UAB Legal Balance

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

<u>Translation note:</u>
This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All reasonable care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation

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

To the Management of Legal balance UAB

4 July 2023

Ernst & Young Baltic UAB has performed the audit of the financial statements of UAB Legal balance UAB (the "Company") for the year ended 31 December 2022 prepared by the management in Lithuanian language. In this Letter we have included a translation of our opinion from the original, which was prepared in the Lithuanian language.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

"INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UAB Legal balance

Opinion

We have audited the financial statements of UAB Legal balance (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance for the year then ended in accordance with Lithuanian financial reporting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Lithuanian financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Kęstutis Juozaitis
Auditor‘s licence
Nr. 000550

4 July 2023"

Kęstutis Juozaitis
Partner

Approved by the General Meeting of Shareholders
Resolution No____ of _____________2023

BALANCE SHEET

	ASSETS	Note	Current reporting period	Previous reporting period
A.	NON-CURRENT ASSETS		12,885,214	9,512,560
1.	INTANGIBLE ASSETS	1	56,760	2,776
1.1.	Development works		-	-
1.2.	Goodwill		-	-
1.3.	Software		-	2,776
1.4.	Concessions, patents, licenses, trademarks and similar rights		-	-
1.5.	Other intangible assets		56,760	-
1.6.	Prepayments made		-	-
2.	PROPERTY, PLANT AND EQUIPMENT	2	4,600	11,592
2.1.	Land		-	-
2.2.	Buildings and structures		-	-
2.3.	Machinery and equipment		-	-
2.4.	Vehicles		-	5,605
2.5.	Other equipment, fittings and tools		4,600	5,987
2.6.	Investment property		-	-
2.6.1.	Land		-	-
2.6.2.	Buildings		-	-
2.7.	Prepayments made and property, plant and equipment construction (production) in progress		-	-
3.	FINANCIAL ASSETS	3	12,823,854	9,498,192
3.1.	Shares of Group companies		3,911,277	2,388,777
3.2.	Loans to group companies		188,808	-
3.3.	Receivables from group companies		-	-
3.4.	Shares in associates		153,107	153,107
3.5.	Loans to associates		-	-
3.6.	Receivables from associates		-	-
3.7.	Non-current investments		-	-
3.8.	Non-current receivables		8,570,662	6,546,308
3.9.	Other financial assets		-	410,000
4.	OTHER NON-CURRENT ASSETS		-	-
4.1.	Deferred tax asset		-	-
4.2.	Biological assets		-	-
4.3.	Other assets		-	-

	ASSETS	Note	Current reporting period	Previous reporting period
B.	CURRENT ASSETS		6,269,541	4,331,630
1.	INVENTORIES		67,158	67,241
1.1.	Raw materials, consumables and components		111	-
1.2.	Unfinished goods and work-in-progress		-	-
1.3.	Finished goods		-	-
1.4.	Goods for resale		-	439
1.5.	Biological assets		-	-
1.6.	Property, plant and equipment held for sale		-	-
1.7.	Prepayments made		67,047	66,802
2.	RECEIVABLES WITHIN ONE YEAR	5	5,341,961	3,811,787
2.1.	Trade receivables		114,080	7,529
2.2.	Receivables from group companies		-	-
2.3.	Receivables from associates		12,798	12,832
2.4.	Other receivables		5,215,083	3,791,426
3.	CURRENT INVESTMENTS		-	-
3.1.	Shares of Group companies		-	-
3.2.	Other investments		-	-
4.	CASH AND CASH EQUIVALENTS	6	860,422	452,602
C.	DEFERRED EXPENSES AND ACCRUED INCOME		24,295	4,298
	TOTAL ASSETS		19,179,050	13,848,488

	EQUITY AND LIABILITIES	Note	Current reporting period	Previous reporting period
D.	EQUITY		5,562,644	3,853,506
1.	CAPITAL	7	790,423	790,423
1.1.	Issued (subscribed) or main capital		900,003	900,003
1.2.	Subscribed unpaid issued capital (–)		-	-
1.3.	Own shares, member shares (-)		(109,580)	(109,580)
2.	SHARE PREMIUM		-	-
3.	REVALUATION RESERVE		-	-
4.	RESERVES	7	199,580	163,086
4.1.	Legal reserve or reserve capital		90,000	53,506
4.2.	For acquisitions of own shares		109,580	109,580
4.3.	Other reserves		-	-
5.	RETAINED EARNINGS (LOSS)	8	4,572,641	2,899,997
5.1.	Current year profit (loss)		1,709,138	588,191
5.2.	Profit (loss) for previous years		2,863,503	2,311,806
E.	GRANTS AND SUBSIDIES		-	-
F.	PROVISIONS	4	463,986	264,667
1.	Provision for pensions and similar liabilities		-	-
2.	Provisions for taxation		463,986	264,667
3.	Other provisions		-	-
G.	PAYABLES AND OTHER LIABILITIES		13,146,080	9,724,286
1.	PAYABLES AFTER ONE YEAR AND OTHER NON-CURRENT LIABILITIES	9	10,276,933	6,773,613
1.1.	Borrowings		10,250,500	6,730,500
1.2.	Payables to credit institutions		-	-
1.3.	Prepayments received		-	-
1.4.	Trade payables		-	-
1.5.	Payables under bills and cheques		-	-
1.6.	Payables to group companies		-	-
1.7.	Payables to associates		-	-
1.8.	Other payables and non-current liabilities		26,433	43,113
2.	PAYABLES WITHIN ONE YEAR AND OTHER CURRENT LIABILITIES	10	2,869,147	2,950,673
2.1.	Borrowings		2,039,598	1,984,904
2.2.	Payables to credit institutions		-	-
2.3.	Prepayments received		58,051	52,525
2.4.	Trade payables		132,478	64,280
2.5.	Payables under bills and cheques		-	-
2.6.	Payables to group companies		-	-
2.7.	Payables to associates		4,606	4,483
2.8.	Income tax liabilities		-	32,373
2.9.	Employment-related liabilities		255,079	205,420
2.10.	Other payables and current liabilities		379,335	606,688
H.	ACCRUED EXPENSES AND DEFERRED INCOME		6,340	6,029
	TOTAL EQUITY AND LIABILITIES		19,179,050	13,848,488

