

**URCA REAL ESTATE HOLDINGS COMPANY LTD.**

Financial Statements

Period January 1, 2022 to September 30, 2022



## URCA REAL ESTATE HOLDINGS COMPANY LTD.

### Management Report – Q3 2022

Following the statutory and legal dispositions, Urca Real Estate Holdings Company LTD. management presents the Management Report and Financial Demonstrations prepared accordingly to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and based on accounting practices adopted in Brazil and normative by CVM (Comissão de Valores Mobiliários). The company adopted all rules, revision of rule and interpretations issued by IASB and that are effective to the financial demonstrations of September 30th, 2022.

#### 1 –Message by the Management

Urca Real Estate Holdings Company LTD. was incorporated in May of 2021, as a Holding of Real Estate assets, headquartered in Bermuda. The company has as a goal obtain long term returns through investment in real estate properties, partnerships, investment vehicles in real estate assets, debt collateralized by real estate assets and partnership or financing of new real estate developments, focusing on leasing or sale, in commercial, residential, student housing, senior housing sectors. The company invests mainly in the US, eventually investing in other countries. The main focus is co-invest with local players that are specialized and niched locally, seeking to maximize the return reducing operating installed cost and participating in investments alongside other players that are focused only in the location and niche of the given investment. Urca may or may not control partnerships, depending on the conditions and the weight of the investment in the company's portfolio, investment risk and other attractivity factors in the evaluation of the potential investment.

The Company invested already in residential mortgages, commercial buildings already leased, financing new multifamily developments, development of student housing and senior living projects.

The investment in residential mortgages continues to perform well, the invested portfolio has a delinquency in cash basis lower than 2% a month and it's fulfilling its goal to provide the company with steady and monthly recurring revenue. The Company started the investments in a simplified investment structure, not using leverage to potentialize the returns for being the first investment in mortgages. After 10 months of investment, close following of the portfolio performance and management, and given the recent raise in the US basic interest rate that favors a lot the mortgage segment that the Company invests in, we have studies to constitute exclusive investment vehicles in partnership with local players that are outliers in the sector.

The investment in commercial properties performed above expected in the first three quarters of operation of the invested properties, with occupancy reaching 80% versus the initially projected 75% for the first twelve months, and a revenue growth of 27%, versus a 15% initially projected for the first twelve months. That performance reinforces the trust in the sector and the areas invested (Milwaukee/WI, Westmont/IL, Downers Grove/IL) alongside the local partner. The result above the expected performance will not yet be reflected in additional income for the Company as previously agreed with the partner, that additional cash flow, depending on the conditions for refi could be distributed to the Company on the unusual distribution period, initially



projected to be at each 18 months. This period can vary depending on the market situation and the buildings operation performance.

The investment in the note to finance a multifamily project in great Orlando/FL area is performing well, the project already as 80% of leasing reservations for when its concluded, which is a great indicator of the quality of the project. The Company receives quarterly interest from that investment, in the first two quarters of the investment the payments were made rigorously at time, attesting the debtor's and project quality.

The Company executed and invested in a partnership to buy and develop projects of student housing, senior living and multifamily, with focus on student living. The investment was partially disbursed in July and September, with capitals calls scheduled for the next 12 months, for which the Company already have cash reserves. For being one of the first investors in the partnership, the Company have a premium in the case of new investors entering after capital call events. The controlling partners notified the Company will obtain a small return of 0.31% preventient from a premium of new partners entering in the fourth quarter.

Following the plan for 2022, the company filed its request to be listed and issue stock offerings in the Bermudian and Brazilian stock exchanges, in Brazil the company will issue BDR (Brazilian Depositary Receipts) of its Class A shares. The stock offering is a paramount part of the company's capitalization plan, to obtain permanent capital and obtain investment scale. Given that there's no direct correlation between legal, accounting, and corporate services costs and the company's capitalization, is expected that the shareholder obtains better return over equity as larger as is the Holding assets and deployed capital in target assets.

The company has an agreement with Urca Management Company, that prospects investments, evaluate and manages the company assets. Urca Management Company continues prospecting new investments and business partners, seeking to diversify the Holding's portfolio and obtain long term asset appreciation, for the company and its shareholders, while seeks to make it viable that the shareholders receive periodical distributions. Urca Management Company waived its compensation so far and will only charge for the period after the conclusion of the company's public offering.

