hivefinance

Hive finance, UAB

Annual Report,
Financial Statements and Independent Auditor‘s
Report for the Year ended 31 December 2022

CONTENTS

Independent auditor‘s report

To the Shareholders of Hive finance, UAB:

Opinion

We have audited the accompanying separate financial statements of Hive finance, UAB (the Company) and the accompanying consolidated financial statements of the Company and its subsidiaries (the Group), which comprise:

- the statements of financial position of the Company and the Group as of 31 December 2022.
- the statements of profit or loss and other comprehensive income of the Company and the Group for the year then ended 31 December 2022.
- the statements of changes in equity of the Company and the Group for the year then ended 31 December 2022.
- the statements of cash flows of the Company and the Group for the year then ended 31 December 2022, and
- the notes to the Company and Group financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as of 31 December 2022, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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 and 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 these requirements 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 matters

The financial statements of the Company and the Group for the year ended 31 December 2021 were not audited. Our opinion is not modified in respect of this matter.

:

Other Information

The other information comprises the information included in the Company's and the Group's annual report for 2022 but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Company's and the Group's financial statements does not cover other information included in the separate and consolidated annual report and we do not express any form of assurance thereon, except as specified below.

In connection with our audit of the Company's and Group's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Company's and the Group's financial statements, or our knowledge obtained during 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.

In addition, our responsibility is to consider whether information included in the Company's and the Group's annual report for the financial year for which the separate and consolidated financial statements are prepared is consistent with these financial statements and whether the annual report has been prepared in compliance with applicable legal requirements. Based on the work we have performed during our audit of the Company and the Group financial statements, in our opinion, in all material respects:

- The information provided in the Company's and Group's annual report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The Company's and the Group's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the Company's and the Group's financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and 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 Company's and Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and 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 separate and 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 separate and 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 Company’s and 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 Company’s and 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 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and consolidated 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.

FBP Advice, UAB
Audit Company’s License No. 001518

Arūnas Užbalis
Auditor’s License No. 000543

Vilnius, 19 June 2023

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2. Annual Report

2.1 CEO's foreword

Dear investors,

I am delighted to present the consolidated annual report for 2022 of the Hive finance, UAB. This report highlights the significant progress made by Hive finance group, along with its subsidiary companies hive5 Marketplace d.o.o. and Ekspres Pozyczka, operating under the legal name Argentum Capital Sp. z o.o.

In addition, I would like to extend my appreciation to my partner and co-founder of Hive Finance Group, Andrius Rupšys, for his significant contributions to our achievements. His experience and expertise from his other business, Ruptela, founded in 2007, a global telematics company that specializes in crafting cutting-edge GPS tracking devices and serves SME clients in over 127 countries, have been invaluable to our growth.

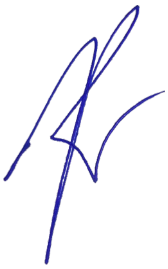
Despite the challenges faced during the past year, such as geopolitical conflicts, inflation, and rising interest rates, our subsidiary company hive5, has remained steadfast in its commitment to providing liquidity and stability to the financial market. We are thrilled to announce that since our launch in 2022, hive5 has become the fastest-growing marketplace for investing in loans, attracting a diverse range of clients from prominent European countries and reputable corporations. By the end of the year, our platform had reached a cumulative portfolio of over 1,9 M Eur.

Furthermore, our other company Ekspres Pozyczka, places a strong emphasis on accurate risk management, leveraging cutting-edge technology. The company stands out in the market by implementing a revolutionary AI-based decision-making engine. The unique scoring system for borrowers is continually enhanced, enabling the company to maintain a competitive default rate of approximately 5,2% of the entire portfolio, which is twice lower than the market average. This demonstrates a significant advantage and safety for our investors.

As we look towards 2023, our plans include expanding into at least one new geography. Furthermore, we place high importance on enhancing the development of our investment platform, improving the user experience, and establishing a strong liquidity buffer.