Director ________________________ Marius Šlepetis

Person responsible for accounting ________________________ Sigitas Ertmanas
Director of UAB Finance United

4 July 2023

Approved by the General Meeting of Shareholders
Resolution No____ of _________ 2023

STATEMENT OF PROFIT OR LOSS

No	Items	Note	Current reporting period	Previous reporting period
1.	Net turnover	11	5,083,666	3,418,046
2.	Cost of sales	12	(549,472)	(370,031)
3.	Fair value adjustments of the biological assets		-	-
4.	GROSS PROFIT (LOSS)		4,534,194	3,048,015
5.	Selling expenses	12	(134,619)	(110,495)
6.	General and administrative expenses	12	(1,519,644)	(1,439,006)
7.	Other operating results	11, 12	13,305	2,929
8.	Income from investments in the shares of parent, subsidiaries and associated entities		-	-
9.	Income from other long-term investments and loans		-	-
10.	Other interest and similar income	13	3,799	594
11.	Impairment of the financial assets and short-term investments		-	-
12.	Interest and other similar expenses	13	(809,663)	(566,035)
13.	PROFIT (LOSS) BEFORE TAX		2,087,372	936,002
14.	Income tax	14	(378,234)	(347,812)
15.	NET PROFIT (LOSS)		1,709,138	588,190

Director ______________________ Marius Šlepetis

Person responsible for accounting ______________________ Sigitas Ertmanas
Director of UAB Finance United

4 July 2023

Approved by the General Meeting of Shareholders

Resolution No____ of _________ 2023

NOTES TO THE FINANCIAL STATEMENTS

General information

UAB Legal Balance (hereinafter “the Company”) is a private limited liability company registered with the Center of Registers on 15 July 2010. The Company is headquartered at Žalgirio st. 90, Vilnius.

The Company’s issued capital amounts to EUR 900,003 and is divided into 310,346 ordinary registered shares with a nominal value of EUR 2.90 each. As at 31 December 2022, the Company’s structure of shareholders was as follows: UAB ERA CAPITAL (47%); a Lithuanian citizen (5%); Grigory Gurevich, a Bulgarian citizen (45%). The Company had acquired 3% of its own shares.

The main activities of the Company are legal services, debt recovery and debt portfolio management.

As at 31 December 2022 and 2021, the Company had acquired 10,344 own shares with a nominal value of EUR 29,998 (acquisition cost was EUR 109,580). These shares accounted for 3.3% of the Company’s issued capital.

Information on own shares

Own shares	Number (units)	Nominal value (EUR)	Shareholding (%)
All shares acquired and held	10.344	2.90	3.33
Acquired during the reporting period	-	-	-
Disposed during the reporting period	-	-	-

As at 31 December 2022, the Company held 32.25% of shares (as at 31 December 2021, 52% of shares) in UAB MARK ID, company code 305098955, address Žalgirio st. 90-100 LT-09303 Vilnius.

As at 31 December 2022 and 2021, the Company held 100% of shares in SIA Legal Balance, company code 40203125480, address Ž Bērzaunes iela 1, Rīga, Latvia.

As at 31 December 2022, the Company held 100% of shares in UAB Legal balance invest, company code 306113214, address Žalgirio st. 90-100 LT-09303 Vilnius.

UAB Legal Balance does not have any affiliates and/or representative offices.

In 2022 and 2021, the average number of the Company’s employees was 40.

These financial statements are separate financial statements of the Company. The Company also prepares consolidated financial statements, which are available at Žalgirio st. 90, Vilnius.

Accounting policies

(a) Basis of preparation

The Company's financial statements are prepared in accordance with the Lithuanian legislation on accounting and financial reporting and Lithuanian Financial Reporting Standards, effective as at 31 December 2022.

In accordance with the Law of the Republic of Lithuania on Corporate Reporting, the Company qualifies as a small business, and, therefore, prepares balance sheet and statement of profit or loss, and does not prepare statement of cash flows and statement of changes in equity. Additionally, the Company does not prepare annual report and the relevant information is disclosed in the notes to the financial statements.

When managing the accounting and preparing the financial statements, the Company follows general principles of accounting: going concern, periodicity, consistency, monetary unit, accrual, comparability, caution and neutrality, and substance over form.

Financial statements were prepared in accordance with the principles of accrual and going concern. In accordance with the principle of accrual, the impact of transactions and other events is acknowledged only when it occurs, is registered in accounting records and presented in the financial reports for the periods of time with which it is related. Furthermore, the financial statements were prepared based on the assumption that the Company has no intentions or need to liquidate itself or significantly reduce the scope of its activities.