Urca Real Estate Holdings Company begun in 2021 a promising history and thanks the shareholder's trust. We have confidence in our ability to generate value and income to our shareholders through our Executive Directors and stakeholders' commitment and incessant search for the best investment opportunities and risk mitigation in a market so robust, competitive, and still little accessed by Brazilian investors such as the North American market.

So far, the Company invested in mortgages, residential development, student housing, senior living, and commercial properties. The investment in other sectors, as last mile storages, self-storages, commercial loans with real estate as collateral still on the radar and with active prospects, as other investments in the sectors that the Company already invests in. However, the Company doesn't plant to formally engage in new investments until the public offering is concluded, exception made if a substantial return of capital occurs preventient from the current investments.

## 2 – Main Financial Indicators

USD	2021	2022 Q3	Change
Revenue	7.500	240.761	3110,15%
Financial Expenses	-602	-1.260	109,30%
Financial Income	6.898	239.501	3372,04%
Total Operating Expenses	-182.978	-329.079	79,85%
Net Income	-176.080	-89.578	N/A
Basic and Diluted Earnings Per Share	-0,89	-0,29	N/A
Assets	2.593.914	3.055.472	17,79%
Liabilities	20.001	23.330	16,64%
Equity	2.573.913	3.032.143	17,80%
Cash and Cash Equivalents	569.069	576.025	1,22%

### **3 – Financial Performance**

#### **3.1 – Revenue**

A Holding that has minority stakes in partnerships, by definition and accounting rules will have the revenue generate by those stakes, being dividends or interest, accrued as financial income.

In the first nine months of 2022, the Company had a revenue of USD 240,761 from its investments. A robust growth of 3,110.15% against the full year of 2021.

#### **3.2 – Costs**

The Company has a cost structure based on hiring third parties for administrative, accounting, legal and management services. Operating costs were USD 329,979 and refer to legal fees, accounting, business trips, auditing, and consulting fees. Urca Management Company waived its compensation until the present moment. The Company is in process of opening its capital in the Brazilian and Bermudian stock exchanges. The associated costs with the listing of the company and stock offering are non-recurring and should not impact company's long-term results. Urca Management Company has waived its compensation so far and will be the only cost that its directly correlated with the total amount invested by the Company.

#### **3.3 – Profit and Loss**

The Company had a loss of USD 176,080 in the first nine months of 2022. The result is highly impacted by the non-recurring legal fees and other costs related to the company's listing and stock offering. The company does not have a cost structure that is directly correlated with its investment capacity, so there's a relevant scale gain as the company increase the capital invested.

#### **3.4 – Cash Flow**

The Company had a increase in cash availability of USD 6,956, mainly because of the money deployed in new investments and the costs associated with the Company's listing.

#### **3.5 – Cash Availability**

The Company finished the first nine months with USD 576,025 in cash, a comfortable position to cover its operating costs and make new investments in the coming quarters.

#### **3.6 – Statement regarding the Auditors – CVM 381/03**

With the goal to comply with the Instruction CVM number 381/2003, Urca Real Estate Holdings Company LTD. stated that hired the independent auditors UHY Bendoraytes (UHY) to make the special revision of its financial statements in the period ended on September 30th, 2022. The Company paid a total of BRL 10.500,00 for the services. During this period, UHY or any related party did not realize any other services to the Company.

### **4 – Board Statement**

We state, being the Statutory Directors of Urca Real Estate Holdings Company LTD., in compliance with CVM Instruction number 480, of December 7<sup>th</sup>, 2009, Subsection III – Financial Statements, incise V of the article 25, that we reviewed, discussed and agreed with the opinion expressed in the Independent Auditor's Opinion for this period, and;

We state, being the Statutory Directors of Urca Real Estate Holdings Company LTD., in compliance with CVM Instruction number 480, of December 7<sup>th</sup>, 2009, Subsection III – Financial Statements, incise V of the article 25, that we reviewed, discussed and agreed with the opinion expressed in the Independent Auditor's Opinion for the period ended on December 31st, 2021.



