

UAB Legal Balance

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

Translation note:

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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VAT payer code LT108784411
Register of Legal Entities

To the Management of Legal balance UAB

7 July 2023

Ernst & Young Baltic UAB has performed the audit of the consolidated financial statements of Legal balance UAB (the “Group”) 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 Legal balance UAB

Opinion

We have audited the accompanying consolidated financial statements of Legal balance UAB and its subsidiary hereinafter the Group), which comprise the consolidated balance sheet as of 31 December 2022, the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows 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 consolidated financial statements* section of our report. We are independent of the Group 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 financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Group’s Annual Report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information presentation.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

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

We also have to evaluate, if the consolidated financial information included in the Group’s Annual Report corresponds to the consolidated financial statements for the same financial year and if the Group’s Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of the consolidated financial statements, in all material respects:

- The financial information included in the Group's Annual Report corresponds to the financial information included in the consolidated financial statements for the same year; and
- The Group's Annual Report was prepared in accordance with the requirements of the Law on Consolidated Reporting by Groups of Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



**Building a better
working world**

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
7 July 2023"

Kęstutis Juozaitis
Partner

UAB Legal Balance
Company code 302528679, address: Žalgirio st. 90, Vilnius.
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Consolidated Financial Statements for the Year Ended 31 December 2022
(All amounts are in euros (EUR) unless otherwise stated)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

	ASSETS	Note	Current reporting period	Previous reporting period
A.	NON-CURRENT ASSETS		12,970,233	8,842,274
1.	INTANGIBLE ASSETS	3.1.	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	3.2.	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	3.3.	12,908,873	8,827,906
3.1.	Shares of Group companies		-	-
3.2.	Loans to group companies		-	-
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		12,755,766	8,674,799
3.9.	Other financial assets		-	-
4.	OTHER NON-CURRENT ASSETS		-	-
4.1.	Deferred tax asset		-	-
4.2.	Biological assets		-	-
4.3.	Other assets		-	-

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	ASSETS	Note	Current reporting period	Previous reporting period
B.	CURRENT ASSETS		7,459,467	5,344,003
1.	INVENTORIES		67,165	67,978
1.1.	Raw materials, consumables and components		111	439
1.2.	Unfinished goods and work-in-progress		-	-
1.3.	Finished goods		-	-
1.4.	Goods for resale		-	-
1.5.	Biological assets		-	-
1.6.	Property, plant and equipment held for sale		-	-
1.7.	Prepayments made		67,054	67,539
2.	RECEIVABLES WITHIN ONE YEAR	3.5.	6,443,015	4,805,665
2.1.	Trade receivables		118,856	9,772
2.2.	Receivables from group companies		-	-
2.3.	Receivables from associates		9,939	8,237
2.4.	Other receivables		6,314,220	4,787,656
3.	CURRENT INVESTMENTS		-	-
3.1.	Shares of Group companies		-	-
3.2.	Other investments		-	-
4.	CASH AND CASH EQUIVALENTS	3.6.	949,287	470,360
C.	DEFERRED EXPENSES AND ACCRUED INCOME		25,184	4,298
	TOTAL ASSETS:		20,454,884	14,190,575

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	EQUITY AND LIABILITIES	Note	Current reporting period	Previous reporting period
D.	EQUITY		5,624,536	3,489,360
1.	CAPITAL	3.7.	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	3.7.	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)	3.7.	4,634,533	2,535,851
5.1.	Current year profit (loss)		2,135,176	778,981
5.2.	Profit (loss) for previous years		2,499,357	1,756,870
6.	EFFECT OF FOREIGN EXCHANGE		-	-
7.	NON-CONTROLLING INTEREST		-	-
E.	GRANTS AND SUBSIDIES		-	-
F.	PROVISIONS		472,562	264,667
1.	Provision for pensions and similar liabilities		-	-
2.	Provisions for taxation	3.4.	472,562	264,667
3.	Other provisions		-	-
G.	PAYABLES AND LIABILITIES		14,330,905	10,427,460
1.	PAYABLES AFTER ONE YEAR AND NON-CURRENT LIABILITIES	3.8.	11,013,289	6,886,613
1.1.	Borrowings		10,986,856	6,843,500
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 CURRENT LIABILITIES	3.9.	3,317,616	3,540,847
2.1.	Borrowings		2,155,344	1,984,904
2.2.	Payables to credit institutions		-	-
2.3.	Prepayments received		57,556	52,525
2.4.	Trade payables		182,479	603,599
2.5.	Payables under bills and cheques		-	-
2.6.	Payables to group companies		-	-
2.7.	Payables to associates		39	3,135
2.8.	Income tax liabilities		187	32,373
2.9.	Employment-related liabilities		298,967	215,151
2.10.	Other payables and current liabilities		623,044	649,160
H.	ACCRUED EXPENSES AND DEFERRED INCOME		26,881	9,088
	TOTAL EQUITY AND LIABILITIES:		20,454,884	14,190,575