(b) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controlled by the Company expecting to obtain direct and/or indirect economic benefits from the use of such asset and the acquisition (production) cost of which is not less than EUR 1,500.

Intangible assets are recorded at acquisition (production) cost. The acquisition cost of intangible assets comprises the amount of money paid or payable when acquiring assets including customs duties and other non-refundable taxes. Other direct costs of preparing an asset for its intended use are included in the acquisition cost of the asset. Renewal and development expenses of intangible assets which are incurred after the acquisition or production are recognised in the reporting period in which they have incurred.

In the balance sheet intangible assets are presented at their net book value, i.e. the acquisition (production) cost less accumulated amortisation and impairment and plus the impairment reversal.

The amortization of intangible assets is calculated by applying a directly proportional (linear) method for the whole period of useful life:

Computer software	3 years
Other intangible fixed assets	4 years

Other intangible assets include ESKOLOS online application (APP).

(c) Property, plant and equipment

Property, plant and equipment of the Company is an asset that provides direct and/or indirect economic benefit when used for more than one year and which acquisition (production) cost is not less than EUR 1,500, while the risks related to the property, plant and equipment are transferred to the Company.

Property, plant and equipment is recorded at the acquisition (production) cost, which includes the amount of money paid or payable when acquiring these assets, arrival costs, non-refundable taxes, design, mounting installation and other costs associated with the acquisition and preparation of these assets. The initial cost of property, plant and equipment excludes non-refundable value added tax. It is recognised in operating expenses in the period in which the assets were acquired.

Reconstruction and repair works of property, plant and equipment are recognised as expenses in the period when they were incurred.

Property, plant and equipment disclosed in the financial statements is measured at the actual acquisition (production) cost of the asset less accumulated depreciation and impairment, plus impairment reversals.

Depreciation of property, plant and equipment in the Company is calculated on straight-line basis. Different ratios of depreciation are approved for different groups of property, plant and equipment.

Groups of assets	Average useful life (in years)
Vehicles	6–10
Other fixtures, fittings, tools and equipment	3–6

Depreciation begins from the first day of the following month after which the item of property, plant and equipment is brought into operation. Depreciation is terminated from the first day of the following month after which it is written-off, disposed or transferred in any other way. The depreciable value of the asset is the acquisition/production cost of the asset minus its residual value, which equals EUR 1 for all items of property, pant and equipment.

Lease is classified as a financial lease if it transfers substantially all the risks and rewards incident to ownership. The accounting of leased assets does not differ from the accounting of own assets. Interest and other borrowing-related costs are recognized as finance expense in the period in which they are incurred.

A gain or loss on disposal of property, plant and equipment is calculated by comparing the income received with a carrying amount of the asset. The result of the transaction is recognised in the statement of profit or loss under other operating income and costs.

Fully depreciated assets that are no longer used by the Company are written off. The items of property, plant and equipment no longer used in the Company's activities and held for sale are accounted for in inventories.

The Company carries out physical count of property, plant and equipment at the end of each reporting year. The carrying amount of each item of property, plant and equipment is reviewed for impairment. If any indication of impairment exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the net realisable value and the value in use. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised in the statement of profit or loss.

(d) Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Company's separate financial statements are carried at cost, less impairment.

Having assessed that the results of the associate are immaterial and do not have a material effect on the Company, the Company did not apply the equity method in the consolidated financial statements, and accounted for the investment in associate at cost according to LFRS 15.

(e) Financial assets

Financial assets include cash and cash equivalents, receivables, loans granted and investments available for sale.

Financial assets are recorded when the Company receives or obtains a contractual right to receive cash or any other financial assets. Receivables are measured at amortised cost using the effective interest rate method, net of allowance for recognised impairment loss. The effective interest rate is set at inception and not adjusted at later dates. At each balance sheet date, the management reviews the debt portfolios acquired to determine whether changes in cash flow forecasts are likely. Updated cash flow forecasts are discounted at the original effective interest rate. Any gain or loss from changes in cash flow forecasts is recorded in the statement of profit or loss under sales revenue as gain or loss on revaluation of assets.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and liability of allocating interest income over the relevant period. The effective interest rate exactly discounts estimated future cash flows (including any fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or through the relevant shorter period to net carrying amount on initial recognition.

Available-for sale investments are investments acquired by the Company for the purpose of selling or generating a profit from short-term fluctuations in price. At the time of acquisition, available-for-sale investments are recognised at the acquisition cost and subsequently, at each reporting date, they are measured at fair value.

When it is probable that the Company will not be able to recover the receivables, the impairment loss is recognised, which is determined as the difference between the carrying amount of assets and the present value of future cash flows discounted using the effective interest rate.

(f) Inventories

Inventories in the financial statements are measured at the lower of acquisition (production) cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, which is adjusted with write-offs amounts and discounts received, related taxes, dues, inventory transportation, preparation for use and other costs directly attributable to the acquisition of inventories. Net realisable value is the selling price in the ordinary course of business, less the costs of completion and estimated selling expenses.

Costs incurred in fulfilling a contract with a customer are capitalised and recognised as contracts in progress until the related revenue is recognised.

An impairment loss on inventories is recognised as operating expense, and the reversal of impairment loss is accounted for as deduction from operating expenses for the period.

(g) Receivables

Purchased receivables claims are initially recognised at cost, and subsequently measured at amortised cost using the effective interest rate method.