At Hive finance group, our mission is to provide our clients with profitable investments, the highest level of service, and the most innovative investment tools available. We remain steadfast in upholding our values of transparency, accessibility, and convenience, and we eagerly anticipate the continuation of our growth in the years to come.

Ričardas Vandzinskas,
CEO, Hive finance group



2.2 Outstanding Portfolio

hive5 marketplace, d.o.o.

Cumulative portfolio, k EUR	**1 953**
Number of active investors	**431**
Investment portfolio outstanding, k EUR	**1 234**
Investor's markets	**18**
Listed loans, k EUR	**3 590**
Average annual investment return	**15,8%**
Number of loans listed	**5 297**

Argentum Capital, Sp. z o.o.

Number of customers	**4 324**
Loans granted	**4 869**
Volume of loans granted, k EUR	**1 807**
Net impairment, k EUR	**44**
Default rate	**5,2%**

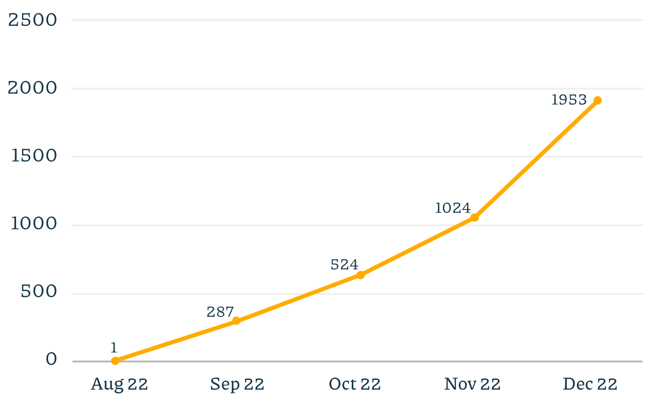
Hive finance, UAB consolidating entity

Revenue, k EUR	**135**
EBITDA, k EUR	**-763**
Net profit (loss), k EUR	**-756**
Employees*	**21**

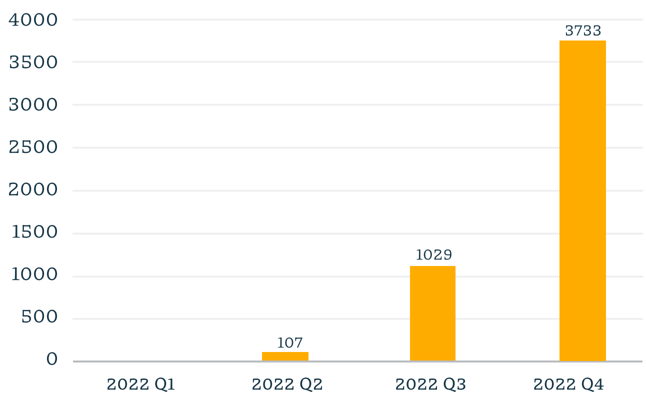
*The company has 21 employees, including those with Employment contracts, Civil and B2B contracts.

