees. During the comparative period, the company exercised its redemption right and redeemed a total of 27,550 shares at a subscription price of EUR 1 per share from three key employees.

Because HLRE Holding Oyj or its subsidiary have no contractual obligation or prior established practice to redeem shares from leavers, the arrangement is classified as an equity-settled arrangement under IFRS.

A share-based payment scheme has also been realised with the key personnel of Vesivek Sverige AB so that three key persons at Vesivek Sverige AB have holdings in Vesivek Sverige AB.

The shareholdings of Board members, the CEO and members of the management team in the Group's parent company HLRE Holding Oyj on 31 January 2022 are presented in the following table:

Management shareholdings

The management held shares on 31 January 2022 as follows:

	31 January 2022		**31 January 2021**	
Management shareholdings	Shares	% holding	Shares	% holding
CEO	5,497,826	33	5,497,826	33
Other management team members	21,873		111,767	1

ASSETS AND LIABILITIES USED IN BUSINESS OPERATIONS

This section provides information about the assets used in business operations and liabilities incurred due to the Group's business operations.

- Goodwill and other intangible assets, including impairment testing
- Property, plant and equipment
- Trade and other receivables
- Trade and other payables

9. Goodwill and other intangible assets, including impairment testing

The table below presents changes in goodwill and other intangible assets:

1000 EUR	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.2.2021	144	1 396	21	107	39 437	41 105
Business combinations	0	0	0	0	867	867
Additions	0	10	0	19	0	29
Disposals	-54	0	0	0	0	-54
Reclassifications	-4	4	0	0	0	0
Cost 31.1.2022	85	1 410	21	126	40 304	41 946
Cumulative amortisation and impairment 1.2.2021	-62	-799	-19		0	-879
Cumulative amortisation on disposals and reclassificati	54	0	0		0	54
Amortisation	-17	-139	-2		0	-159
Cumulative amortisation and impairment 31.1.2022	-25	-939	-21		0	-984
Carrying amount 1.2.2021	81	597	4	107	39 437	40 226
Carrying amount 31.1.2022	**60**	**471**	**0**	**126**	**40 304**	**40 961**

1000 EUR	Development expenses	Intangible rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost 1.2.2020	75	1 359	21	148	39 437	41 040
Additions	0	38	0	52	0	90
Disposals	0	-4	0	-21	0	-25
Reclassifications	69	4	0	-73	0	0
Cost 31.1.2021	144	1 396	21	107	39 437	41 105
Cumulative amortisation and impairment 1.2.2020	-57	-644	-12		0	-713
Cumulative amortisation on disposals and reclassificati	0	2	0		0	2
Amortisation	-5	-157	-5		0	-167
Cumulative amortisation and impairment 31.1.2021	-62	-799	-17		0	-879
Kirjanpitoarvo 1.2.2020	17	716	10	148	39 437	40 327
Carrying amount 31.1.2021	**81**	**597**	**4**	**107**	**39 437**	**40 226**

Intangible rights and other intangible assets are comprised of information systems and patents, trademarks and design rights applied for by group companies. Of the goodwill on the consolidated balance sheet, the majority arose in conjunction with the acquisition of Hämeen Laaturemontti Oy in 2014, when a fund managed by Sentica Partners Oy acquired a majority holding in what was then Hämeen Laaturemontti Oy, the current Vesivek Oy. The goodwill increased when HLRE Group Oy acquired the shares in the Nesco Invest group of companies in 2016. In February 2021, in connection with the reorganisation of financing, the Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, a company controlled by the company's CEO. The company's CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. In February 2021, Salaojakympit Oy was renamed to Vesivek Salaojat Oy. The acquisition generated goodwill of approximately EUR 0.9 million. Vesivek Salaojat Oy's business was merged into the roof and roof safety product business.

Accounting principle

Goodwill

Good arises from the acquisition of subsidiaries, and it corresponds to the amount by which the acquisition cost exceeds the Group's share of the net fair value of the assets acquired and liabilities assumed. For impairment testing, goodwill is allocated to cash-generating units or groups of units which are expected to benefit from the acquisition of the businesses resulting in the goodwill. Goodwill is tested for impairment annually or more frequently, if events or changes in circumstances indicate any impairment. The book value of the cash-generating unit with goodwill is compared to its recoverable amount, which is the higher of value in use or fair value less costs of disposal. Any impairment loss is firstly allocated to goodwill and secondarily to other assets proportionally. Goodwill impairment losses recognised through profit or loss are not reversed.

Other intangible assets

Other intangible assets are recognised on the balance sheet when the asset is in the Company's control, it is expected to yield future economic benefit to the Company and the acquisition cost of the asset can be reliably determined. The intangible asset is initially recognised at cost, which includes the purchase price and any direct expenses incurred due to the asset. Intangible assets are reported on the balance sheet at cost less accumulated amortisation and impairment. Intangible assets are amortised using the straight-line method over the economic useful life of the asset. The appropriateness of the amortisation times the methods is assessed at each closing date.

Research and development costs are recognised as expenses when internally developed intangible assets do not meet the criteria for capitalisation. An intangible asset resulting from development activities is capitalised when the product development project is likely to generate future economic benefits to the company and the products are estimated to be technically feasible and commercially viable.

The economic useful lives of the Company's intangible assets are as follows:

In the HLRE Holding Group, information systems are amortised over 5 years and patents/trademarks over 10 years, while development expenses are amortised over 5 years.

In April 2021, the IFRS Interpretations Committee (IFRIC) issued a final agenda decision on the accounting treatment of the costs of configuring and customising the systems implemented as cloud services (IAS 38 Intangible Assets). The Group has analysed the impact of the agenda decision on the accounting principles applicable to the expenditure on the introduction of the financial information system project implemented in the financial years 2021 and 2022. As a result of the analysis, based on the agenda decision, the Group recognises a total of EUR 307 thousand of previously capitalised expenditure on intangible assets as an expense, of which EUR 83 thousand for the financial year 2022 and EUR 224 thousand for the financial year 2021 retrospectively.

Goodwill impairment testing

Key management judgements and estimates

Key assumptions used in testing goodwill for impairment

The management makes significant estimates and management judgements in determining the level at which goodwill is tested and whether there are indications of the impairment of goodwill.

According to the management's view, the acquisition price exceeding the acquired net assets was paid for the business and business idea as a whole, and therefore it considers that the goodwill must be tested at the level of Vesivek Oy and Vesivek Salaojat Oy (roofing, roof safety and underground drain product installations in Finland), which is a cash-generating unit in Finland, and at the level of the Nesco subgroup (manufacturing of rainwater management systems and roof safety products), which is managed as a separate operation and cash-generating entity.

Determining the recoverable amount of a cash-generating unit is based on value in use calculations, which require the use of estimates. The calculations use cash flow projections based on budgets and estimates approved by the management for a five-year period. The cash flow projections are based on the Group's actual results and the management's best estimates of future sales, development of costs, general market conditions and applicable tax rates. The years after the projected period are extrapolated using a growth estimate of 2%. The estimated future net cash flows are discounted to their present value when estimating the recoverable amount based on the pre-tax weighted average cost of capital. The weighted average cost of capital illustrates the current market view of the time value of money and risks associated with the tested units.

The management tests the impacts of changes in significant assumptions by making sensitivity analyses as described below in this note. In these IFRS financial statements, goodwill is reported for the most recent balance sheet date and the one preceding it, 31 January 2022 and 31 January 2021.

The table below presents the allocation of goodwill to the Group's cash-generating units: The acquisition of a majority holding in the company Salaojakympit Oy (renamed to Vesivek Salaojat Oy in February 2021) increased the goodwill of the cash-generating roofing, roof safety and underground drain installation unit by EUR 867 thousand:

Thousands of euros	**31.1.2022**	**31.1.2021**
Installation of roof and rainwater systems and underground drain renovations in Finland	35434	34567
Production of rainwater systems and roof safety products	4870	4870

The key assumptions used in the value in use calculations are as follows:

2022	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems and underground drain renovations in Finland	6,8	6,0	9,6	2,0
Production of rainwater systems and roof safety products	14,7	14,5	9,6	2,0

2021	EBITDA in 5 years period of time, %	Long term EBITDA, %	Discount rate before taxes, %	Long term growth factor, %
Installation of roof and rainwater systems in Finland	8,8	10,0	9,6	2,0
Production of rainwater systems and roof safety products	14,8	14,5	9,6	2,0

The profitability (measured by EBITDA) of CGU2 producing rainwater systems and roof safety products is expected to remain roughly at the same level as in previous years over a period of 5 years, before declining slightly in the long term thereafter.