Director

Marius Šlepėtis

Person responsible for accounting
Director of UAB Finance United

Sigitas Ertmanas

07/07/2023

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CONSOLIDATED INCOME STATEMENT FOR THE YER ENDED 31 DECEMBER 2022

No	Items	Note	Current reporting period	Previous reporting period
I.	Net turnover	3.10.	6,624,264	4,125,543
II.	Cost of sales	3.11.	(997,476)	(499,796)
III.	Fair value adjustments of the biological assets		-	-
IV.	Gross profit		5,626,788	3,625,747
V.	Selling expenses	3.11.	(223,073)	(183,511)
VI.	General and administrative expenses	3.11.	(2,071,622)	(1,742,456)
VII.	Other operating results	3.10., 3.11.	20,297	3,754
VIII.	Income from investments in the shares of parent, subsidiaries and associated entities		-	-
IX.	Income from other long-term investments and loans		-	-
X.	Other interest and similar income	3.12.	374	594
XI.	Impairment of the financial assets and short-term investments		-	-
XII.	Interest and other similar expenses	3.12.	(829,716)	(577,335)
XIII.	PROFIT (LOSS) BEFORE TAX		2,523,048	1,126,793
XIV.	Income tax	3.13.	(387,872)	(347,812)
XV.	PROFIT (LOSS) BEFORE NON-CONTROLLING INTERESTS		2,135,176	778,981
XVI.	NON-CONTROLLING INTEREST		-	-
XVII.	NET PROFIT (LOSS)		2,135,176	778,981

Director

Marius Šlepetis

Person responsible for accounting
Director of UAB Finance United

Sigitas Ertmanas

07/07/2023

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Paid issued or main capital	Share premium	Own shares (-)	Revaluation reserve		Legal reserves		Other reserves	Retained earnings (loss)	Effect of foreign exchange	Non-controlling interest	Total	
				Property, plant and equipment	Financial assets	Legal reserve or reserve capital	For acquisitions of own shares						
1	Balance as at 31 December 2020	900,003	-	(109,580)	-	-	28,134	109,580	-	1,782,242	-	-	2,710,379
2	Result of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
3	Result of correction of material errors	-	-	-	-	-	-	-	-	-	-	-	-
4	Restated balance as at 31 December 2020	900,003	-	(109,580)	-	-	28,134	109,580	-	1,782,242	-	-	2,710,379
5	Increase (decrease) in value of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
6	Increase (decrease) in value of effective hedging instrument	-	-	-	-	-	-	-	-	-	-	-	-
7	Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
8	Profit (loss) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
9	Net profit (loss) for a reporting period	-	-	-	-	-	-	-	778,981	-	-	-	778,981
10	Dividends	-	-	-	-	-	-	-	-	-	-	-	-
11	Other payments	-	-	-	-	-	-	-	-	-	-	-	-
12	Reserves established	-	-	-	-	-	25,372	-	(25,372)	-	-	-	-
13	Reserves used	-	-	-	-	-	-	-	-	-	-	-	-
14	Increase (decrease) in issued capital or members' contributions (repayment of member shares)	-	-	-	-	-	-	-	-	-	-	-	-
15	Contributions to cover losses	-	-	-	-	-	-	-	-	-	-	-	-
16	Effect of foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-
17	Increase (decrease) of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
18	Balance as at 31 December 2021	900,003	-	(109,580)	-	-	53,506	109,580	-	2,535,851	-	-	3,489,360

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	Paid issued or main capital	Share premium	Own shares (-)	Revaluation reserve		Legal reserves		Other reserves	Retained earnings (loss)	Effect of foreign exchange	Non-controlling interest	Total	
				Property, plant and equipment	Financial assets	Legal reserve or reserve capital	For acquisitions of own shares						
18	Balance as at 31 December 2021	900,003	-	(109,580)	-	-	53,506	109,580	-	2,535,851	-	-	3,489,360
19	Increase (decrease) in value of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
20	Increase (decrease) in value of effective hedging instrument	-	-	-	-	-	-	-	-	-	-	-	-
21	Acquisition (sale) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
22	Profit (loss) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
23	Net profit (loss) for a reporting period	-	-	-	-	-	-	-	2,135,176	-	-	-	2,135,176
24	Dividends	-	-	-	-	-	-	-	-	-	-	-	-
25	Other payments	-	-	-	-	-	-	-	-	-	-	-	-
26	Reserves established	-	-	-	-	-	36,494	-	(36,494)	-	-	-	-
27	Reserves used	-	-	-	-	-	-	-	-	-	-	-	-
28	Increase (decrease) in issued capital or members' contributions (repayment of member shares)	-	-	-	-	-	-	-	-	-	-	-	-
29	Contributions to cover losses	-	-	-	-	-	-	-	-	-	-	-	-
30	Effect of foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-
31	Increase (decrease) of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
32	Balance as at 31 December 2022	900,003	-	(109,580)	-	-	90,000	109,580	-	4,634,533	-	-	5,624,536

Director
Person responsible for accounting
Director of UAB Finance United
07/07/2023