Other receivables are initially recorded at cost. Other receivables are subsequently carried at cost less impairment.

An assignment of receivables/debts (non-recourse factoring) is considered as a sale of debts, and debts are written off immediately. If the debt assignment does not involve the transfer risk, and the assignee may refuse the transaction, the transaction is registered as a loan secured by a collateral.

(h) Impairment

Receivables for legal services provided (sales based on VAT invoices) that are past due for more than 90 days are subject to impairment of 50% of the outstanding receivables. Debts that are past due for more than one year are subject to impairment of 100%.

At each balance sheet date, the management reviews the debt portfolios acquired to determine whether changes in cash flow forecasts are likely. Updated cash flow forecasts are discounted at the original effective interest rate. Any gain or loss from changes in cash flow forecasts is recorded in the statement of profit or loss under sales revenue as gain or loss on revaluation of assets. The revaluation of an assets is treated symmetrically, i.e. both the increase and decrease in expected future cash flows affect the carrying amount of the portfolio. This implies that certain portfolios may be measured at an amount that is higher than their cost.

An impairment loss is recognised (on individual basis) on debts acquired through *eskolos.lt* platform when no payment (or a debt recovered up to 3%) is received within last 12 months before the reporting date. The recognition of impairment losses (and their amount) depends on the age of the debt (the period from the debt acquisition date). The amount of the impairment is determined using a rate that is calculated on the basis of the expected temporal distribution of income from debts purchased. A decrease in the carrying amount of an asset and expenses are recognised.

Receivables from *eskolos.lt* which have been purchased more than five years ago and for which an impairment loss has been recognised, and the status of which is 'doubtful', 'deceased', 'bankrupt', 'irrecoverable' are written off as bad debts.

(i) Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are liquid investments that can be easily converted into a known amount of money. Such investments normally mature in less than three months and are subject to insignificant risk of change in value.

(j) Deferred expenses

Deferred expenses arise when the Company pays in the current and prior periods for services of a continuing nature to be provided in future periods and the amounts are proportionally recognised as costs in the future reporting periods when incurred.

(k) Equity and reserves

The Company's equity consists of paid-up part of the share capital, share premium, legal reserve, reserve for acquisition of own shares, revaluation reserve and retained earnings/loss.

Ordinary shares are accounted for at their nominal value. The amount received over and above the nominal value of the issued share capital is the share premium. Costs attributable to the issue of new shares are accounted for as a deduction from share premium. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of own shares.

In accordance with the Law on Companies of the Republic of Lithuania, the legal reserve must make up 1/10 of the value of the issued capital. The Company's deductions to this reserve must be not be less than 1/20 of the net profit of the reporting financial year until the amount of the legal reserve reaches the prescribed amount. The amount above the threshold of legal reserve may be distributed when distributing the Company's profit. The legal reserve, used to cover the losses of the Company, must be redrafted.

During the reporting and previous periods, profit earned but not yet distributed or uncovered losses are presented in the caption of retained earnings (loss).

Profit distribution is recognised when the Company's shareholders adopt a decision to distribute the profit, i.e. on the date of the general meeting of shareholders, no matter when it was earned.

(l) Financial liabilities

Financial liabilities are recorded in the accounting, when the Company assumes the obligation to pay in cash or to settle financial liabilities using other financial assets. Payables for goods and services received are stated at acquisition cost, i.e. the value of assets or services received. Loans are initially recognised at cost and subsequently carried at amortised cost. Accrued interest is accounted for in the other payables.

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

Current liabilities are liabilities which are due for settlement within one year from the balance sheet date.

(m) Sales revenue

Revenue is recognised on the basis of the accrual principle of accounting, i.e. it is registered when it is earned, irrespective of when the cash is received. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services.

Success fee and other sales revenue is recognised on an accrual basis. The amount of revenue is estimated at fair value, taking into account discounts granted, expected returns and write-downs of services rendered. Revenue from sales of services is recognised when services are sold and a reliable estimate of the amount of revenue can be made.

Interest income from loan portfolios are recognised on accrual basis in the statement of profit or loss using the effective interest method. If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk the adjustment (difference between the adjusted cash flows discounted at the original effective interest rate and the amortised cost of the corresponding financial asset) is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase in income or reduction in operating expenses, respectively.

Revenue from rendering of services, which are provided for longer than one reporting period in accordance with the existing contract, is allocated on a proportionate basis to those periods when such services have been rendered.

Other operating income includes gain on disposal of non-current assets used, as well as other income not related to the typical activities of the Company, but received from third parties, with the exception of finance income and extraordinary earnings.

Finance income is the positive result of change in the exchange rate, interest received, fines and penalties paid by buyers, dividends received, reversal of impairment of investment value.

(n) Expenses

Expenses are recognized in accordance with accrual and matching principles during the reporting period when related income is earned notwithstanding the period when money was spent. Expenses that are not related to earnings during the reporting period, but are intended to generate earnings in future periods, are accounted for and recorded in the financial statements as assets.

Cost of sales refers to the costs incurred by the Company during the reporting period, related to services and debt portfolio management activities during the reporting period. This item only includes the part of the costs related to the services sold during the reporting period and debt portfolio management activities. Stamp duty, debt portfolio-related legal costs, bailiff's enforcement fees and similar costs are recognised under cost of sales.