With regard to CGU 1 installing roof and roof safety products, in the latest financial year 2022 calculations, 5-year profitability (measured by EBITDA) will decrease to 6.8% (8.8%) and long-term profitability to 6.0% (10.0%). With regard to CGU 1, the profitability levels of the calculations have been reduced in the latest calculation, reflecting the lower profitability levels achieved in the past few years.

Sensitivity analysis

No impairment loss was recognised for the reported financial years as a result of the tests for impairment. The recoverable amount exceeded the book value on 31 January 2022 by EUR 3 million with regard to roofing, roof safety and underground drain installations in Finland and by EUR 17 million with regard to the manufacturing of rainwater management systems and roof safety products (31 January 2021: by EUR 28 million with regard to roofing and roof safety product installations in Finland and by EUR 18 million with regard to the manufacturing of rainwater management systems and roof safety products).

The management has prepared sensitivity analyses of the key assumptions, and based on the analyses, the recoverable amounts equal the book value if the assumptions change one by one:

	31.1.2022	31.1.2021
Installation of roof and rainwater systems and undergound drain renovations in Finland		
Change in discount rate, percentage points	0,2 %	2,7 %
Decrease in EBITDA, percentage points	-0,6 %	-3,2 %
Production of rainwater systems and roof safety products		
Change in discount rate, percentage points	5,0 %	6,8 %
Decrease in EBITDA, percentage points	-6,5 %	-7,7 %

Possible and significant changes in the value of the key assumptions are as follows:

1. The COVID-19 pandemic will be prolonged and the effects will be greater than predicted in the next financial year. In this case, the projected recovery of revenue and the return to profitability would be postponed. The effects would not be long-term.

2. The recruitment of new staff will become more difficult and the turnover of existing staff will increase. Growth in revenue would slow down and costs could increase significantly if wages were to be raised. Wage increases would probably be at least partly passed on to prices, as the whole sector would be affected by the problems.

3. Inflation raises costs without it being possible to pass them to prices in full. In this case, profitability could be lower than forecast for a longer period of time. The effect would be perhaps about 1–2 percentage points in the margins.

10. Property, plant and equipment and leases

1000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.2.2021	319	20 860	36 067	316	539	58 101
Translation differences	0	-81	-163	0	0	-244
Business combinations	0	0	2 087	0	0	2 087
Additions	0	2 526	6 165	8	777	9 477
Disposals	0	-984	-8 073	0	0	-9 057
Reclassifications	0	0	1 119	0	-1 119	0
Cost 31.1.2022	319	22 322	37 201	324	197	60 363
Cumulative amortisation and impairment 1.2.2021	0	-10 569	-20 615	-286		-31 469
Translation differences	0	46	75	0		121
Cumulative amortisation on disposals and reclassifica	0	494	5 376	0		5 870
Amortisation	0	-2 747	-4 927	-19		-7 693
Impairment	0	-3	0	0		-3
Cumulative amortisation and impairment 31.1.2022	0	-12 778	-20 092	-305		-33 175
Carrying amount 1.2.2021	319	10 292	15 452	30	539	26 632
Carrying amount 31.1.2022	**319**	**9 544**	**17 109**	**19**	**197**	**27 188**

1000 EUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.2.2020	319	19 254	34 447	313	739	55 071
Translation differences	0	89	193	0	0	282
Additions	0	1 655	2 497	3	582	4 737
Disposals	0	-137	-1 852	0	0	-1 989
Change in lease-contracts	0	0	0	0	0	0
Reclassifications	0	0	781	0	-781	0
Cost 31.1.2021	319	20 860	36 067	316	539	58 101
Cumulative amortisation and impairment 1.2.2020	0	-7 923	-17 424	-263		-25 610
Translation differences	0	-48	-74	0		-122
Cumulative amortisation on disposals and reclassifica	0	94	1 601	0		1 695
Amortisation	0	-2 692	-4 718	-23		-7 432
Cumulative amortisation and impairment 31.1.2021	0	-10 569	-20 615	-286		-31 469
Carrying amount 1.2.2020	319	11 331	17 023	50	739	29 461
Carrying amount 31.1.2021	**319**	**10 292**	**15 452**	**30**	**539**	**26 632**

Accounting principle

Property, plant and equipment is initially recognised at original cost, which includes the purchase price and other direct costs of acquisition needed to bring the asset into operating condition and the place where it functions as intended. The assets are recognised on the balance sheet at cost less accumulated amortisation and impairment. Leased tangible assets are treated in the same way as purchased assets in accounting. Repair and maintenance costs are expensed as they are incurred.

Depreciation and amortisation is recognised using the straight-line method by allocating the cost to the estimated economic useful lives of the assets. The economic useful lives of assets are reviewed on each closing date and amended, as necessary.

Depreciation and amortisation times by asset category:

Buildings and structures	10–40 years
Machinery and equipment	3–12 years
Other tangible assets	5–10 years

Capital gains and losses on the sale of property, plant and equipment are included in other operating income or expenses on the statement of comprehensive income.

Leases

1000 eur	31.1.2022	31.1.2021
Right-of-use assets*		
Buildings	6 826	7 320
Vehicles	5 902	4 082
	12 728	11 402

*included in balance sheet item Property, plant and eequipment

Lease liabilities*		
Current	4 612	4 005
Non-current	8 297	7 380
	12 909	11 385

*included in balance sheet items current and non-current finance and lease liabilities

Changes in right-of-use assets during the financial year:

1000 eur	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.2.2021	15 418	7 523	22 941
Translation differences	-81	-81	-161
Business combinations	0	1 923	1 923
Additions	2 526	2 693	5 219
Disposals	-984	-1 338	-2 322
Cost 31.1.2022	16 880	10 720	27 599
Cumulative amortisation and impairment 1.2.2021	-8 098	-3 441	-11 540
Translation differences	46	40	87
Cumulative amortisation on disposals and reclassifications	494	1 108	1 602
Amortisation	-2 496	-2 524	-5 020
Cumulative amortisation and impairment 31.1.2022	-10 054	-4 818	-14 872
Carrying amount 1.2.2021	7 320	4 082	11 402
Carrying amount 31.1.2022	**6 826**	**5 902**	**12 728**

1000 EUR	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.2.2020	13 840	7 076	20 916
Translation differences	89	86	175
Additions	1 626	1 719	3 345
Disposals	-137	-1 358	-1 495
Cost 31.1.2021	15 418	7 523	22 941
Cumulative amortisation and impairment 1.2.2020	-5 707	-2 631	-8 338
Translation differences	-48	-36	-84
Cumulative amortisation on disposals and reclassifications	94	1 148	1 242
Amortisation	-2 437	-1 923	-4 359
Cumulative amortisation and impairment 31.1.2021	-8 098	-3 441	-11 540
Carrying amount 1.2.2020	8 133	4 445	12 578
Carrying amount 31.1.2021	**7 320**	**4 082**	**11 402**

Included in profit and loss statement	**1.2.2021-31.1.2022**	**1.2.2020-31.1.2021**
1000 eur		
Depreciation of right-of-use assets		
Buildings	-2 496	-2 437
Vehicles	-2 524	-1 923
Interest expense (included in finance cost)	-360	-418
Expense relating to short-term leases (included in other expenses)	-642	-2 316
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	-97	-79

Cash outflow for lease agreements during the financial year 2022 totaled to EUR 6 388 (7 968) thousand.

Non-current assets pledged as collateral

Information about the Group's non-current assets pledged as collateral is provided in note 15.

Accounting principle

The Group has leased diverse properties and vehicles. Leases on properties are usually made for a fixed term of 3 or 5 years, in which case the lease cannot be cancelled, including an option to extend the lease for a corresponding period of 3 or 5 years. The terms and conditions of the leases are negotiated on a case-by-case basis, and they involve various conditions. The lease agreements include no covenants, but the leased assets may not be used as collateral for loans. Leases on vehicles usually have a term of three years.