Marius Šlepetis
Sigitas Ertmanas

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

No	Items	Note	Current reporting period	Previous reporting period
1.	Operating activities			
1.1.	Net profit (loss)		2,135,176	778,981
1.2.	Non-controlling interest		-	-
1.3.	Depreciation and amortisation expenses		10,293	18,702
1.4.	Elimination of results of disposal of property, plant and equipment and intangible assets		(11,231)	678
1.5.	Elimination of financial and investing activities	3.12.	829,342	576,741
1.6.	Elimination of results other non-cash activities		-	-
1.7.	Decrease (increase) in receivables from group companies and associates		-	-
1.8.	(Increase) decrease in other receivables after one year		(4,080,967)	(3,283,341)
1.9.	(Increase) decrease in deferred tax asset		-	-
1.10.	(Increase) decrease in inventories, except for prepayments made		328	(439)
1.11.	(Increase) decrease in prepayments made		485	83,166
1.12.	(Increase) decrease in trade receivables		(121,882)	2,020
1.13.	(Increase) decrease in receivables from group companies and associates		11,096	1,029
1.14.	(Increase) decrease in other receivables		(1,526,564)	(546,045)
1.15.	Decrease (increase) in current investments		-	-
1.16.	(Increase) decrease in deferred expenses and accrued income		(20,886)	7,939
1.17.	Increase (decrease) in provisions		207,895	231,060
1.18.	Increase (decrease) in non-current trade payables and prepayments received		(16,680)	(157,670)
1.19.	Increase (decrease) in payables under bills of exchange and vouchers after one year		-	-
1.20.	Increase (decrease) in non-current payables to group companies and associates		-	-
1.21.	Increase (decrease) in current trade payables and prepayments received		(411,483)	528,707
1.22.	Increase (decrease) in payables under bills of exchange and vouchers within one year		-	-
1.23.	Increase (decrease) in current payables to group companies and associates		(7,702)	339
1.24.	Increase (decrease) in income tax liabilities		(32,186)	19,669
1.25.	Increase (decrease) in employment-related liabilities		83,816	70,637
1.26.	Increase (decrease) in other payables and liabilities		(26,117)	306,576
1.27.	Increase (decrease) in accrued expenses and deferred income		17,794	3,036
	Net cash flows from operating activities		(2,959,473)	(1,358,216)

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No	Items	Note	Current reporting period	Previous reporting period
2.	Investing activities			
2.1.	Acquisition of non-current assets (except for investments)		(58,780)	(3,027)
2.2.	Disposals of non-current assets (except for investments)		12,726	1,181
2.3.	Acquisition of non-current investments, other than investments in parent		-	-
2.4.	Disposal of non-current investments, other than investments in parent		-	-
2.5.	Acquisition of investments in subsidiaries		-	(69,632)
2.6.	Disposal of investments in subsidiaries		-	-
2.7.	Loans granted		-	-
2.8.	Loan repayments received		-	-
2.9.	Dividends and interest received		2,933	594
2.10.	Increases in other cash flows from investing activities		-	-
2.11.	Decrease in other cash flows from investing activities		-	-
	Net cash flows used in investing activities		(42,755)	(70,884)
3.	Financing activities		-	-
3.1.	Cash flows related to shareholders of the Company		-	-
3.1.1.	Shares issued		-	-
3.1.2.	Shareholders' contribution to cover losses		-	-
3.1.3.	Acquisition of own shares		-	-
3.1.4.	Dividends paid		-	-
3.2.	Cash flows related to other financing sources		3,481,531	1,336,475
3.2.1.	Increase in financial borrowings		6,524,009	4,951,417
3.2.1.1.	Loans received		1,074,009	506,417
3.2.1.2.	Bonds issued		5,450,000	4,445,000
3.2.2.	Decrease in financial borrowings		(3,021,564)	(3,565,282)
3.2.2.1.	Loans repaid		(457,653)	(2,916,550)
3.2.2.2.	Bonds acquired		(1,800,000)	(100,000)
3.2.2.3.	Interest paid		(762,219)	(542,058)
3.2.2.4.	Finance lease payments		(1,692)	(6,674)
3.2.3.	Increase in other liabilities of the Company		17	-
3.2.4.	Decrease in other liabilities of the Company		-	(49,660)
3.2.5.	Increase in cash flows from other financing activities		-	-
3.2.6.	Decrease in cash flows from other financing activities		(20,931)	-
	Cash flows from/used in financing activities		3,481,531	1,336,475
4.	Foreign exchange effect on the balance of cash and cash equivalents		(10)	(59)
5.	Net increase (decrease) in cash flows		478,927	(92,683)
6.	Cash and cash equivalents at the beginning of the period		470,360	563,043
7.	Cash and cash equivalents at the end of the period	3.6.	949,287	470,360

Director

Marius Šlepėtis

Person responsible for accounting
Director of UAB Finance United

Sigitas Ertmanas

07/07/2023

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

1.1. Company details

The parent company UAB Legal Balance (hereinafter the “Company”), company code 302528679, is registered with the Center of Registers on 15 July 2010. The Company is headquartered at Žalgirio st. 90, Vilnius.