General and administrative expenses represent the costs incurred over reporting period in connection with the typical activities of the Company, and which create conditions for income in the reporting period, but independent of the quantity of services sold. These expenses are recognised, accounted for and presented in the financial statements during the reporting period when they were incurred.

The Company recognises lease payments under a lease agreement as an operating expenses.

Operating costs of an asset under a lease contract are recognised as operating expense of a lessee, unless reimbursed by a lessor. Reconstruction or repair costs are charged by the Company to expense in the period incurred, unless reimbursed by a lessor. If the reconstruction or repair costs qualify for recognition as property, plant and equipment in the same period incurred, these costs are recorded in accordance with the provisions of Lithuanian Financial Reporting Standard 12, Property, Plant and Equipment, and these accounting policies, and are recognised as an expense over the lease term or the expected useful life, whichever is shorter.

If a lessor agrees to reimburse for the value of the reconstruction or repair carried out or to reduce lease payments, the Company accounts for the repair costs as a receivables.

Insurance costs for leased assets are recognised as an expense over the insurance contract period, unless reimbursed by a lessor. The insurance expense recognised is reduced if reimbursed by the lessor.

The owner of the leased asset depreciates the asset and recognises depreciation as expenses.

Other operating expenses include loss of sales of used non-current assets, as well as other expenses that are not related to the typical activities of the Company but incurred to earn income.

Finance costs are the negative result of the change in the exchange rate, the fines and default interest paid, interest and liability charges related to financial debts, and the impairment of investments.

(o) Income tax and deferred income tax

In 2022 and 2021, the Company's profit was taxable at a rate of 15% in accordance with the Lithuanian regulatory legislation on taxation.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivatives. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivatives can be carried forward for five consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 1 January 2014, the tax loss carry-forward that is deducted cannot exceed 70% of the current financial year taxable profit.

Deferred income tax is recognised using the balance sheet liability method for all deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination or reorganisation of companies by merger and, at the time of the transaction, affects neither accounting profit nor taxable profit (taxable losses).

(p) Foreign currencies

All currency items in the balance sheet are estimated in the euros using the exchange rate prevailing at the balance sheet date. The value of assets acquired in foreign currencies in the balance sheet is evaluated in euro using the exchange rate at the time of acquisition. Transactions in foreign currencies are translated to euros at the exchange rate on a transaction day. Differences resulting from the settlement of amounts recorded in foreign currencies at different exchange rates are recognised as gain or loss of the reporting period.

(q) Use of estimates in the preparation of financial statements

When preparing financial statements, management needs to make certain assumptions and estimates that have an impact on the amount of assets, liability, income and costs presented, as well as a disclosure of uncertainties.

Estimates and underlying assumptions are subject to continuous review. The results of a review of accounting estimates are recognized in the period in which this review was performed and its results affected it, or in the review period and future periods, if the review affects the current and future periods.

Future events may change assumptions used for performance of estimates. The result of changes in estimates shall be accounted for in financial statements as they occur.

<u>Determining and reviewing future cash flows from debt portfolios</u>
Future cash flows from debt portfolios acquired, assessed collectively for potential impairment and profitability, are estimated by taking into account the expected cash flows from these assets based on historical data for debt portfolios with similar credit risk characteristics. Expected cash flows estimated on the basis of historical results are adjusted on the basis of current data to reflect the effects of current conditions that did not affect the period on which the historical cash flow experience is based and to remove the effects of the conditions in the historical period that are not relevant to the future contractual cash flows.

Estimates of changes in future cash flows reflect and be directionally consistent with, changes in related observable data from period to period (such as level, nature of debts, recoverability or other factors that are indicative of expected cash flows).
The Company regularly reviews the methodology and assumptions used for estimating future cash flows to reduce any differences between estimates and actual cash flows.

Impairment of investments in subsidiaries and associates

At the end of each reporting period, the Company assesses whether there are any objective assumptions that investments in subsidiaries and associates may suffer impairment. If the objective assumptions indicate the impairment of the financial assets, the loss is recognised in profit or loss. The amount of loss is calculated by comparing the expected recoverable amount of the financial asset to the carrying amount.

(r) Error correction and reclassifications

The Company assigns an error to be a material misstatement when it makes more than 5% profit of the reporting period.

If the information presented for the reporting period is otherwise classified, the comparative amounts are also reclassified for comparability purposes.

(s) Contingent liabilities and assets

Contingent liabilities are future liabilities that may arise from past events and which can be confirmed or denied by uncontrolled uncertain future events of the Company or existing liabilities arising from past events. They are not reflected on the Company's balance sheet since their amount cannot be measured reliably and/or possibility of an outflow of resources embodying economic benefits is remote. They are disclosed in the notes to the financial statements.

Contingent assets – assets that, due to uncontrolled events of the Company, may be owned by the Company in the future and provide economic benefits to it. Information on expected assets is disclosed in the notes to the financial statements.

(t) Share based payments

Employees whose professional activity and/or decisions can have a significant impact on the Group's performance may be rewarded with share-based payments. The fair value of share-based awards granted to employees is measured at the date both parties agree on all conditions. Expenses are recognised in profit or loss under payroll and related expenses over the estimated period, with corresponding amount recognised in the balance sheet under other equity.

Liabilities to settle contracts with equity instruments are recognised as share-based payments. For the purposes of accounting of share-based awards granted to employees, the Group recognises share-based payments recognises in profit or loss as payroll and other related expenses, with corresponding amount recognised in the balance sheet under equity. The amount recognised in expenses is adjusted to reflect the number of awards to employees for services and conditions (not directly dependent on the change in fair value of shares) that are expected to vest.