### **Board of Directors**

Caio Braz Santos  
Leonardo Abrahão da Costa Nascimento  
Alexander Gardon de Ruskay  
David Smith – Non-Executive Director  
Gary John Carr – Independent Non-Executive Director

### **Executive Directos**

Leonardo Abrahão da Costa Nascimento  
[Chief Executive Officer](#)

Alexander Gardon de Ruskay  
[Chief Operating Officer](#)

Caio Braz Santos  
[Chief Financial Officer and Investor Relations Director](#)

## **INDEPENDENT AUDITORS' REPORT**

To the Directors and Stockholders of  
URCA REAL ESTATE HOLDING COMPANY LTD.

### **Opinion**

We have audited the financial statements of URCA REAL ESTATE HOLDING COMPANY LTD. ("the Company") which comprise the statement of financial position as of September 30, 2022, and related statements of income, comprehensive income, changes in stockholders' equity and cash flows for the nine months period then ended, all expressed in United States Dollars, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of URCA REAL ESTATE HOLDING COMPANY LTD. as of September 30, 2022, and of its financial performance and its cash flow for the nine months period then ended, in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Financial Instruments**

#### **Why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter**

Financial instruments classified in the category at fair value through profit or loss are substantially comprised of investments in special purpose companies and investment vehicles in real estate activities abroad. Such assets are measured in accordance with levels 1 and 2 of the fair value hierarchy, which is why they were included as a focus of our audit based on materiality.

### **How the matter was addressed in the audit**

Regarding the measurement of financial instruments, we highlight the application of the following audit procedures:

- (i) analysis of Management's accounting policies in comparison with the requirements of the standard in force;
- (ii) Understanding of the valuation methodology of these financial instruments and the main assumptions adopted by management, as well as the comparison with independent methodologies and assumptions.
- (iii) With the involvement of our experts, we analyzed the data and sources used and re-performed the valuation of certain operations and analyzed the consistency of these methodologies with those applied in previous periods and with the secondary market for securities of similar characteristics with regard to term, risk and collateral. We consider that the criteria and assumptions adopted by management in measuring these financial instruments are appropriate and consistent with the disclosures in the explanatory notes, considering the consolidated financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, Brazil  
October 31, 2022.

UHY BENDORAYTES & CIA.  
Auditores Independentes



GEYSA BENDORAYTES E SILVA  
Accountant  
CRC 1RJ 091330/O-5

**URCA REAL ESTATE HOLDINGS COMPANY LTD.**

Statement of Financial Position

As at September 30, 2022

*(Expressed in United States dollars)*

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 576,025	\$ 569,069
Investments at fair value (cost \$2,558,571)	2,458,578	2,014,240
Interest and distribution receivable	13,219	-
Prepaid expenses	7,650	10,605
Total current assets	<u>\$ 3,055,472</u>	<u>\$ 2,593,914</u>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Due to related party	\$ 20,000	\$ 20,000
Accounts payable	3,330	1
Total current liabilities	<u>23,330</u>	<u>20,001</u>
<b>Equity</b>		
Share capital	3	3
Share premium	3,360,520	2,749,990
Accumulated losses	(328,380)	(176,080)
Total equity	<u>3,032,143</u>	<u>2,573,913</u>
Total liabilities and equity	<u>\$ 3,055,472</u>	<u>\$ 2,593,914</u>

Signed on behalf of the Board of Directors

  
Caio Braz Santos (Nov 10, 2022 11:31 GMT-3) Director

  
Leonardo Nascimento (Nov 10, 2022 13:14 GMT-3) Director

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

**URCA REAL ESTATE HOLDINGS COMPANY LTD.**

## Statement of Profit or Loss

For the period from January 1, 2022 to September 30, 2022

*(Expressed in United States dollars)*

	<u>Period January 1, 2022 to September 30, 2022</u>	<u>Period May 21, 2021 to December 31, 2021</u>
<b>Expenses</b>		
Accounting	\$ 15,002	\$ 14,004
Audit	19,428	1,245
Directors fees	20,000	-
Corporate administration	62,961	42,262
Consultancy	4,120	34,184
Property valuations	695	11,441
Legal	47,153	33,418
IPO expenses	80,335	-
Travel	68,227	46,424
Other operating costs	<u>11,160</u>	<u>-</u>
Total expenses	<u>329,079</u>	<u>182,978</u>
<b>Financial results</b>		
Unrealized gains on investments	\$ 142,508	\$ 7,500
Realized gains on investments	84,972	-
Interest income on investments	13,281	-
Financial expenses	<u>(1,260)</u>	<u>(602)</u>
Total financial results	<u>239,501</u>	<u>6,898</u>
<b>Net income</b>	<u>\$ (89,578)</u>	<u>\$ (176,080)</u>