The issued capital of UAB Legal Balance 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 UAB Legal Balance are legal services, debt recovery and debt portfolio management.

As at 31 December 2022 and 2021, UAB Legal Balance 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	-	-	-

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

1.2. Information about the Group and changes to it

The group of companies UAB Legal Balance is formed of (by establishing) the following companies:

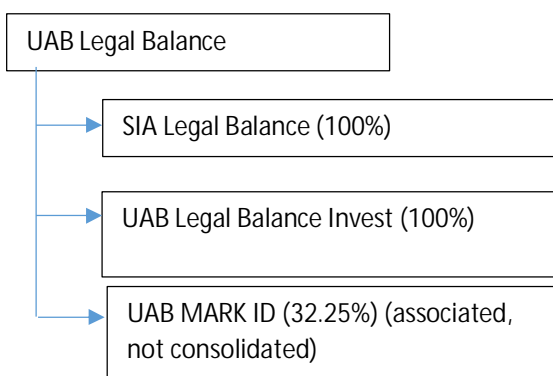
- SIA Legal Balance (100%) on 16/02/2018
- UAB Legal Balance Invest (100%) on 12/07/2022

Legal form	Name	Registered office (address)	Main operating activities
SIA	Legal Balance	Bērzaunes iela 1, Rīga, LV-1039	Legal services, debt recovery and debt portfolio management.
UAB	Legal Balance Invest	Žalgirio st. 90-100, Vilnius	Legal services, debt recovery and debt portfolio management.

UAB Legal Balance
Company code 302528679, address: Žalgirio st. 90, Vilnius.
Data is stored at the State Enterprise Centre of Registers.
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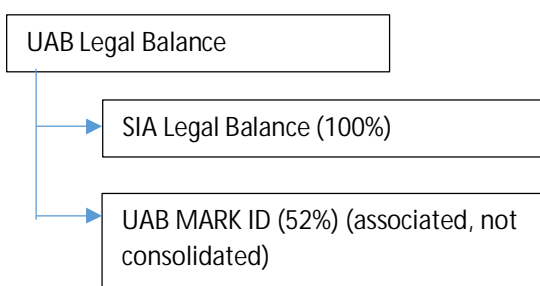
At the end of the previous reporting period, UAB Legal Balance held 52% of shares in UAB MARK ID. The main activity of this Group company is provision of electronic signature service. At the end of the reporting period, after the increase in issued capital of UAB MARK ID, UAB Legal Balance held 32.25% of shares in this company. UAB Legal Balance has no control over this Group company, therefore it is considered associated company and excluded from consolidation.

The Group's structure as at 31 December 2022:



As at 31 December 2022 and 2021, the Group had 57 and 50 employees, respectively.

The Group's structure as at 31 December 2021:



The Group's management approved these financial statements on 7 July 2023. The shareholder of the Company have the right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. ACCOUNTING POLICY

The consolidated financial statements of UAB Legal Balance are prepared in accordance with the Lithuanian legislation on accounting and financial reporting, including consolidated financial reporting, and Lithuanian Financial Reporting Standards, effective as at 31 December 2022.

For the purpose of the accounting policy provided below, the Group means the parent company UAB Legal Balance and each of its subsidiaries whose financial statements are consolidated, unless stated otherwise.

When managing the accounting and preparing the financial statements, the Group 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 Group has no intentions or need to liquidate itself or significantly reduce the scope of its activities.

(a) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controlled by the Group 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).

(b) Property, plant and equipment

Property, plant and equipment of the Group 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 Group.

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 Group 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, plant 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 Group are written off. The items of property, plant and equipment no longer used in the Group's activities and held for sale are accounted for in inventories.

The Group 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.

(c) Investments in subsidiaries and associates, and basis of consolidation

The consolidated financial statements include the financial statements of UAB Legal Balance and its controlled companies (hereinafter the "Group"), except for companies which are considered not material in respect of the Group of companies and, based on the management's decision, are excluded from consolidation.

Subsidiaries are companies controlled by the parent company. Control exists when the Parent has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

In assessing control, potential voting rights that currently are exercisable are considered. A company is generally considered to be controlled when the Group owns, either directly or indirectly, more than 50% shareholding with voting rights in the company and/or is able to govern the financial and operating policies of the company so as to benefit from its activities. The equity and net income attributable to the minority shareholders' interests are recorded separately in the consolidated balance sheet and consolidated income statement.

The financial statements of the Group companies are prepared for the same date, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, it being the date on which the Group effectively obtains control, and continue to be consolidated up to the date when such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies are eliminated.

In the Group's financial statements, the investment into associates should be accounted for applying the equity method. Having assessed that the results of the associate are immaterial and that the Group does not have a material effect on the associate, the Group did not apply the equity method in the consolidated financial statements, and accounted for the investment in associate at cost according to LFRS 15.

Assessment of investments in associates and subsidiaries is performed when there are indications that the assets may be impaired or the impairment losses recognised in prior years no longer exist.

(d) Financial assets

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

Financial assets are recorded when the Group 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 Group 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 Group 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.

(e) 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.

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.

(f) 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.

(g) 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 *eskolas.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.