(u) Events after the reporting period

Events after the reporting period are economic events that take place during the period from the date of a balance sheet until the date when financial statements are prepared, approved by the manager of the Company and issued for authorisation.

Events after the reporting period that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not corrective events are described in explanatory notes, if they are significant.

Notes to the financial statements

1. Intangible assets

Items	Software	Other intangible assets	Total
Acquisition cost			
As at 31 December 2020	91,335	-	91,335
Additions	-	-	-
Write-offs (-)	-	-	-
Reclassifications	-	-	-
As at 31 December 2021	91,335	-	91,335
Additions	-	56,760	56,760
Write-offs (-)	-	-	-
Reclassifications	-	-	-
As at 31 December 2022	91,335	56,760	148,095
Accumulated amortisation			
As at 31 December 2020	77,458	-	77,458
Charge for the period	11,101	-	11,101
Write-offs (-)	-	-	-
Reclassifications	-	-	-
As at 31 December 2021	88,559	-	88,559
Charge for the period	2,776	-	2,776
Write-offs (-)	-	-	-
Reclassifications	-	-	-
As at 31 December 2022	91,335	-	91,335
Carrying amount			
As at 31 December 2020	13,877	-	13,877
As at 31 December 2021	2,776	-	2,776
As at 31 December 2022	-	56,760	56,760

At the end of the reporting period, the acquisition cost of fully amortised intangible assets still used by the Company amounted to EUR 91,335. At the end of the previous reporting period, the acquisition cost of fully amortised intangible assets still used by the Company amounted to EUR 58,030.

2. Property, plant and equipment

Items	Vehicles	Other fixtures, fittings, tools and equipment	Total
Acquisition cost			
As at 31 December 2020	26,900	18,709	45,609
Additions	-	3,027	3,027
Write-offs (-)	-	(4,505)	(4,505)
Reclassifications	-	-	-
As at 31 December 2021	26,900	17,231	44,131
Additions	-	2,020	2,020
Write-offs (-)	(26,900)	-	(26,900)
Reclassifications	-	-	-
As at 31 December 2022	-	19,251	19,251
Accumulated depreciation			
As at 31 December 2020	16,812	10,772	27,584
Charge for the period	4,483	3,118	7,601
Write-offs (-)	-	(2,646)	(2,646)
Reclassifications	-	-	-
As at 31 December 2021	21,295	11,244	32,539
Charge for the period	4,110	3,407	7,517
Write-offs (-)	(25,405)	-	(25,405)
Reclassifications	-	-	-
As at 31 December 2022	-	14,651	14,651
Carrying amount			
As at 31 December 2020	10,088	7,937	18,025
As at 31 December 2021	5,605	5,987	11,592
As at 31 December 2022	-	4,600	4,600

As the end of current and previous reporting period, there were no fully depreciated property, plant and equipment still in use.

3. Financial assets

Items	Current reporting period	Previous reporting period
Shares of Group companies	3,911,277	2,388,777
Shares of SIA Legal Balance (100%)	3,908,777	2,388,777
Shares of UAB Legal Balance Invest (100%)	2,500	-
Impairment (-)	-	-
Shares in associates	153,107	153,107
Shares of UAB MARK ID (32,25% and 52% respectively)	153,107	153,107
Other financial assets	8,759,470	6,956,308
Receivables from debtors of debts purchased	8,570,662	6,541,732
Loan to UAB Legal Balance Invest (maturity of 2 years and an interest rate of 5%)	188,808	4,576
Impairment of receivables (-)	-	-
Contributions to increase issued capital of SIA Legal Balance	-	410,000
Total:	12,823,854	9,498,192

During the reporting period, the issued capital of SIA Legal Balance was increased by EUR 1,520,000 by issuing additional 1,520,000 units of shares with the nominal value of EUR 1 each. During the previous reporting period, the issued capital of SIA Legal Balance was increased by EUR 1,359,000 by issuing additional 1,359,000 units of shares with the nominal value of EUR 1 each. Shares were fully paid by the Company in cash.

During the reporting period, the Company established a subsidiary UAB Legal Balance Invest, the issued capital of which amounts to EUR 2,500 and is divided into 2,500 units of shares with the nominal value of EUR 1 each.

During the previous reporting period, the Company acquired 1,003,454 units of shares in UAB MARK ID with the nominal value EUR 0.01 each. The total consideration paid was EUR 69,632.

4. Deferred tax

Items	Current reporting period	Previous reporting period
Deferred tax asset (liability)	(463,986)	(264,667)
Total:	(463,986)	(264,667)

At the end of the reporting period, deferred tax asset (liability) consisted of:

Taxable and deductible temporary differences	Tax base of asset / (Liability)	Rate %	Deferred tax asset (liability)
Doubtful debts	150,871	15%	22,631
Social security on vacation accrual	976	15%	146
Payables under option agreements	74,696	15%	11,204
Differences between values of debt portfolio	(3,319,781)	15%	(497,967)
Total:	(3,093,238)		(463,986)

At the end of the previous reporting period, deferred tax asset (liability) consisted of:

Taxable and deductible temporary differences	Tax base of asset / (Liability)	Rate %	Deferred tax asset (liability)
Doubtful debts	121,084	15%	18,163
Social security on vacation accrual	763	15%	114
Payables under option agreements	74,696	15%	11,204
Differences between values of debt portfolio	(1,960,988)	15%	(294,148)
Total:	(1,764,445)		(264,667)