A right-of-use asset and corresponding lease liability are recognised for leases when the leased asset is available to the Group to use. The right-of-use asset is comprised of the amount of the lease liability at the original value and rents paid by the start of the lease less incentives received in associated with the lease, initial direct expenses and any restoration expenses. Paid rents are divided into liabilities and financial expenses. The financial expense is recognised through profit or loss over the lease term so that the interest rate of the remaining liability balance is the same for each period. The right-of-use asset is amortised using the straight-line method over the shorter of its economic useful life or lease term.

Payments associated with short-term leases of leases of low-value assets are expensed in equal instalments. Leases with a maximum lease term of 12 months are considered to be short-term. Short-term leases primarily concern scaffolding and machines or lifting equipment used occasionally in production. Low-value assets are primarily comprised of office equipment.

Key management judgements and estimates

The duration of leases on business premises are annually measured at the management group level. The Group's strategy is defined for a period of three years, and the management team estimates whether the leased business premises will be suitable for the Group's use for the entire coming strategy period. With regard to leases valid until further notice, the property's lease term in calculating lease liabilities is considered to be the strategy period of 3 years or any shorter period if moving out of the current premises before the end of the strategy period is considered to be necessary. Any extension periods of fixed-term leases based on options are only taken into account if using them involves economic benefits or if exercising the extension option is otherwise reasonably certain.

In discounting the current value of rents, the interest rate used is the actual interest rate on additional credit using the Group's overdraft facility.

11. Inventories

EUR 1,000	**31 January 2022**	**31 January 2021**
Raw materials and consumables	8,948	7,279
Work in progress	2,707	774
Finished goods	3,809	3,052
	15,464	**11,105**

Accounting principle

Materials and supplies, work in progress and finished products are recognised at the lesser of cost or net realisable value. The cost of inventories includes all purchase costs, costs of production and other expenses incurred due to bringing the inventories to their current location and condition. Purchase costs include purchase price, import duties and other taxes, transport and handling costs and other expenses directly caused by the procurement of finished products, materials and services. The costs of production of inventories include direct expenses incurred due to materials and labour and appropriate share of variable and fixed overhead expenses, the latter of which are allocated based on normal operating capacity. The measurement of acquisition cost is based on the FIFO method.

Key management judgements and estimates

The measurement of inventories requires the management to make estimates and management judgements associated particularly with obsolescence and recognition of inventories at net realisable value based on expected selling prices, in addition to which the management estimates the general development of prices in the Company's key markets. The net realisable value is the estimated actual selling price in ordinary business less estimated expenses required to complete the goods and realise the sale.

12. Trade and other receivables

EUR 1,000	31 January 2022	31 January 2021
Accounts receivable	7,213	6,824
Other receivables	101	87
Current prepayments and accrued income (from others)	2,284	2,583
	9,598	**9,494**

The maturity of trade receivables and the principles for measuring impairment are disclosed in Note 17 Financial risk management.

Accrued income is mainly comprised of advance payments of social security contributions and uninvoiced revenue recognitions pursuant to the percentage of completion of roofing renovations for housing companies in progress.

The book values of current trade and other receivables are considered to approximate their fair values. This is due to their short-term nature.

Accounting principle

The receivables are amounts that the Group expects to receive from other parties. Trade receivables are generated by sales of goods and services in ordinary business operations. Trade and other receivables are initially measured at fair value pursuant to the invoice sent to the customer, after which they are measured at the amount considered to be received from the customer (amortised cost). After initial recognition, trade and other receivables are measured at amortised cost less impairment losses. A simplified model for trade receivables has been applied, as described in Note 17.

13. Other current liabilities

EUR 1,000	31 January 2022	31 January 2021
Current advances received	95	36
Current trade payables	7,453	5,122
Other current liabilities	3,177	3,149
Current accrued charges	2,803	2,283
	13,528	**10,590**

Accrued charges are primarily comprised of amortised personnel expenses, interest liabilities and allocated purchases.

The book values of other current liabilities are considered to approximate their fair values because the liabilities are short-term by nature.

Accounting principle

Trade payables are obligations to make a payment for goods or services procured from suppliers or service providers as part of ordinary business operations. Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

CAPITAL STRUCTURE AND FINANCING

This section includes information about how the Group manages its capital structure and financing and exposure to risks:

- Net debt
- Loans
- Financial assets
- Derivative instruments
- Financial income and expenses
- Management of financial risks and capital
- Shareholders' equity

14. Net debt

EUR 1,000	**31 January 2022**	**31 January 2021**
Non-current interest-bearing liabilities	47,338	18,169
Current interest-bearing liabilities	4,633	29,809
Cash and cash equivalents	-5,201	-2,219
	46,770	**45,760**

Reconciliation

	Cash and cash equivalents	**Lease liability within one year**	**Lease liability after one year**	**Loan repayments within one year**	**Loan repayments after one year**	**Total**
Net debt 1.2.2021	2,219	-4,005	-7,380	-25,805	-10,789	-45,760
Cash flow	2,982	4,900		25,812	-29,074	4,620
Increase		-1,105	-4,097			-5,202
Exchange rate adjustments		55			1,086	1,141
Business combinations		-488	-1,434	-11		-1,933
Other changes		-3,985	4,614	-2	-264	363
Net debt 31.1.2022	5,201	-4,627	-8,297	-6	-39,041	-46,770

	Cash and cash equivalents	Lease liability within one year	Lease liability after one year	Loan repayments within one year	Loan repayments after one year	Total
Net debt 1.2.2020	5 711	-3 908	-8 529	-4 616	-36 582	-47 924
Cash flow	-3 492	4 003		4 646		5 157
Increase		-548	-2 683			-3 231
Exchange rate adjustments		-83				-83
Other changes		-3 469	3 832	-25 835	25 793	321
Net debt 31.1.2021	2 219	-4 005	-7 380	-25 805	-10 789	-45 760

15. Loans and financial assets

1000 eur	**31.1.2022**	**31.1.2021**
Non-current loans from financial institutions	28 000	0
Non-current capital loan liabilities	250	0
Non-current instalment liabilities	2	0
Non-current loans from related parties	10 789	10 789
Non-current lease liability	8 297	7 380
Capitalised interests	3 858	3 276
Non-current liabilities, interest-bearing	**51 197**	**21 445**
Current loans from financial institutions	6	25 805
Current instalment liabilities	15	0
Current lease liability	4 612	4 005
Current interest-bearing liabilities	**4 633**	**29 809**

Loans from financial institutions and other financing

The liabilities associated with the secured EUR 46,000,000 loan agreed by the Company with Danske Bank A/S Finland Branch on 22 February 2016 were repaid in full in conjunction with the reorganisation of financing on 12 February 2021. At the same time, the Company redeemed the equipment concerned by the sale and leaseback agreement with Danske Finance Oy in full at the residual value according to the leaseback agreement.

In connection with the reorganisation of financing, the Group's parent company HLRE Holding Oy (renamed to HLRE Holding Oyj in February 2021) issued a secured three-year SEK 300 million bond that includes an option of increasing the total loan by a maximum total of SEK 100 million to a maximum total of SEK 400 million in one or more tranches. The issuance of additional loans requires that the Group's ratio of net debt to adjusted EBITDA does not exceed 3.00/2.75/2.50 one/two/three years after the original issue of the bond. The bond is an amortisation-free bullet loan, and it includes a leverage covenant, according to which the Group's ratio of net debt to adjusted IFRS EBITDA must not exceed 5.0/4.5/4.0 one/two/three years after the issue of the bond. The Company met the terms and conditions of the financing covenant at the time of signing the financial statements. The interest rate on the bond is variable 3-month STIBOR + 6.60%, with the reference interest rate limited to 0.00%. The bond has been listed on the Open Market segment of the Frankfurt Stock Exchange since February 2021 and on the Stockholm Stock Exchange regulated corporate bond list as of 8 February 2022.