(h) 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.

(i) Deferred expenses

Deferred expenses arise when the Group 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.

(j) Equity and reserves

The Group's equity consists of the share of the issued capital paid-up by the parent company, share premium, the Group's 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 Group'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 Group, 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 Group'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.

(k) 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.

(l) 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 Group, 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.

(m) 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 Group 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 Group, 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 Group 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 Group 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 Group 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.

(n) Income tax and deferred income tax

In 2022 and 2021, the parent 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 Group does not continue its activities due to reasons which do not depend on the entity 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.

The profit for 2022 and 2021 of the subsidiary SIA Legal Balance is taxed at the time when the decision for profit distribution is adopted. The income tax rate is 20%, calculated as 20/80 from the amount of the profit distribution. The Company also calculates and pays income tax on notional profit distribution (20/80 from the calculated taxable base), including taxable items such as non-business expenses, accrued bad debts and loans to related parties, as defined by laws. Income tax on notional profit distribution is recognised in profit or loss in the year when incurred.

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).

(o) 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.

(p) 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both 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.

Determining and reviewing future cash flows from debt portfolios

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 are directionally should 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 Group regularly review the methodology and assumptions used for estimating future cash flows to reduce any differences between estimates and actual cash flows.

(q) Error correction and reclassifications

The Group 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.

(r) 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 Group 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 Group, may be owned by the Group in the future and provide economic benefits to it. Information on expected assets is disclosed in the notes to the financial statements, if material.

(s) 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.

(t) 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 Group and issued for authorisation.

Events after the reporting period that provide additional information about the Group'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.

3. NOTES

3.1. 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 Group 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 Group amounted to EUR 58,030.

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3.2. 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.

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3.3. Financial assets

Items	Current reporting period	Previous reporting period
Shares in associates	153,107	153,107
Shares in UAB MARK ID (32.25% and 52%, respectively)	153,107	153,107
Other non-current financial assets	12,755,766	8,674,799
Receivables from debtors of debts purchased	12,755,766	8,670,223
Loans (maturity of 2 years and an interest rate of 5%)	-	4,576
Total:	12,908,873	8,827,906

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.

3.4. Deferred tax

Items	Current reporting period	Previous reporting period
Deferred tax asset (liability)	(472,562)	(264,667)
Total:	(472,562)	(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	(3,376,957)	15%	(506,544)
Total:	(3,150,414)		(472,562)

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)

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3.5. Current receivables

Items	Current reporting period	Previous reporting period
Trade receivables	128,795	18,010
Loans granted and interest accrued	5,031	5,581
Receivables from debtors of debts purchased	6,098,700	4,901,453
Impairment of receivables	(153,037)	(123,250)
VAT receivable	337,508	-
Other receivables	26,018	3,871
Total:	6,443,015	4,805,665

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

As at 31 December 2021, part of the Group'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.

3.6. Cash

Items	Current reporting period	Previous reporting period
Cash at bank	949,287	470,360
Total:	949,287	470,360

3.7. Capital

Items	Number of shares	Amount
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.

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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 Group 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 Group had a legal reserve of EUR 53,506 and a reserve for acquisition of own shares of EUR 109,580.

Proposed profit appropriation (not approved by the shareholders):

Items	Date	Amount
Retained earnings – profit (loss)	As at 31 December 2021	2,499,357
Net result of the reporting period – profit (loss)		2,135,176
Distributable result – profit (loss)	As at 31 December 2022	4,634,533
Shareholders' contributions to cover losses		-
Transfers from reserves		-
Profit to be distributed		4,634,533
Distribution of profit		-
- To legal reserves		-
- To other reserves		-
- Dividends		-
- Other		-
Retained earnings – profit (loss)		4,634,533

3.8. Non-current payables

Items	Current reporting period	Previous reporting period
Loans received (repayment term of 2–5 years and annual interest rate of 8%)	2,091,856	1,498,500
Bonds (maturity of 3 years and annual interest rate of 7–8%)	8,795,000	5,245,000
Credit line	100,000	100,000
Obligations under the tax credit agreement	26,433	43,113
Total:	11,013,289	6,886,613

As at 31 December 2022 and 2021, part of the Group's receivables from debtors of debts purchased were pledged to secure payments under bond subscription agreements and under loan agreements (see Note 3.5).

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3.9. Current payables

Items	Current reporting period	Previous reporting period
Prepayments received	57,556	52,525
Trade payables	178,161	603,599
Wage obligations	70,223	53,543
Obligations under option agreements	94,885	74,696
Vacation accrual	68,064	43,885
Social security liabilities	46,386	39,548
Personal income tax liabilities	19,409	16,239
Income tax liabilities	187	32,373
Payables to creditors of debts purchased	532,576	454,229
Current portion of non-current borrowings (including bonds)	2,153,738	191,452
Short-term loans	-	320,000
Interest on short-term loans	1,667	583
Short-term bonds	-	1,600,000
Interest on short-term bonds	-	13,859
Payables to associates	4,357	3,135
Other payables	90,407	41,181
Total:	3,317,616	3,540,847