5. Current receivables

Items	Current reporting period	Previous reporting period
Trade receivables	126,878	20,362
Loans granted and interest accrued	5,031	5,581
Receivables from debtors of debts purchased	5,023,415	3,906,928
Impairment of receivables	(150,871)	(121,084)
VAT to be returned	337,508	-
Total:	5,341,961	3,811,787

As at 31 December 2022, part of the Company's receivables from debtors purchased were pledged to secure payment of EUR 10,395,000 obligations under bond subscription agreements and EUR 50,000 to ensure obligations under loan agreements. As at 31 December 2022 receivables pledged totalled EUR 14,517,529.

As at 31 December 2021, part of the Company's receivables from debtors of debts purchased were pledged to secure payment of EUR 6,745,000 obligations under bond subscription agreements and payment of EUR 300,000 obligations under loan agreements. As at 31 December 2021, receivables pledged totalled EUR 8,290,185.

6. Cash

Items	Current reporting period	Previous reporting period
Cash at bank	860,422	452,602
Total:	860,422	452,602

7. Structure of issued capital

Items	Number of shares	Nominal value
Structure of issued capital at the end of the financial year	-	-
1. By type of shares		
1.1. Ordinary shares	310,346	900,003
1.2. Preference shares	-	-
1.3. Employees' shares	-	-
1.4. Special shares	-	-
1.5. Other shares	-	-
TOTAL:	310,346	900,003
2. State or municipal capital	-	-
3. Own shares held by the Company	10,344	29,998
4. Shares held by subsidiaries	-	-

All of the shares were fully paid as at 31 December 2022 and 2021.

As at 31 December 2022, the Company had acquired 10,344 own shares with a nominal value of EUR 29,998 (acquisition cost was EUR 109,580). These shares accounted for 3.3% of the Company's issued capital. The Company did not acquire any of its own shares during the reporting period.

Information on own shares

Own shares	Number (units)	Nominal value (EUR)	Shareholding (%)
All shares acquired and held	10.344	2.90	3.33
Acquired during the reporting period	-	-	-
Disposed during the reporting period	-	-	-

As at 31 December 2022, the Company had a legal reserve of EUR 90,000 and a reserve for acquisition of own shares of EUR 109,580. The legal reserve is established as required by the laws.

As at 31 December 2021, the Company had a legal reserve of EUR 53,506 and a reserve for acquisition of own shares of EUR 109,580.

8. Proposed profit appropriation (not approved by the shareholders)

Items	Date	Amount
Retained earnings – profit (loss)	As at 31 December 2021	2,863,503
Net result of the reporting period – profit (loss)		1,709,138
Distributable result – profit (loss)	As at 31 December 2022	4,572,641
Shareholders' contributions to cover losses		-
Transfers from reserves		-
Profit to be distributed		4,572,641
Distribution of profit		
- To legal reserves		-
- To other reserves		-
- Dividends		-
- Other		-
Retained earnings – profit (loss)		4,572,641

9. Non-current payables

Items	Current reporting period	Previous reporting period
Loans received (repayment term of 2–5 years and annual interest rate of 8%)	1,355,500	1,385,500
Bonds (maturity of 3 years and annual interest rate of 7–8%)	8,795,000	5,245,000
Lease liabilities	-	-
Credit line	100,000	100,000
Obligations under the tax credit agreement	26,433	43,113
Total:	10,276,933	6,773,613

As at 31 December 2022 and 2021, part of the Company's receivables from debtors of debts purchased were pledged to secure payments under bond subscription agreements and under loan agreements (see Note 5).

10. Current payables

Items	Current reporting period	Previous reporting period
Prepayments received	58,003	52,525
Trade payables	137,084	68,763
Wage obligations	52,111	40,784
Obligations under option agreements	94,885	74,696
Vacation accrual	56,092	43,885
Social security liabilities	36,996	33,014
Personal income tax liabilities	14,995	13,042
Income tax liabilities	-	32,373
Payables to creditors of debts purchased	360,085	454,229
Current portion of non-current loans (including bonds)	2,037,992	191,452
Short-term loans	-	420,000
Interest on short-term loans	1,667	583
Short-term bonds	-	1,500,000
Interest on short-term bonds	-	13,859
Other payables	19,237	11,468
Total:	2,869,147	2,950,673

11. Revenue

Items	Current reporting period	Previous reporting period
Sales revenue	5,083,666	3,418,046
Services provided	504,601	376,549
Success fees	225,450	246,031
Interest income from debt portfolios	3,256,991	2,841,528
Effect of change in value of debt portfolios	1,096,624	(46,062)
Other operating income	13,305	3,607
Gain on disposal of non-current assets	11,231	-
Other operating income	2,074	3,607