In addition to the issue of the bond, the Company agreed on a secured EUR 2,000,000 overdraft facility with Danske Bank A/S Finland Branch on 12 February 2021. The overdraft facility involves a leverage financial covenant similar to the terms and conditions of the bond, according to which the Group's ratio of net debt to adjusted IFRS EBITDA must not exceed 5.0/4.5/4.0 one/two/three years after the issue of the bond. The Company met the terms and conditions of the financing covenant at the time of signing the financial statements.

The following shares have been pledged as collateral for the bond and overdraft facility: HLRE Group Oy, Vesivek Oy, Vesivek Sverige AB and Nesco Oy. Furthermore, the following internal loans have been pledged as collateral for the bond agreement:

Loan granted by HLRE Holding Oyj to HLRE Group Oy totalling EUR 11,996,333

Loan granted by HLRE Holding Oyj to Vesivek Oy totalling EUR 1,442,609

Loan granted by HLRE Holding Oyj to Nesco Invest Oy totalling EUR 8,446.71

Loan granted by HLRE Holding Oyj to Nesco Oy totalling EUR 4,510,442

The following business mortgages have been confirmed and pledged as collateral for the bond and overdraft facility:

HLRE Group Oy	EUR 57,200,000
Vesivek Oy	EUR 57,200,000
Nesco Invest Oy	EUR 57,200,000
Nesco Oy	EUR 57,200,000
Vesivek Sverige AB	SEK 20,000,000

The following real estate mortgages have been pledged as collateral for the bond and overdraft facility:

Nesco Oy Orimattila production plant	EUR 13,673,200
Vesivek Oy industrial hall in Lieto	EUR 46,800,000

Shareholder loan

The Group has shareholder loans from the parent company's shareholders. At the end of the financial year 2022, the amount of shareholder loans was EUR 10.8 million. The interest accrued on the loans totalled EUR 3.9 million pursuant to the coupon rate of 6.00% p.a. The terms and conditions of the shareholder loan were renegotiated already during the preceding financial year so that interest will be paid together with the principal at the latest when the bond issued during the financial year falls due. Therefore, the interest is classified as part of non-current liabilities.

The shareholder loans are subordinated to the bond, bank loans and other loans with regard to repayment and interest. The shareholder loans have no collateral.

Accounting principle

The Group's financial liabilities are classified as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss. A financial liability is presented as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date. The financial liability is derecognised when the liability has ceased to exist, i.e. when the obligation specified in the agreement has been fulfilled or revoked or its validity has expired.

The loans taken out by the Group are classified as financial liabilities measured at amortised cost. They are initially measured at fair value less transaction costs. After initial recognition, the loans are measured at amortised cost using the effective interest method. The book value of bank loans is considered to be equal to their fair value because the interest level is considered to match the market interest level.

Financial assets

EUR 1,000	**31 January 2022**	**31 January 2021**
Non-current		
Other non-current financial assets	48	48
Loan receivables	7	9.
	56	58
Current		
Loan receivables	63	625
Cash and cash equivalents	5,201	2,219
	5,265	2,844

Loan receivables are comprised of loans granted by the Company to its employees, loan granted to the Group's CEO and loans granted to Vesivek Salaojat Oy (formerly Salaojakympit Oy). Loan receivables are measured at amortised cost. Related party loans are described in more detail in note 22.

Other investments include the company's investments in other companies (both listed and unlisted shares).

Accounting principle

The Group's financial assets are classified into the following categories: financial assets at amortised cost and financial assets at fair value through profit or loss. The classification of financial assets is based on their cash flow properties and business models used for their management,and recognised on the value date.

Loan receivables are measured at amortised cost using the effective interest method. The expected credit losses of these items are estimated on a case by case basis. Losses are recognised in expected credit losses over 12 months or expected credit losses over the entire life, based on whether the credit risk has significantly increased.

Trade and other receivables are described in more detail in note 12, and they are measured at amortised cost. The associated credit risk and impairment matrix used in determining credit losses are described in note 17.

Investments are measured at fair value. Realised and unrealised changes in fair value are recognised in financial income and expenses.

Cash and cash equivalents are comprised of cash and demand deposits.

Derivative instruments

With regard to the currency hedging of the SEK 300 million bond, the Group's Board of Directors approved the currency hedging proposed by Nordea Finland Branch to the Audit Committee at its meeting on 24 September 2021. This is a loss-limited forward contract. The company hedged SEK 200 million of the SEK 300 million bond, with the hedging rate of 10.16 while the bond was issued at a rate of 10.13. The structure consists of a synthetic forward (bought and sold option at the same rate) and a bought option. The structure is zero-cost in that the hedge did not have a cash impact at the time of its conclusion.

The fair value of the SEK 200 million currency hedge was EUR -484.3 thousand on 31 January 2022.

Accounting principle

All derivate instruments are classified as financial assets and liabilities measured at fair value through profit or loss. Derivatives are measured at fair value. Both realised and unrealised gains and losses from the measurement of derivatives at fair value are recognised in financial income and expenses in the statement of comprehensive income. Hedge accounting is not applied to derivatives.

Measurement of fair value

Financial instruments measured at fair value are classified in accordance with the following fair value hierarchy: instruments for which there is a publicly quoted price in an active market (level 1), instruments for which there is another observable direct or indirect price than a quoted price pursuant to level 1 (level 2) and instruments for which there is no observable market price (level 3). These instruments measured at fair value include financial assets and liabilities measured at fair value through profit or loss.

The price of listed shares is based on their quoted price (Level 1) and of unlisted shares on the measurement method (Level 3). The price of derivatives is based on discounted cash flows and is included in Level 2 of the fair value hierarchy.

16. Finance income and expenses

EUR 1,000	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
Unrealised gains at fair value, derivatives	34	109
Interest income	10	28
Exchange rate gains	1,101	208
Other financial income	2	0
Financial income total	**1,146**	**345**
Interest expenses from liabilities to others	-2,923	-1,746
Interest expenses from leases	-360	-418
Unrealised losses at fair value, derivatives	-484	0
Exchange rate losses	-123	-130
Other debt financial expenses	-258	-142
Total financial expenses	**-4,148**	**-2,436**
Total financial income and expenses	**-3,003**	**-2,091**

Accounting principle

Financial expenses are comprised of interest expenses on bank loans, overdraft facilities and other loans and lease liabilities, exchange rate differences in financial activities and realised and unrealised changes in the values of currency and interest rate derivatives.

Loan-related transaction costs are expensed to the income statement using the effective interest method. The effective interest is the interest rate using which the estimated payments during the loan period are discounted to the net book value of the financial liability. The calculation takes into account all fees and transaction costs paid by the contracting parties.

Interest income is recognised using the effective interest method. If a loan receivable has become credit on account of a credit event, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Foreign exchange gains and losses from financing activities are reported in financial income or expenses.

17. Management of financial risks

The Group has a risk management policy approved by the Board of Directors and management team that is monitored by the Board of Directors and its Audit Committee. The risk management process aims to identify and assess the risks, after which measures are planned and implemented. The measures can include avoiding the risk, mitigating it by different means, transferring the risk through insurance policies or contractually, or taking the risk in a managed and conscious manner. The Company's Board of Directors and its Audit Committee review the most significant risks and related measures annually in conjunction with the strategy process.

The management of the HLRE Holding Group's financial risks is seen to by the Group's treasury functions in co-operation with the persons responsible for purchasing and other business functions. The Group's treasury function is comprised of the CEO, CFO and financial and accounting manager, and it has operated in accordance with instructions given by the Board of Directors and Audit Committee. The operational management of the Group's treasury functions is centralised with the Group's financial administration. The purpose of the treasury function is to ensure that the Company has adequate funds for engaging in business activities at all times without restrictions and to minimise financing costs.

The treasury function of the HLRE Holding Group is responsible for the monitoring and operational management of the Group's treasury functions and general financial position associated with financing, including each subsidiary's financial risk exposures. The management of each subsidiary is responsible for managing their respective treasuries in accordance with the instructions laid down in the financial policy. Ultimately, the Board of Directors of HLRE Holding Oy also co-ordinates financial matters pursuant to the financial policy.