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

**URCA REAL ESTATE HOLDINGS COMPANY LTD.**  
Statement of Changes in Equity  
For the period from January 1, 2022 to September 30, 2022  
*(Expressed in United States dollars)*

	Share capital issued	Share premium	Unpaid Capital	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Year to date</b>					
Balance at January 1, 2022	3	2,949,994	(200,004)	(176,080)	2,573,913
Issue of shares	-	410,527	200,004	-	610,531
Net income/(loss)	-	-	-	(89,579)	(89,579)
Dividends paid	-	-	-	(62,724)	(62,724)
Balance at September 30, 2022	3	3,360,521	-	(328,383)	3,032,141
Balance at May 21, 2021	-	-	-	-	-
Issue of shares	3	2,949,994	(200,004)	-	2,749,993
Net income/(loss)	-	-	-	(176,080)	(176,080)
Dividends paid	-	-	-	-	-
Balance at December 31, 2021	3	2,949,994	(200,004)	(176,080)	2,573,913

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

**URCA REAL ESTATE HOLDINGS COMPANY LTD.**

Statement of Cash Flows

For the period from January 1, 2022 to September 30, 2022

*(Expressed in United States dollars)*

	<b>Year to date</b>	<b>Prior year</b>
	Period January 1, 2022 to September 30, 2022	Period May 21, 2021 to December 31, 2021
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (89,579)	\$ (176,080)
Adjusted for:		
Unrealized (gains) losses on investments	(142,508)	(7,500)
Realized (gains) on investments	(84,972)	-
Prepaid expenses	(2,955)	(10,605)
Interest and distribution receivable	(13,219)	-
Due to related party	-	20,000
Accounts payable	3,329	1
Cash flows used in operating activities	(323,993)	(174,184)
<b>Cash flow from investing activities</b>		
Purchase of investments	(301,830)	(2,006,740)
Proceeds from the sale of investments	84,972	-
Cash flows provided by (used in) investing activities	(216,858)	(2,006,740)
<b>Cash flow from financing activities:</b>		
Proceeds from sale of shares	610,531	2,749,993
Dividends paid	(62,724)	-
Cash flows provided by financing activities	547,807	2,749,993
Net increase (decrease) in cash and cash equivalents	6,956	569,069
Cash and cash equivalents at beginning of the period	569,069	-
Cash and cash equivalents at end of the period	\$ 576,025	\$ 569,069

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

## **URCA REAL ESTATE HOLDINGS COMPANY LTD.**

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

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### **1. Incorporation and main activity**

#### **Country of incorporation**

Urca Real Estate Holdings Company Ltd. (the "Company") was incorporated in Bermuda on 21 May 2021 as an exempted company with limited liability. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

#### **Main activity**

The Main activity of the Company is that of investing in property.

### **2. Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The financial statements have been prepared under the historical cost convention. As the company commenced operations on 21 May 2021, a comparative period has not been shown.

### **3. Adoption of new or revised standards and interpretations**

During the current year the Company adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have a material effect on the accounting policies of the Company.

### **4. Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **4.1 Results of Operations**

The results of operations are determined on the accrual basis.

#### **4.2 Functional currency and presentation currency**

The financial statements are presented in United States dollars. The United States dollar is the functional currency of the economic environment in which the Company operates.

#### **4.3 Cash and cash equivalents**

Cash and cash equivalents and highly liquid financial instruments, subject to an insignificant risk of change in value, were considered as cash and cash equivalents.

#### **4.4 Financial assets**

The company classifies its financial assets under the following categories: measured at fair value through profit or loss and measured at fair value through other comprehensive income. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. The company does not have financial assets classified as measured at fair value through other comprehensive income.