3.10. Revenue

Items	Current reporting period	Previous reporting period
Sales revenue	6,624,264	4,125,543
Services provided	531,566	402,539
Success fees	225,450	246,031
Interest income from debt portfolios	4,955,375	3,635,574
Effect of change in value of debt portfolios	895,197	(178,079)
Other sales revenue	16,676	19,478
Other operating income	20,297	4,432
Gain on disposal of non-current assets	11,231	-
Other operating income	9,066	4,432

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3.11. Expenses

Items	Current reporting period	Previous reporting period
Cost of sales	997,476	499,796
Costs of doubtful and bad debts	5,362	25,456
Stamp duty	591,551	259,825
Bailiffs' enforcement fees	237,161	139,980
Legal costs of debt recovery	49,961	38,113
Other costs	113,441	36,422
Selling expenses	223,072	183,511
Advertising expenses	134,619	110,495
Other costs	88,453	73,016
General and administrative expenses	2,071,622	1,742,456
Wages and salaries and social security	1,393,314	1,002,684
Audit expenses	42,530	4,700
Depreciation charge	10,293	18,702
Expenses of non-deductible VAT (reversal)	(266,897)	158,435
Legal and consultation expenses	209,879	146,056
Rental of premises	64,906	47,741
Administration of IT systems	126,421	107,286
Accounting services	66,075	42,350
Postal, shipping costs	34,211	19,062
Utilities	47,520	30,353
Mobile and landline communication costs	84,501	63,904
Other costs	258,869	101,183
Other operating expenses	-	678
Loss on disposal of non-current assets	-	678

3.12. Financing and investing activities

Items	Current reporting period	Previous reporting period
Revenue	374	594
Interest	374	594
Gain from foreign currency exchange	-	-
Other income	-	-
Expenses	(829,716)	(577,335)
Interest and other similar expenses	(808,775)	(577,276)
Loss from foreign currency exchange	(10)	(59)
Other costs	(20,931)	-
Operating result	(829,342)	(576,741)

3.13. Income tax expense

The Group's income tax expense comprised the following:

UAB Legal Balance	EUR 378,234
UAB Legal balance invest	EUR 8,763
Legal Balance SIA	EUR 875

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The income tax expense of Legal Balance SIA was calculated using the tax base of 3,498 at a rate of 20/80. The income tax rate in Latvia is 20%.

The income tax expenses of UAB Legal Balance comprised the following:

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, UAB Legal Balance made adjustments in the income tax returns of the previous years, and recognised the income tax expenses of EUR 28,235 in the income statement for the year ended 31 December 2022. In 2021, it made adjustments in the income tax returns of the previous years, and recognised the income tax expenses of EUR 9,371 in the income statement for the year ended 31 December 2021. According to legislation on taxation in effect, the Tax Authorities may at any time during 3-5 (depending on tax) successive years after the end of the reporting tax year carry out a tax inspection of an entity and impose additional taxes or fines by re-assessing taxes calculations. The management of UAB Legal Balance believes that all taxes are properly calculated and paid according to the prevailing tax laws and it is not aware of any circumstances which may give rise to a potential material liability in respect of taxes not paid.

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The income tax expenses of UAB Legal Balance invest comprised the following:

Items	Current reporting period	Previous reporting period
Profit before tax	55,176	-
Income tax rate	15%	-
Increase in profit before tax due to expenses which are considered non-deductible for income tax purposes	3,244	-
Decrease in profit before tax due to variances in revenue recognition for income tax purposes	57,176	-
Tax deductions for charity	-	-
Operating loss deducted (including losses taken over)	-	-
Reduction of taxable profits by the investment amount	-	-
Declared income tax payable to the State budget	187	-
Change in taxable temporary differences between tax accounting and reporting	(57,176)	-
Deferred income tax expenses (income)	8,576	-
Adjusted amount of profit tax returns of the previous years	-	-
Income tax expenses (benefit)	8,763	-
Effective income tax rate	16%	-

3.14. Relations with management and other related parties

The management of the Group comprise only the head of administration. 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 i the balance sheet, under employment-related liabilities.

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3.15. Related parties

	Payables		Receivables	
	Current reporting period	Previous reporting period	Current reporting period	Previous reporting period
Related parties				
Shareholders with significant control	1,497,513	1,489	-	-
Associates	499	471	1274	227
Subsidiaries	-	1,267	-	-
Other related persons	2,636	1,491,736	8,699	7,767
Total	1,500,648	1,494,963	9,973	7,994

	Income received		Acquisitions	
	Current reporting period	Previous reporting period	Current reporting period	Previous reporting period
Related parties				
Shareholders with significant control	-	233	141,256	14,351
Associates	11,292	12,861	989	723
Subsidiaries	-	10,895	623	645
Other related persons	75,607	62,189	11,353	242,391
Total	86,899	86,178	154,221	258,110

3.16. Group's rights and commitments

The Group has not received any guarantees and warranties. The Group does not involved in any legal proceedings.