Liquidity risk

The Group's business operations have been developed into year-round operations in recent years. However, it is not possible to completely get rid of the seasonality of the business, which can cause short-term liquidity risks. The treasury function controls the Group's liquidity risk by foreseeing the Group's need for financing and thereby aims to ensure the flexibility, availability and temporal balance of financing. At the same time, adequate unused overdraft facilities are continuously maintained to avoid the Group from breaching any withdrawal limits or covenants associated with its overdraft facility.

The liquidity reserve is comprised of the Group's cash and cash equivalents and unused overdraft facilities. The financial administration of the HLRE Holding Group manages the Group's liquidity instruments.

The cash and cash equivalents of the HLRE Holding Group totalled EUR 5,201 thousand on 31 January 2022 (31 January 2021: EUR 2,219 thousand). Furthermore, the HLRE Holding Group had binding overdraft facilities on 31 January 2022 with a total unused credit of EUR 2,000 thousand. The overdraft facilities are continuously available.

On 12 February 2021, the company issued a SEK 300 million 3-year, floating rate, secured non-amortising bond. The Company repaid the bank loans agreed with Danske Bank A/S Finland Branch together with interest and costs and redeemed the equipment included in the leaseback agreement signed with Danske Finance Oy in 2019 with the funds borrowed with the bond. The bond will be repaid in one instalment on its date of maturity. The amortisation-free loan makes it easier to manage the liquidity of seasonal business compared to a regularly amortised loan, because instalments are not paid; only the interest specified in the bond is paid on a quarterly basis. In addition, the Company agreed on a secured EUR 2,000,000 overdraft facility with Danske Bank A/S Finland Branch on 12 February 2021, replacing the previous EUR 5,000,000 overdraft facility. The bond and overdraft facility involve financial covenants, which are described in note 15. Additional information about the bond and overdraft facility is provided in note 15.

The management monitors the covenants and reports on them to the creditor on a quarterly basis. A breach of the covenants can result in increased financial expenses or the calling-in of the bank loans and overdraft facilities.

The tables below present the Group's financial liabilities broken down into categories based on the remaining contractual maturities. The loans include both interest-bearing loans and the overdraft facility:

Maturities of contracts of financial liabilities 31 January 2022
1000 EUR

	No more than 12 months	Over 1 year and no more than 2 years	Over 2 years and no more than 5 years	Over 5 years	Total	Book value
Trade payables	7468	2			7470	7470
Lease liabilities	4887	4330	3898	323	13438	12909
Bonds	1888	1888	29077		32853	28000
Shareholder loans			15964		15964	14648
Derivatives					0	484

Maturities of contracts of financial liabilities 31 January 2021
1000 EUR

	No more than 12 months	Over 1 year and no more than 2 years	Over 2 years and no more than 5 years	Over 5 years	Total	Book value
Trade payables	5122				5122	5122
Lease liabilities	4237	3522	3862	177	11798	11385
Loans from financial instritutions	25391	797			26187	25805
Shareholder loans			16067		16067	14065

1000 EUR	Fair value hierarchy level	31 Jan 2022 Carrying amount	Fair value	31 Jan 2021 Carrying amount	Fair value
Financial liabilities					
Loans from financial institutions	**2**			25805	25805
Bonds	**2**	28000	28359		
Shareholder loans	**2**	14648	14189	14065	13490
Derivatives	**2**	484	484		

Credit risk and counterparty risk

Cash and cash equivalents as well as unpaid receivables from customers involve credit risk. The credit risk associated with cash and cash equivalents is insignificant because the counterparties are banks with high credit ratings from international rating agencies.

The Group's credit loss policy defines the creditworthiness requirements for customers. The Group only grants credit to companies with appropriate credit ratings, and consumer customers in Finland are primarily directed to use the Laatutili service.

Vesivek Oy and Vesivek Salaojat Oy offer their consumer customers the Laatutili facility granted by the OP bank. Laatutili is a renovation loan. Using a Laatutili loan, the customer can pay for the roofing or drainage renovation in a single interest-free and expense-free instalment with a term of payment of 30 days or over a longer repayment period as separately agreed monthly instalments. The loan is granted by OP cooperative banks, and after payment is received from the bank, the Company no longer has interest in the receivable. The bank only grants a Laatutili loan if the customer's credit rating is in order.

With regard to trade receivables and contractual assets, a simplified model in which the estimated amount of credit losses is based on the expected credit losses over the life of the receivables is used. Examples of events leading to impairment include severe financial problems of the debtor, the debtor's probable bankruptcy or other financial arrangement.

The HLRE Holding Group applies a simplified procedure for recognising an impairment concerning expected credit losses, according to which the impairment is based on lifetime expected credit losses for all trade receivables. For determining the expected credit losses, trade receivables are grouped based on shared credit risk charasteristics past due status. The impairment concerning the loss on 31 January is determined as a combination of a statistical model and case-specific analysis. Receivables from financing companies (Laatutili from OP Bank, Santander) is deducted from the balance of trade receivables in the calculation because the associated credit risk is insignificant.

31.1.2022 1000 eur	**Not due**	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Over 120 days**	**Total**
Expected loss rate	0,26 %	1,85 %	4,09 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	5 628	367	68	53	74	211	6 401
Loss allowance provision, VAT 0%	12	5	2	9	24	119	171

31.1.2021 1000 eur	Not due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days	Total
Expected loss rate	0,07 %	0,76 %	1,40 %	20,00 %	40,00 %	70,00 %	
Gross carrying amount	6 236	430	316	44	86	70	7 181
Loss allowance provision, VAT 0%	4	3	4	7	28	39	84

Credit losses, 1000eur	**2022**	**2021**
At 1 February	84	140
Increase in loss allowance recognised in profit or loss during the period	408	8
Receivables written off during the period as uncollectible	-321	-66
At 31 January	171	82

Key management judgements and estimates

The management has applied judgement and made assumptions in assessing whether the value of overdue receivables has been impaired. In its estimates, the management has aimed to also take macroeconomic factors into consideration, including the impacts of COVID-19.

Market risk – interest rates

Interest rate risk is defined as an uncertainty associated with the result of the HLRE Group caused by fluctuation in interest rates. Therefore, HLRE's exposure to interest rate risk is due to its interest-bearing loans, which are variable-rate (with the exception of lease liabilities). The goal pursuant to the financial policy is to minimise the impact of changes in interest rates on the Group's annual result and financial position while aiming to optimise net financing within the defined risk limits.

The SEK 300 million 3-year, non-amortising bond issued by the company in February is a floating-rate bond. By the time of signing the financial statements, future interest payments were not hedged.

Foreign exchange risk

The Group engages in business activities in Finland and Sweden. The Group is exposed to SEK-related transaction and translation risk. The transaction risk associated with the Swedish subsidiary is primarily comprised of trade receivables and payables emerging in its operational business activities. Translation risk arises when the parent company's investments in the Swedish subsidiary are converted into euros.

In February 2021, the company issued a SEK 300 million 3-year, non-amortising bond. The company has hedged SEK 200 million of this bond. The currency derivative contract was entered into in autumn 2021 and it is valid until the end of the maturity of the loan. The Group aims to finance a significant part of the unhedged portion of the bond, SEK 100 million, during the maturity period with SEK-denominated positive cash flow from Vesivek Sverige AB and a positive cash flow from the roofing installation business carried out by the Oulu Tornio office in northern Sweden.

Transaction risk

Transaction risk emerges from the commercial transactions and payments of the subsidiaries denominated in currencies other than the unit's operating currency and when the associated incoming and outgoing cash flows differ in terms of amounts or timing.

The Swedish subsidiary purchases the goods associated with installation activities to a significant extent in euros, internally profile production steel sheets, rainwater management systems, externally timber and other supplies included in the concept. During the financial year ended 31 January 2022, approximately EUR 3.5 million of the Swedish subsidiary's purchases of approximately EUR 5.4 million were made in euros.

The SEK-denominated trade payables and other current liabilities in the financial statements amounted to SEK 29 million (SEK 24 million), trade and other current receivables to SEK 29 million (SEK 25 million) and cash and cash equivalents to SEK 9.3 million (SEK 0.0 million). Had the SEK/EUR exchange rate been 10% weaker during the financial year, the profit for the financial year would have been EUR 0.4 million lower (EUR 0.3 million lower).