## **URCA REAL ESTATE HOLDINGS COMPANY LTD.**

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

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### **4. Significant accounting policies (continued)**

#### **4.5 Other assets and liabilities**

A liability is recognized in the balance sheet when the Company has a legal or constituted obligation as a result of a past event, and it is probable that an economic resource will be required to settle it. Provisions are recorded based on the best estimates of the risk involved.

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated in favor of the Company and its cost or value can be reliably measured.

Assets and liabilities are classified as current when their realization or settlement is likely to occur in the next twelve months. Otherwise, they are shown as non-current.

#### **4.6 Use of estimates**

In preparing the financial statements, it is necessary to use estimates for certain assets, liabilities and other transactions. Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, considered reasonable under the circumstances.

#### **4.7 Investment transactions and related investment income**

Investment transactions are accounted for on a trade-date basis. Realized gains or losses on investments are measured by the difference between the proceeds from the sale and the cost of the investment, such cost is determined on a specific identification tax lot basis. The Company's investments were initially measured at cost and adjusted to fair values on a monthly or quarterly basis with gains and losses reflected on the statement of profit or loss. Realized gains and losses are recorded when the investment acquired is sold. The net realized gains and losses on sale of investments are determined and recorded on the statement of profit or loss.

### **5. New accounting pronouncements**

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

## **6. Financial risk management**

### **Financial risk factors**

The Company is exposed to credit risk, liquidity risk and operational risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

#### **6.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents including outstanding receivables.

##### **(i) Risk management**

Credit risk is managed on an individual basis. For banks and financial institutions, the Company has established policies whereby the bank balances are held with independently rated parties with a minimum rating of BBB.

##### **(ii) Impairment of financial assets**

The Company has the following types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

#### **6.2 Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

## URCA REAL ESTATE HOLDINGS COMPANY LTD.

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

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### 6.3 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

## 7. Fair value estimation

### Fair value hierarchy

**The investments are valued according to the fair value hierarchy as described below:**

Level 1 – Valuations based on quoted prices (unadjusted) are available in active markets for identical investments as of the reporting date.

Level 2 – Valuations based on inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.

Level 3 – Valuations based on inputs are generally less observable or unobservable and significant to the overall fair value measurement. The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

The investment in Brickell Bay Mortgage Opportunity fund was valued at Level 1, given that identical assets are traded in a liquid market, the same for YellowFi Credit I LLC note. The investment in Americana Portfolio IX was valued at Level 2. Peninsula Alternative Real Estate II was valued at acquisition cost, since it was acquired this quarter.

Valuations of the investments and liabilities were made as described below:

### Brickell Bay Mortgage Opportunity Fund

Brickell Bay Mortgage Opportunity Funds is an investment Limited Partnership that invests exclusively in mortgages. The Partnership invests in mortgages with rates north of 11% a year and has three classes of shares, with target returns of 7%, 8% and 9% a year. Urca's investment is in the class with a 9% target return, with interests and eventual capital gains received monthly, without automatic reinvestment.

Credit assets with that characteristic may be sold to other investors in two ways, through the sale of the stake in the partnership to other(s) investor(s) by face value in best efforts (the general partner has no obligation to find a counterpart or provide liquidity to purchase the investor's stake), or through the sale of the adjacent assets in the securitization market, with a spread, being the second option the one where is possible to evaluate the assets fair value and by consequence Urca's investment fair value.

The market reference index for this asset securitization market is the UMBS (Uniform Mortgage Backed Securities). At September 30th of 2022, the UMBS index for 30yr (term of the mortgages in the portfolio), with a 4.5% coupon, closed at 95.44 (mortgagenewsdaily.com). This indicates that mortgages with a 4.5% interest rate are being securitized at a -4.56% premium over face value, meaning that the base rate for securitization of that type of mortgage is 4.90% a year. Considering that the interest rate of Urca's mortgages are topped at a maximum 9% a year, the premium in a securitization for the full duration of the mortgages would be 51.32% over face value. As mortgages in the portfolio have an early termination average at 2.4 years, the terminal fair value of the assets would be a premium of 6.62% over face value.