3.17. Contingent liabilities

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

3.18. Events after the reporting period

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

Prior to the date of approval of these financial statements, the Group issued bonds for a total amount of EUR 2,065,000 with maturity term of 2 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; and bonds of EUR 690,000 which are due by 10/01/2026.

Till the date of approval of these financial statements subsidiary Legal balance Invest UAB has borrowed EUR 1,155,048.

During 2023, until the date of preparation 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.

Following increase in the issued capital of UAB MARK ID on 24/03/2023, the Company's shares held 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 purchase 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 Sigitas Ertmanas
Director of UAB Finance United

7 July 2023

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UAB Legal Balance

ANNUAL REPORT

to the financial statements for the year ended 31 December 2022

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The annual report of the Group was prepared in accordance with the requirements set in the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Republic of Lithuania Law on Companies. The Group's Articles of Association do not establish other requirements for the contents of the annual report in addition to those stipulated in the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Primary information about the Group

The parent company UAB Legal Balance (hereinafter the "Group"), company code 302528679, is registered with the Center of Registers on 15 July 2010. The Group is headquartered at Žalgirio st. 90, Vilnius.

The group of companies UAB Legal Balance is formed by establishing the following companies:

- SIA Legal Balance (100%) on 16/02/2018
- UAB Legal Balance Invest (100%) on 12/07/2022

Legal form	Name	Registered office (address)	Main operating activities
SIA	Legal Balance	Bērzaunes iela 1, Rīga, LV-1039	Legal services, debt recovery and debt portfolio management.
UAB	Legal Balance Invest	Žalgirio st. 90-100, Vilnius	Legal services, debt recovery and debt portfolio management.

At the end of the previous reporting period, UAB Legal Balance held 52% of shares in UAB MARK ID. The main activity of this Group company is provision of electronic signature service. At the end of the reporting period, after the increase in issued capital of UAB MARK ID, UAB Legal Balance held 32.25% of shares in this company. Following increase in the issued capital of UAB MARK ID on 24/03/2023, the Group's shares held 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.

Description of the Group's activities and service market

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

Objective overview of the Group's financial position, performance and development

In 2022, was a record year for the Group in all the business segments:

Purchase of debt portfolios

During the reporting period, the Group's investments in the purchase of debt portfolios totalled EUR 7.07M (EUR 4.72M in Lithuania and EUR 2.35M in Latvia), which is more by 33% than in 2021. As at 31 December 2022, the Group managed a total portfolio of purchased debts of EUR 71.95M (nominal value), of which debts recovered during the reporting period amounted to EUR 7.37M (2021: EUR 5.40M).

Debt management and legal services

This is a fast-growing business segment of the Group. During the reporting period, the customer debt portfolio increased to EUR 31.26M (2021: EUR 23.35M), of which debts recovered in favour of the clients amounted to EUR 9.94M (2021: EUR 6.67M).

Platform Eskolos.lt

The Group runs the online debt purchase and management platform eskolos.lt (atgustinaudu.lv) a platform designed for individual creditors to sell their debts at an agreed price or cooperate on a success fee basis.

Description of key risks and uncertainties faced by the Group

Financial risks

When performing its activities, the Group is exposed to financial risks, including credit risk, liquidity risk, and interest rate risk. By managing these risks, the Group seeks to mitigate the effects of factors that might have an adverse effect on the Group's financial performance.

Credit risk

Credit risk arising from the funds held at banks is minimal because the Group's accounts have been opened only with those banks which have been assigned with high credit ratings by foreign rating agencies.

Liquidity risk

Liquidity risk is managed by planning the movement of cash flows of the Group. Cash flow forecasts are made to minimize liquidity risk. Short-term financing (credit lines) from both the financial institutions and the shareholders is used to manage short-term mismatches of cash flows (inflows and outflows), if necessary.

Interest rate risk

Interest rate risk mainly arises from short-term borrowings that might be necessary for the levelling out the working capital. The Group's activities are funded using both the share capital and borrowed funds.

Foreign currency risk

Purchase/sale contracts of the Group are denominated mostly in the euro, rarely in some other currencies. As a result, changes in exchange rates of foreign currencies do not have a significant impact on the Group's performance.

Regulatory risk

Developments in the legal environment (specific changes, requirements) are expected in the future that would affect the Group's debt collection activities. The Group continuously monitors developments in the legal framework and is ready to take the necessary action to ensure legal compliance.

Analysis of financial and non-financial performance

In 2022, the Group of companies earned EUR 6.62M revenue, which is 60% more than in 2021, during which the Group earned EUR 4.13M. This was mainly caused by higher investments in the purchase of debt portfolios: during the reporting period, investments amounted to EUR 7.07M, and debt recoveries totalled EUR 7.37M.

In 2022, operating expenses (cost of sales, selling and general expenses) increased by 35% compared to the previous financial year. The increase in costs directly correlates with the increase in the operating volumes: the growth of the debt portfolio managed is accompanied by the increase in number of employees, legal costs and general expenses.

In 2022, financial expenses increased by 48%, compared to the previous financial year. This was due to a new issue of bonds amounting to EUR 5.15M during the reporting period, of which the bond issue amounting to EUR 2M was admitted to trading on the Nasdaq Baltic First North Market.