Vesivek Oy's Oulu unit sells and installs roofing and rainwater management systems to Northern Sweden, and the said sales/receivables are denominated in SEK. Vesivek Oy also has a SEK-denominated bank account. The other Group companies do not have significant external purchases, sales, receivables or liabilities in currencies other than the operating currency in each country.

1000 eur		
Foreign exchange gain and loss	**1.2.2021-31.1.2022**	**1.2.2020-31.1.2021**
Foreign exchange gain, realized	1 103	209
Foreign exchange loss, realized	-180	-121
	923	88

Translation risk

Translation risk covers the effects caused by the conversion of the Swedish subsidiary's figures into EUR-denominated figures for consolidation purposes. Sweden accounted for approximately 15 per cent of the Group's business operations for the most recent financial year. Approximately 85–90% of the Group's foreign exchange flows are in euro, which is the home currency of all subsidiaries and businesses, except for the Swedish subsidiary Vesivek Oy and Tornio unit's installation operations in northern Sweden.

Commodity risk

The COVID-19 pandemic has increased the risk relating to the availability and delivery times of commodities, mainly steel. This has been managed by forecasting future purchase needs with suppliers and increasing the Group's inventories of certain critical products. With regard to steel, price risk has been managed by fixing purchase prices quarterly for the next 3 months, and a mention of an increase in selling prices due to increases in raw material costs has been added to the Group's sales agreements.

The HLRE Holding Group did not have commodity derivatives during the financial year.

18. Shareholders’ equity

Shareholders:

Sentica Buyout IV -funds	8 783 695	52,8 %
Kimmo Riihimäki	5 497 826	33,1 %
Other key persons	2 045 507	12,3 %
Other shareholders	272 145	1,6 %
Own shares	27 550	0,2 %
	16 626 723	100 %

The total number of shares in HLRE Holding Oyj did not change during the financial year 1 February 2021–31 January 2022.

Share capital

The share capital is comprised of ordinary shares. The parent company has one series of shares, and all shares confer equal rights to dividends. Each share confers one vote at a general meeting. All shares issued by the parent company have been paid in full. The shares have no nominal value.

At its meeting on 14 April 2021, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors, to increase the share capital from EUR 2,500 to EUR 80,000 by way of a reserve from the invested unrestricted equity.

Reserve for invested unrestricted equity

In accordance with the Finnish Limited Liability Companies Act, the subscription price for new shares is recognised in share capital, unless the decision on the share issue orders it to be recognised in full or part in the reserve for invested unrestricted equity. The invested unrestricted equity reserve can also be accumulated without a share issue.

The increase in share capital decided by the Company at its Annual General Meeting on 14 April 2021 was implemented as reserve increase of EUR 77,500 from the reserve for invested unrestricted equity.

Dividends

The Board of Directors’ proposal to the general meeting is that no dividends be distributed for the financial year. No dividends were distributed for the comparison period.

Translation differences

Translation differences resulting from the translation of the financial statements of a foreign subsidiary are recognised in other comprehensive income and accumulated in the separate shareholders’ equity reserve as described in note 20. The accumulated amount is recognised through profit or loss when the net investment is divested.

Accounting principle

The Group's shareholders' equity is comprised of share capital, invested non-restricted equity reserve, translation difference sand retained earnings. Changes in treasury shares are recognised in retained earnings. Expenses incurred directly due to the issue of new shares are reported less taxes in shareholders' equity as a decrease in income from share issue.

19. Capital risk management

The Group monitors the shareholders' equity and net debt on the consolidated balance sheet. Net debt is calculated by deducting cash and cash equivalents from current and non-current interest-bearing liabilities, as calculated in note 14. The Group aims to grow further both in Finland and internationally in the next couple of years and maintain a flexible capital structure, which makes it possible to implement the growth strategy. The investments required by growth and seasonal fluctuations in business and thereby changes in liquidity and net working capital require flexible financing solutions and active liquidity management.

After the end of the financial year, the Company issued a three-year secured non-amortising bond of SEK 300 million on 12 February 2021. In addition, the Company agreed on a secured EUR 2,000,000 overdraft facility with Danske Bank. Additional information about the bond and overdraft facility is provided in note 15.

The most important monitored external capital indicator is the ratio of interest-bearing net debt to rolling 12-month EBITDA (leverage). According to the leverage financial covenant, the Group's ratio of net debt to adjusted IFRS EBITDA must not exceed 5.0/4.5/4.0 one/two/three years after the issue of the bond. The Company met the terms and conditions of the financing covenant at the time of signing the financial statements.

OTHER NOTES

This section includes information that the Group has to disclose to comply with the financial standards but are not considered to be significant from the point of view of understanding the Group's financial position and result:

- Group structure and preparation of the consolidated financial statements
- Taxes
- Related party transactions
- Commitments and contingent liabilities
- New reporting standards and reporting standards that will enter into force at a later date
- Events after the reporting date

20. Group structure

The Group's subsidiaries are as follows:

Name of entity	Place of business	Ownership interest held by the group % 31.1.2022	Ownership interest held by the group % 31.1.2021	Principal activities
HLRE Group Oy	PIrkkala	100	100	Administration and financial services
Vesivek Oy	Pirkkala	100	100	Roof renovations
Vesivek Sverige AB	Ruotsi	91	91	Roof renovations
Nesco Invest Oy	Orimattila	100	100	Other technical services
Nesco Oy	Orimattila	100	100	Manufacture of rainwater management systems and roof safety products
Tuusulan Peltikeskus Oy	Tuusula	100	100	Sheet metal work
Vesivek Salaojat Oy	Pirkkala	72		Drainage renovations

The share capital of the subsidiaries is exclusively comprised of ordinary shares held by the Group, and the holding corresponds with the voting rights held by the Group. The companies' country of registration is also their primary operating country.

In February 2021, in connection with the reorganisation of financing, the group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy, a company controlled by the Group's CEO. The Group's CEO acquired a holding of 71.63% in Salaojakympit Oy on 28 February 2020. On 1 April 2021, Salaojakympit Oy was renamed to Vesivek Salaojat Oy. Vesivek Salaojat Oy is a company engaged in installing underdrains, and the regions of Ostrobothnia, Vaasa region, Central Ostrobothnia, Central Finland, Pirkanmaa, Kuopio and Uusimaa generate a significant share of its revenue. Salaojat operates in the same property as Vesivek Oy, under the same management of the area and unit.

Fair values of acquired assets and liabilities assumed at time of acquisition:

EUR 1,000	Fair values recognised upon consolidation
Cash and cash equivalents	206
Trade and other receivables	1,292
Inventories	123
Machinery and equipment	2,087
Deferred tax receivables	215
Total assets	3,922
Trade and other payables	-1,997
Current interest-bearing liabilities	-499
Non-current interest-bearing liabilities	-2,069
Total liabilities	-4,565
Acquired net assets	-643
Non-controlling interests	-182
Goodwill arising from acquisition	867

The Group recognises the non-controlling interests in the acquired entity as a proportion of the non-controlling interests in the identifiable assets of the acquired entity. The non-controlling interests' relative share of the net identifiable assets of the acquired entity was EUR -182.3 thousand.

Cash flow impact of acquisition:

Paid in cash	**406**
Cash and cash equivalents of the acquired company	-206
Cash flow impact	200

Accounting principle

Subsidiaries are consolidated into the consolidated financial statements in full starting from the time of acquisition, which is the date on which HLRE obtains control, and consolidation continues until control ceases to exist. HLRE has control if it is exposed or entitled to variable income by being a party to the investment and can influence this income by exercising its power over the investment.

HLRE uses the acquisition method in consolidating business operations. Intra-Group transactions, balances and unrealised gains from transactions between Group companies are eliminated. Also unrealised losses are eliminated, unless the transaction provides evidence of impairment of the value of the transferred asset.

Subsidiaries' results and shareholders' equity attributable to non-controlling interests are reported as a separate income in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet.

Transactions realised with non-controlling interests which do not lead to losing control are treated as transactions with owners. A change in holding leads to an adjustment of the book values of the holdings of the Group and non-controlling interests. The difference between the adjustment of non-controlling interests and consideration paid or received is recognised in a separate reserve under shareholders' equity attributable to owners.