The face value provided by the administrator at quarter's end was: USD 1,005,849.30. Hence the fair value of the investment is:  $1,005,849.30 \times (1 + 6.62\%) = 1,072,469.80$

## URCA REAL ESTATE HOLDINGS COMPANY LTD.

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

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### 7. Fair value estimation (continued)

#### Americana Portfolio IX

The Partnership Americana Portfolio IX, in which Urca has an investment of a 1.02% interest, is a partnership constituted with the special purpose of buying eleven commercial buildings in four commercial complexes listed below:

Chase Tower, in Milwaukee, WI  
Executive Place / Quail Ridge, in Wesmtont, IL  
Corridors I & II, in Downers Grove, IL  
Corridors III, in Downers Grove, IL

By the time of acquisition (December 2021), as informed by the General Partner, Group RMC, the total liabilities of the partnership were USD 72,500,00.00 and the total acquisition price of the properties were USD 119,750,000.00

Being the debt interest only for the period and fully paid in the quarter with the rental income of the properties, the debt outstanding stays the same, the change in the partnership equity comes from the re-evaluation of the properties. After the acquisition were presented by the General Partner update apprasails for the Executive Place/Quail Ridge, Corridors III and Corridors I & II properties. For the Chase Tower, the most recent market value is the acquisition price, representing the market transactional value of the property.

Below the fair value of the partnership assets:

<b>Americana Portfolio IX</b>	<b>Appraisal (USD)</b>	<b>Appraiser</b>
Executive Place / Quail Ridge	26,000,000.00	JLL
Corridors III	22,900,000.00	JLL
Corridors I & II	43,900,000.00	JLL
Chase Tower	34,250,000.00	Acquisition Price
Total	127,050,000.00	

Considering the update appraisals, the partnership had a positive change in Equity for the last semester of 6.68%. Hence the fair value of Urca's stake in the partnership is:

Fair value = 1,006,740 \* (1+6.68%) = 1,073,990.23, unchanged from the last quarter.

#### YellowFi Credit I LLC

The investment in the debt note issued by YellowFI Credit I LLC is a note collateralized by a multifamily development that was priced by acquisition cost of USD 250,000. Since it's been over a quarter since the acquisition, and the instrument has a similar security traded in high liquidity market, that is the secondary market of residential mortgages, the fair value is calculated using the same parameters of the investment in the Brickell Bay Mortgage Opportunity. However, the note as an interest rate of 11.25% a year, and a duration of 0.5 years. Face value of USD 250,000, which would result in a premium over face value of 4.53% in the securitization market, so the fair value for this investment is as below:  
 $250,000.00 \times (1+4.53\%) = 261,337.12$

#### Peninsula Alternative Real Estate II (PARE II)

The investment in PARE II is a 0.40% interest in a partnership incorporated to buy and/or develop student housing, senior living and multifamily properties. As the investment was made this quarter, its valued by acquisition cost, at **USD 50,782**. For the next quarters the valuation will depend on the percentage of construction of the invested properties, valuation of the properties by third parties and/or financial statements of the partnership, as there's no liquid security that's comparable in the market.

## URCA REAL ESTATE HOLDINGS COMPANY LTD.

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

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### 8. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Going concern basis

The Directors judge that it is appropriate to prepare the financial statements on the going concern basis.

### 9. Tax

The Company is an exempted company, registered in Bermuda, and under the Laws of the country has been granted an exemption from any taxes until March 31, 2035.

### 10. Cash and cash equivalents

The exposure of the Company to credit risk in relation to cash and cash equivalents is reported in note 6 of the financial statements.

### 11. Financial Assets

#### 11.1 Financial Assets changes

<b>Financial Assets</b>	<b>31/12/2021</b>	<b>Acquisitions/ (Sales)</b>	<b>Realized gains</b>	<b>Fair Value adjustment</b>	<b>30/06/2022</b>
Americana Portfolio IX	1,006,740	-	(30,195)	97,445	1,073,990
Brickell Bay Mortgage Opportunity Fund	1,007,500	-	(48,667)	113,636	1,072,469
YellowFi Credit LLC	-	250,000	(12,344)	23,681	261,337
Peninsula Alternative Real Estate II	-	51,830	-	(1,048)	50,782
	<b>2,014,240</b>	<b>301,830</b>	<b>(91,206)</b>	<b>233,993</b>	<b>2,458,579</b>