12. Expenses

Items	Current reporting period	Previous reporting period
Cost of sales	549,472	370,031
Costs of doubtful and bad debts	5,362	25,456
Stamp duty	187,201	141,550
Bailiffs' enforcement fees	237,161	139,980
Legal costs of debt recovery	49,961	38,113
Other costs	69,787	24,932
Selling expenses	134,619	110,495
Advertising expenses	134,619	110,495
General and administrative expenses	1,519,644	1,439,006
Wages and salaries and social security	1,020,601	779,010
Audit expenses	26,530	4,700
Depreciation charge	10,293	18,702
Expenses of non-deductible VAT	(266,897)	158,435
Legal and consultation expenses	202,095	146,056
Rental of premises	64,906	47,741
Administration of IT systems	126,421	107,286
Accounting services	64,146	42,350
Postal, shipping costs	34,211	19,062
Utilities	31,990	17,429
Mobile and landline communication costs	27,220	29,864
Other costs	178,128	68,371
Other operating expenses	-	678
Loss on disposal of non-current assets	-	678

13. Financing and investing activities

Items	Current reporting period	Previous reporting period
Revenue	3,799	594
Interest	3,799	594
Gain from foreign currency exchange	-	-
Other income	-	-
Expenses	(809,663)	(566,035)
Interest and other similar expenses	(788,722)	(565,976)
Loss from foreign currency exchange	(10)	(59)
Other costs	(20,931)	-
Operating result	(805,864)	(565,441)

14. Income tax expense

Items	Current reporting period	Previous reporting period
Profit before tax	2,087,372	936,003
Income tax rate	15%	15%
Increase in profit before tax due to expenses which are considered non-deductible for income tax purposes	87,256	95,829
Decrease in profit before tax due to variances in revenue recognition for income tax purposes	1,160,093	191,012
Tax deductions for charity	10,000	-
Operating loss deducted (including losses taken over)	-	-
Reduction of taxable profits by the investment amount	-	-
Declared income tax payable to the State budget	150,680	126,123
Change in taxable temporary differences between tax accounting and reporting	(1,328,793)	(1,540,400)
Deferred income tax expenses (income)	199,319	231,060
Adjusted amount of profit tax returns of the previous years	28,235	(9,371)
Income tax expenses (benefit)	378,234	347,812
Effective income tax rate	19%	36%

In 2022, the company corrected the previous year's income tax returns and accounted for EUR 28,235 in income tax expenses in the 2022 profit (loss) report. In 2021, the Company adjusted income tax returns of the previous years and accounted for EUR 9,371 of income tax benefit in the statement of profit or loss for the year 2021. According to the current tax laws, the tax authorities can at any time within 3 - 5 (depending on the tax) consecutive years after the reporting tax year carry out a tax audit of the Company and calculate additional taxes and fines by reassessing the tax calculation. UAB Legal balance management believes that all taxes are correctly calculated and paid in accordance with applicable laws and is not aware of any circumstances that could give rise to a potential material liability for unpaid taxes.

15. Relations with management and other related parties

The management of the Company consist of the administration head. In 2022, the head of administration was paid a salary of EUR 71,206 (in 2021: EUR 60,339). The heads of administration did not receive any other revenue, loan guarantees or payments. The Company has entered into a share purchase option agreement, whereby the head of the Company is granted an option to purchase 2.35% of the Company's shares. By the end of the previous reporting period, the right to acquire 1.85% of the Company's shares was granted, and the right to acquire additional 0.5% of the Company's shares was granted during the reporting period. In 2022, the Company made a provision of EUR 20,188 for charges, in 2021 – EUR 16,151, and in previous periods – EUR 58,546. These liabilities were reported in the balance sheet, under employment-related liabilities.

16. Related parties

	Payables		Receivables	
Related parties	Current reporting period	Previous reporting period	Current reporting period	Previous reporting period
Shareholders with significant control	1,497,513	1,489	-	-
Parent company	-	-	-	-
Subsidiaries	858	1,267	191,534	414,269
Other related persons	3,021	1,492,207	10,106	8,563
Total	1,501,392	1,494,963	201,640	422,832

	Sales		Purchases	
Related parties	Current reporting period	Previous reporting period	Current reporting period	Previous reporting period
Shareholders with significant control	-	233	141,256	14,351
Parent company	-	-	-	-
Subsidiaries	26,191	16,447	7,690	2,690
Other related persons	75,607	75,050	15,934	246,171
Total	101,798	91,730	164,880	263,212

17. Company's rights and obligations not stated in the balance sheet

The Company has not received any guarantees and warranties. The Company does not participate in court proceedings.

18. Contingent liabilities

At the end of the reporting year, the Company had no contingent liabilities.

19. Events after the reporting period

There were no adjusting events in the Company prior the date of issue of the financial statements.

Prior to the date of approval of these financial statements, the Company issued bonds for a total amount of EUR 2,065,000 with maturity term of 2-3 years, including: bonds of EUR 450,000 which are due by 10/01/2025; bonds of EUR 925,000 which are due by 10/05/2025, bonds of EUR 690,000 which are due by 10/01/2026.

During 2023, until the date of approval of the financial statements for the year 2022, the Company made contributions to increase the capital of the subsidiary SIA Legal Balance for a total amount of EUR 213,000.

After the increase of the capital of UAB MARK ID on 24/03/2023, the Company's share of shares in this company decreased to 24.85%. By the decision of the board on 12/06/2023, all 24.85% will be transferred to the related company UAB ERA CAPITAL for EUR 153,107, which will be paid within 3 (three) years, when the share sale agreement will be signed.

In March 2023, the Company concluded option contracts with its management team granting the right to acquire the Company’s shares in parts during the period of 3 years. Under this option programme, the Company will sell a total of 3.1% of its shares.

Director	______________________	Marius Šlepetis
Person responsible for accounting Director of UAB Finance United	______________________	Sigitas Ertmanas

4 July 2023