21. Taxes

Income tax expenses are comprised of tax expense based on the taxable income for the period and deferred tax expenses.

1000 eur	1.2.2021-31.1.2022	1.2.2020-31.1.2021
Tax on income from operations	-738	-234
Tax for previous accounting periods	-4	-14
Deferred taxes	79	-122
Income tax	-663	-370

The reconciliation of the tax expense entered in the consolidated income statement and taxes calculated using the Finnish tax rate (20% for all financial years) is as follows:

1000 eur	1.2.2021-31.1.2022	1.2.2020-31.1.2021
Accounting profit before taxes	1 353	530
Tax calculated at the parent company's tax rate of 20%	-271	-106
Effect of different tax rates in foreign subsidiaries	-4	-9
Tax-free income included in the accounting profit	4	1
Non-deductible expenses included in the accounting profit	-391	-176
Tax for previous accounting periods	-4	-14
Losses for which no deferred tax asset is recognised	1	-66
Tax expense on profit and loss statement	-663	-370

1000 EUR	1.2.2021	Translation differences +/-	Changes through income statement	Recorded directly into equity	Changes through business	31.1.2022
Deferred tax asset						
Inventories, internal margin	177	-1	19	0	0	195
Provision for credit losses	17	0	17	0	0	34
Unused tax loss	0	0	-10	0	179	169
Other items	144	0	111	43	36	333
Total	**337**	**-1**	**138**	**43**	**215**	**731**

1000 EUR	1.2.2021	Translation differences +/-	Changes through income statement	Recorded directly into equity	Changes through business	31.1.2022
Deferred tax liability						
Property, plant and equipment	482	-5	124	0	0	601
Other items	241	0	-65	0	0	176
Total	**723**	**-5**	**59**	**0**	**0**	**777**

Deferred tax on balance sheet	
Deferred tax asset	169
Deferred tax liability	216
Net deferred tax liability	47

1000 EUR	1.2.2020	Translation differences +/-	Changes through income statement	31.1.2021
Deferred tax asset				
Inventories, internal margin	197	1	-22	177
Provision for credit losses	28	0	-11	17
Other items	144	0	0	144
Total	**369**	**1**	**-33**	**337**

1000 EUR	1.2.2020	Translation differences +/-	Changes through income statement	31.1.2021
Deferred tax liability				
Property, plant and equipment	389	0	93	482
Other items	245	0	-4	241
Total	**634**	**0**	**89**	**723**

Deferred tax on balance sheet	
Deferred tax asset	7
Deferred tax liability	395
Net deferred tax liability	388

On 31 January 2022, the Group had confirmed tax losses carried forward of EUR 1,378,097.32 for which no deferred tax assets have been recognised because the Group is not likely to accumulate taxable income against which the losses could be utilised. These losses will expire in 2025.

On 31 January 2022, the Group had related party interest carry forward of EUR 4,131,172 for which no deferred tax assets have been recognised because the Group is not, for the time being, considered to be likely that such carryforwards will be utilised.

Accounting principle

The income taxes for the financial year include taxes based on the taxable income for the period and deferred taxes. The taxes based on the taxable income for the period concern the financial year under review and they are based on tax rates prescribed or practically enacted by the closing date. The calculation of taxes based on the taxable income for the period is based on valid tax regulations in the countries in which the Company operates and accrues taxable income. The tax based on the taxable income for the period also includes adjustments concerning previous periods.

Deferred taxes are measured based on the tax rates (and legislation) prescribed or practically enabled by the closing date and which are expected to be applied when the deferred tax asset in question is realised or the deferred tax liability is paid.

A deferred tax liability is recognised in full for all taxable temporary differences, unless the Group can order the time of cancellation of the temporary difference and the temporary difference is not likely to be cancelled in the foreseeable future. Deferred tax assets are recognised for tax-deductible temporary differences only to the amount that it is probable that the temporary difference will be cancelled in the future and there is taxable income available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset against each other when the Group has a legally enforceable right to offset the tax assets and liabilities based on the taxable income for the period and when the deferred tax assets and liabilities are connected to income taxes charged by the same taxation authority from the same taxable entity or different taxable entities when the asset and liability are to be realised on a net basis.

22. Related party transactions

The related parties of the HLRE Holding Group include the Group's parent company and subsidiaries. The related parties also include members of the Board of Directors and Group management team, any deputy members and secretary, the CEO and any Deputy CEO, their close family members and their controlled entities.

Related party transactions are treated in accordance with the related party guideline approved by the Board of Directors of HLRE Holding Oyj. The Company's Board of Directors always decides on significant transactions with HLRE Holding Oyj and its related parties.

The subsidiaries are described in note 20 Group structure and remuneration of the key management is disclosed in note 8 Information about key management personnel.

The following transactions have been realised with related parties:

1000 eur **With entities controlled by key management**	**31.1.2022**	**31.1.2021**
Sales of goods and services	52	86
Purchases of goods and services	190	287
Repayment of lease liability	1289	1167
Interest expense on lease liability	76	91
Loan receivables	0	340
Trade receivables	0	328
Interest receivables	0	12
Trade payables	4	0

With shareholders and key management	**31.1.2022**	**31.1.2021**
Loan receivables	0	250
Non-current liabilities	10 789	10 789
Interest liabilities	3 832	3 276
Interest expense	647	649

During the previous financial year, a loan of EUR 250 thousand was granted to the Group CEO. The loan granted to the CEO fell due for payment in full on 31 July 2021. The loan to the CEO beared no interest.

The Group company Vesivek Oy acquired a 71.63% holding in Salaojakympit Oy from the company's CEO in February 2021 at a purchase price of EUR 400 thousand. There is no earn-out associated with the transaction.

The remuneration of key managers is reported in note 8 Information about key managers.

Shareholder loans included in non-current liabilities are reported in note 15. Loans and financial assets.

23. Long-term employee benefits

The Vesivek Group has a years of service reward scheme according to which an employee is entitled to additional pay amounting to pay for 1–3 weeks when the years of service pursuant to the bonus scheme are fulfilled. The accumulated benefits are determined annually based on calculations by actuaries. Any actuarial gains and losses are recognised through profit or loss in employee benefit expenses.

1000 eur	31.1.2022	31.1.2021
Employee benefit obligation		
Balance sheet:		
Defined benefit obligation	337	311
Statutory employee benefit expense	84	78
Employee benefit obligation	**421**	**389**

Opening net balance sheet liability	311	287
Items recognized in operating profit:		
Expense (+)/income (-) recognised in Profit or Loss	87	111
Business combinations	16	
Contributions paid	-77	-87
Net defined benefit liability in balance sheet	**337**	**311**

Assummptions and census data statistics		
Discount rate	0,5 %	0,0 %
Rate of inflation	2,0 %	1,1 %
Rate of salary increase	2,5 %	1,7 %
Employee turnover	15,0 %	15,0 %

The Group anticipates that it will pay EUR 74 thousand relating to years of service benefits during the financial year ending on 31 January 2023.

24. Commitments and contingent liabilities

Guarantees given and contingent liabilities

Accounting principle

A contingent liability is a possible obligation arising due to previous events, the existence of which is only confirmed when an event beyond the control of the Group is realised. Also an obligation that probably does not require fulfilling a payment obligation or the amount of which cannot be reliably determined is considered to be a contingent liability.

25. New IFRS-standards and standards that will enter into force at a later date

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, according to which a consistent definition of "material" will be applied in all IFRS standards and the conceptual framework of financial reporting, it is clarified when information is material and include guidelines on immaterial information.

The IASB has also amended the hedge accounting requirements included in IFRS 9, IFRS 7 and IAS 39 to alleviate the impacts of the uncertainty associated with the reform of inter-bank offered rates (IBOR) on hedging relationships, which are directly influenced by the uncertainty associated with the IBOR reform. The amendment also increases the requirements for notes concerning the hedging relationships impacted by the IBOR reform.

As a result of the COVID-19 pandemic, IASB made amendments to IFRS 16 Leases in May 2020, granting lessees an optional practical expedient.

IASB has amended the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards so that companies can easier take the changes resulting from the IBOR reform in financial statements reporting.

The said amendments will enter into force for financial periods beginning on or after 1 January 2020.