## URCA REAL ESTATE HOLDINGS COMPANY LTD.

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

### 11.2 Financial Assets classification

<b>Financial Asset</b>	<b>Classification</b>
Cash and Cash equivalents	at fair value through profit or loss
Americana Portfolio IX	at fair value through profit or loss
Brickell Bay Mortgage Opportunity Fund	at fair value through profit or loss
YellowFi Credit LLC	at fair value through profit or loss
Peninsula Alternative Real Estate II	at fair value through profit or loss
<b>Liability</b>	<b>Classification</b>
Related parties	at amortized cost
Future expenses	at amortized cost

### 11.3 Sensitivity analysis

The investments and by consequence the Equity of the Company has as a major devaluation risk the positive variation in the basic interest rate of the US (BIR). In the commercial or residential properties case, the higher the rate, higher is the expected return by investors that seek to obtain income by renting these properties, so properties that are not possible to adjust the rent in the same proportion of the rate differential are subject to devaluation. In the mortgage case, the securitization rates rise, reducing the portfolio spread, by consequence reducing its price in the secondary market.

In September 30, 2022, if it were a raise of 25% (twenty five percent) in the basic interest rate of US, all other remaining constant, the Equity and the P&L of the company by equity change in the first quarter of 2022 would have been reduced in USD 22,983.80. In September 30, 2022, if it were a raise of 50% (fifty percent) in the basic interest rate of US, all other remaining constant, the Equity and the P&L of the company by equity change in the third quarter of 2022 would have been reduced in USD 45,239.19.

The table below shows the company's Equity in September 30, 2022 and respective sensitivity analysis for worst case scenarios, where there's no possibility of rent bumps in any of company's invested properties and there's no renovation in mortgage portfolio.

<b>Index</b>	<b>September 30,2022 (USD)</b>	<b>Equity (USD)</b>	
	<b>Scenario with BIR ranging 3.00% - 3.25% per year</b>	<b>Scenario A (1)</b>	<b>Scenario B (2)</b>
Equity	3,032,143	3,009,159	2,986,902

(1) Scenario with a deterioration of at least 25%, meaning a BIR ranging 3.75% - 4.06% per year

(2) Scenario with a deterioration of at least 50%, meaning a BIR ranging 4.50% - 4.88% per year

### 12. Share capital and share premium

The authorized share capital of the company at September 30, 2022 was \$10,000 made up of Class A restricted voting common shares of par value \$0.00001 each and Class B common shares of par value \$0.001 each. At September 30, 2022, 331,803 Class A shares and 1 Class B share were in issue and paid in.

	Share Capital		Share Premium
	Shares	USD	USD
Class A common shares issued and paid in	331,803	3	3,360,519
Class B common shares issued and paid in	1	-	1
<b>TOTAL</b>	<b>331,804</b>	<b>3</b>	<b>3,360,520</b>

## **URCA REAL ESTATE HOLDINGS COMPANY LTD.**

Notes to Financial Statements

Period January 1, 2022 to September 30, 2022

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### **13. Transactions and outstanding with related parties**

For this statements ends, related parties are considered if it has the capacity to control or to influence with significance the other party in management or operational decisions, as defined by IAS 24 "Related Parties Disclaimer". To consider each possible relations with related parties, the focus is directed not to the substance of the relationship, not strictly to the legal form.

During the presentation period, the related party Urca Capital Partners financed USD 20,000 of company's initial costs. That amount was loaned to the company with no interest and there's no definitive reimbursement date, are recorded as due to related parties in company's financial position.

### **14. Subsequent Events**

The Company submitted to the Bermuda Stock Exchange – BSX the listing and public offering of its Class A shares, and submitted to CVM (Securities Commission in Brazil) the request to list and proceed a public offering of BDRs (Brazilian Depositary Receipts) backed by the shares listed in Bermuda. The offering amount, share price, participants and other relevant information will be disclosed according to company's policies of disclosure of relevant facts and acts available at company's website ([www.ur-us.com](http://www.ur-us.com)) and according to the regulation of public offerings and capital markets in Brazil and Bermuda.

# R-1063-22\_Urca Real Estate 09.22\_ENG [completo]

Final Audit Report

2022-11-10

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