Information on environmental and personnel-related matters

The Group's activities comply with the requirements stipulated in the environmental legislation. In 2022, the Group had 57 employees (average number of employees). The Group's total wage fund for 2022 was EUR 1.40M (2021: EUR 1M).

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References to or additional explanations of data reported in the annual financial statements

The financial data in this Report are prepared in accordance with the Lithuanian legislation on accounting and financial reporting, including consolidated financial reporting, and Lithuanian Financial Reporting Standards, effective as at 31 December 2022.

Information on own shares held or acquired by the Group, the number of own shares acquired or disposed of during the reporting period, their nominal value and percentage of issued capital they represent, and information on payment for own shares, provided they are acquired or disposed of in return for a consideration.

As at 31 December 2022 and 2021, UAB Legal Balance 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 Group'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	-	-	-

Information on the Group's branches and representative offices

The Group has no branches and representative offices.

Significant events after the end of the reporting period

Prior to the date of approval of these financial statements, the Group of companies issued bonds for a total amount of EUR 2,065,000 with maturity term of two 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; and bonds of EUR 690,000 which are due by 10/01/2026.

Plans and forecasts of operations of the Group

The Group intends to further develop all three business segments, to grow the debt portfolios it manages and to improve recovery of debts both in favour of the Company and its customers.

Information about the Group's research and development activities

The Group plans to continue a sustainable development of its current activities aimed at improving profitability and efficient use of assets in a long run. No research activities are planned.

Financial instruments in use

The Group did not use financial or hedging instruments qualifying for hedge accounting that could affect the assessment of the Group's assets, equity, liabilities, financial position and performance.

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Information on the other executive positions held by the Group's manager, members of the Board, and members of the Supervisory Board and the most significant information on their principal workplace

Name Surname	Position in UAB Legal Balance	Main workplace	Management positions in other companies and organizations
Marius Šlepetis	Director	UAB Legal Balance (code 302528679), address, Žalgirio st. 90, Vilnius, Director	SIA Legal Balance (code 40203125480, address Bērzaunes iela 1, Ryga, Latvia), Chairman of the Board
			UAB Legal balance invest (code 306113214, address Žalgirio st. 90-100, Vilnius, Lithuania), Director
			Lietuvos kreditų valdymo įmonių asociacija (code 300041555, address Žalgirio st. 90, Vilnius, Lithuania), executive
			MB AJ prekyba (code 305914903, address V. Nagevičiaus st. 3, Vilnius, Lithuania), Director
Evaldas Remeikis	Board member	AB NEO Finance (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Head of Administration	UAB ERA Capital (code 300638657, address Ulonų st. 5, Vilnius, Lithuania), Director
			UAB UCS Baltic (code 110825653, address Ulonų st. 5, Vilnius, Lithuania), Chairman of the Board
			UAB BnP Finance (code 302447985, address Ukmergės st. 126, Vilnius, Lithuania), Board member
			SIA UCS (code 40003753650, address Lokomotivės iela 34, Ryga, Latvia), Chairman of the Board
			LITBAN, Lietuvos verslo angelų tinklas (code 304811409, address L. Stuokos-Gucevičiaus st. 9-10, Vilnius) Board member
			UAB Mark ID (code 305098955, address Žygio st. 97A, Vilnius, Lithuania) Board member
			UAB Be kredito (code 303107786, address Upės st. 5, Vilnius, Lithuania) Board member
Arminas Sinkevičius	Board member	MB Arboltas (code 305762242, address Vaškų st. 21, Kaunas, Lithuania), Director	UAB BnP Finance (code 302447985, address Ukmergės st. 126, Vilnius, Lithuania), Board member
			MB Liboltas (code 305914593, address Vaškų st. 21, Kaunas, Lithuania), Governor
Vaidotas Pupalaigis	Board member	UAB FPĮ GEROVĖS VALDYMAS (code 302445450, address Jogailos st. 3-103, Vilnius, Lithuania), Welfare manager	
Lina Šiumetė	Board member (until 2023-03-09)	UAB Coherent Solutions (kodas 305668960, address Konstitucijos pr. 29, Vilnius, Lithuania), Director	Coherent Solutions Portugal Ltd (address Rua Nova da Trindade Nr. 1 3rd Dt. 1200-301 Lisbon, Portugal), Director
			Coherent Solutions Poland Ltd (address Marszałka Józefa Piłsudskiego 69 Str., Wrocław, Poland), Board member
			Asociacija "Swedish Chamber of Commerce in Lithuania" (code 125711933, address Palangos st. 4, Vilnius, Lithuania), Vice-chairman of the boardp
Jūratė Stanišauskienė	Board member (from 2023-05-10)	Independent consultant in corporate management and strategy	AB Oro navigacija (code 210060460, address Balio Karvelio st. 25, Vilnius, Lithuania), Chairman of the Board
			AB Lietuvos paštas (code 121215587, address Juozo Balčikonio st. 3, Vilnius, Lithuania), Board member

Director

Marius Šlepetis

7 July 2023