According to the Group's current estimate, the amendments will not have impacts on the Group's future financial statements, and it will continue its assessment of the impact of the amendments.

26. Events after the reporting date

The Group's operating environment is subject to uncertainty caused by the COVID-19 pandemic and its development. The pandemic affects consumers' lives, and it has impacts on disposable income, purchase choices and consumer behaviour, among other things. These can present both challenges and opportunities to the development of the Group's business.

COVID-19 infections and thereby situations resulting in exposures have continued to affect the return to a normal operating environment in both Finland and Sweden after the reporting period. Group companies have had a significant number of employee infections after the end of the reporting period. The Group has further tightened its COVID-19 guidelines further in relation to break facilities at the locations and use of face masks indoors, receiving visitors in the company's premises and internal meetings. In addition, the Group has prepared plans for reacting and adjusting operations to the current COVID-19 situation.

After the reporting period, the Company's Board of Directors decided to merge Nesco under the Vesivek brand. Since 1981, Nesco Oy has been manufacturing rainwater and roof safety products in Finland. Its business serves a wide range of construction professionals. The Vesivek Group has owned Nesco since 2016, and as a result of the decision, Nesco started using the Vesivek brand and its name changed to Vesivek Tuotteet Oy on 4 April 2022.

Parent company’s financial statements, FAS

Parent company’s income statement

EUR 1,000	**Note**	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
REVENUE		**472**	**285**
Employee benefit expenses	1	-185	-176
Depreciation, amortisation and impairment		-24	-24
Other operating expenses	~~2~~	-284	-68
OPERATING PROFIT (LOSS)		**-21**	**17**
Financial income and expenses	3.		
Financial income		3,529	772
Financial expenses		-3,510	-657
PROFIT (LOSS) BEFORE TAXES		**-2**	**132**
Direct taxes	4	0	-26
Profit or loss for the financial year		**-2**	**106**

Parent company’s balance sheet

EUR 1,000	Note	31 January 2022	31 January 2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5	46	70
Investments	6.	19,803	19,803
		19,848	19,872
CURRENT ASSETS			
Non-current receivables	7	33,888	7,700
Current receivables	8	9,034	5,642
Cash and cash equivalents		61	141
		42,984	13,483
ASSETS		**62,832**	**33,355**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
SHAREHOLDERS’ EQUITY			
Share capital		80	3
Other reserves			
Invested non-restricted equity reserve		18,002	18,079
Retained earnings		992	837
Profit or loss for the financial year		-2	106
SHAREHOLDERS’ EQUITY	9.	**19,072**	**19,024**
LIABILITIES			
Non-current liabilities	10	39,391	10,989
Current liabilities	11	4,370	3,341
LIABILITIES		43,760	14,331
SHAREHOLDERS’ EQUITY AND LIABILITIES		**62,832**	**33,355**

Parent company's notes

The financial statements of HLRE Holding Oyj have been prepared in accordance with the Finnish Accounting Act. The financial statements have been prepared in accordance with the requirements set for micro-enterprises (Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking, chapters 2 and 3).

1. Notes concerning the personnel and members of governing organs

EUR 1,000		
Personnel expenses	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
Wages, salaries and fees	-172	-161
Pension expenses	-10	-12
Other social security contributions	-3	-3
Total	-185	-176
Management salaries, fees and fringe benefits		
CEO	127	128
Board members	45	27
Total	172	155
Number of personnel		
Average during the financial year	1	1

2. Other operating expenses and auditors' fees

EUR 1,000	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
Financial administration services	0	-11
To the auditor: actual audit	-27	-15
To the auditor: other expert services	-44	0
Legal and consulting services	-165	
Other operating expenses	-48	-42
	-284	-68

3. Financial income and expenses

EUR 1,000	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
Interest income from Group companies	2,446	772
Exchange rate gains	1,082	0
Financial income total	3,529	772
Interest expenses from liabilities to Group companies	0	-7
Interest expenses from liabilities to others	-2,540	-649
Other debt financial expenses	-940	0
Exchange rate losses	-29	0
Total financial expenses	-3,510	-656
Total financial income and expenses	19	116

4. Direct taxes

EUR 1,000	**1 February 2021–31 January 2022**	**1 February 2020–31 January 2021**
Income taxes on actual operations	0	-26
	0	-26

5. Intangible assets

EUR 1,000	Intangible rights	Total
Acquisition cost on 1 February 2021	116	116
Increase	0	0
Transfers between items	0	0
Acquisition cost on 31 January 2022	116	116
Accumulated amortisation and impairment on 1 February 2021	-46	-46
Depreciation and amortisation	-24	-24
Accumulated amortisation and impairment on 31 Jan 2022	-70	-70
Book value on 31 January 2022	**46**	**46**
Book value on 31 January 2021	70	70

6. Investments

EUR 1,000	Participations in Group companies	Total
Acquisition cost on 1 February 2021	19,803	19,803
Acquisition cost on 31 January 2022	19,803	19,803
Book value on 31 January 2022	**19,803**	**19,803**
Book value on 31 January 2021	19,803	19,803

7. Non-current receivables

EUR 1,000	31 January 2022	31 January 2021
Non-current intra-Group loan receivables	33,888	7,700

8. Current receivables

EUR 1,000	31 January 2022	31 January 2021
Receivables from Group companies		
Intra-group trade receivables	115	-87
Interest receivables on intra-Group loans	6,448	5,678
Group account receivables	2,454	0
Receivables from others		
Other receivables	0	34
Accrued income	17	17
	9,034	**5,642**

9. Shareholders' equity

EUR 1,000	31 January 2022	31 January 2021
Restricted shareholders' equity		
Share capital	80	3
Total restricted equity at the end of the financial year	80	3
Non-restricted shareholders' equity		
Invested non-restricted equity reserve	18,002	18,079
Retained earnings, at the beginning of the period	942	807
Repurchase of shares	-28	0
Sales of treasury shares	78	30
Profit or loss for the financial year	-2	106
Total non-restricted shareholders' equity at the end of the financial year	**18,992**	**19,022**

The Board of Directors' proposal to the general meeting is that no dividends be distributed.

10. Non-current liabilities

EUR 1,000	31 January 2022	31 January 2021
Bonds	28,601	0
Liabilities to related parties	10,789	10,789
	39,391	10,789

11. Current liabilities

EUR 1,000	31 January 2022	31 January 2021
Liabilities to Group companies		
Trade payables	2	2
Interest liabilities	0	7
Liabilities to others		
Trade payables	8	24
Other liabilities	22	5
Interest liabilities	4,246	3,276
Other accrued liabilities	91	0
Income tax liability	0	26
	4,370	3,341

12. Guarantees and contingent liabilities

HLRE Holding Oyj has pledged 2,500 shares in the subsidiary HLRE Group Oy as collateral for the secured financing arrangement of SEK 300,000,000 concerning the Group. In addition, part of intra-Group receivables are pledged as collateral.

The following business mortgages have been confirmed and pledged as collateral for the bond and overdraft facility:

HLRE Group Oy	EUR 57,200,000
Vesivek Oy	EUR 57,200,000
Nesco Invest Oy	EUR 57,200,000
Nesco Oy	EUR 57,200,000
Vesivek Sverige AB	SEK 20,000,000

The following real estate mortgages have been pledged as collateral for the bond and overdraft facility:

Nesco Oy Orimattila production plant	EUR 13,673,200
Vesivek Oy industrial hall in Lieto	EUR 46,800,000

The fair value of the derivative in the financial statements is EUR -484 thousand and the nominal value SEK 200 million.

Calculation formulas for key figures

Equity ratio	100 * Shareholders' equity/Balance sheet total - Advance payments received
EBITDA	Operating profit + Depreciation, amortisation and impairment

Signatures to the financial statements and report of the Board of Directors

Pirkkala, 12 April 2022

Board of Directors of HLRE Holding Oy

Pentti Tuunala chair of the Board of Directors	Ari Haapakoski Board member
Timo Pirskanen Board member	Kimmo Riihimäki Board member/CEO
Anu Syrmä Board member	Mika Uotila Board member

Auditor’s note

A report on the audit performed has been issued today

Tampere, 20 April 2022

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Launis

APA Authorised Public Accountant (KHT)