2.3 Operations

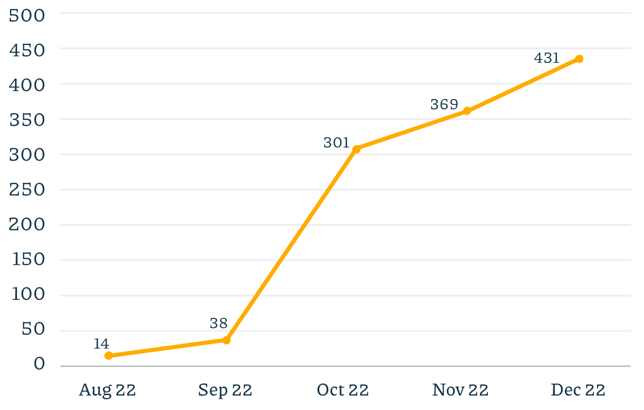
Cumulative portfolio, k EUR



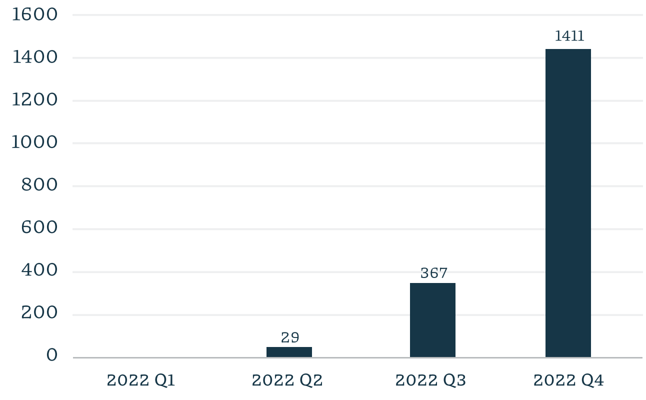
Loans granted



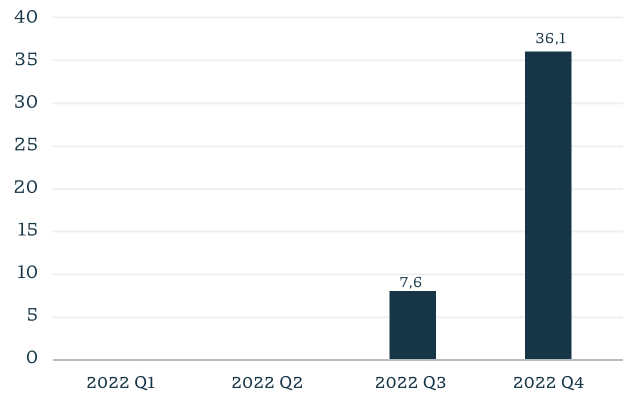
Numbers of active investors



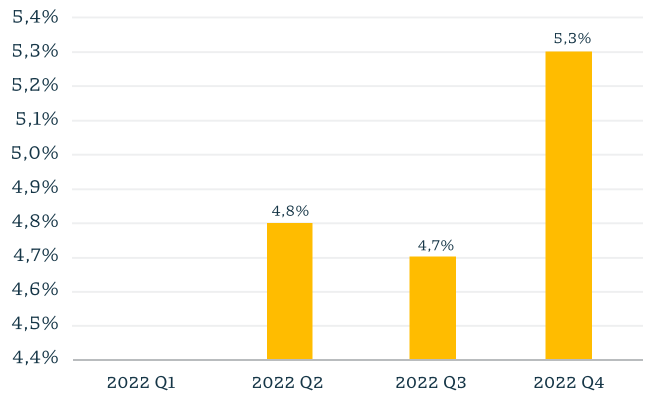
Volume of loans granted, k EUR



Net impairment, k EUR



Default rate



2.4 Business model

Hive finance group is a global-scale-oriented ESG business of innovative digital loan providers established in 2021. Hive finance group operates in Lithuania (headquarters – Vilniaus g. 33-201, Vilnius), and its subsidiaries hive5 operate in Croatia (ul. Račkoga 8, Zagreb) and Ekspres Pozyczka in Poland (ul. Konstruktorska 11, 02-673 Warsaw).

The Hive finance group operates in two main business segments:

ekspres pożyczka.pl — a consumer microlending organization that operates under a classical license. It is a registered limited liability company and 100% owned subsidiary of Hive finance, UAB. Ekspres Pozyczka offers short-term investments in consumer loans through the hive5 investment marketplace. All loans are secured with a Buyback Obligation.

hive5 — main business activity - online loan marketplace platform for lenders and borrowers. Registered limited liability company and 100%-owned subsidiary of Hive finance, UAB. Loans issued by Hive finance group Subsidiary Companies are available for investors via fully digitalized and secure investment platform.

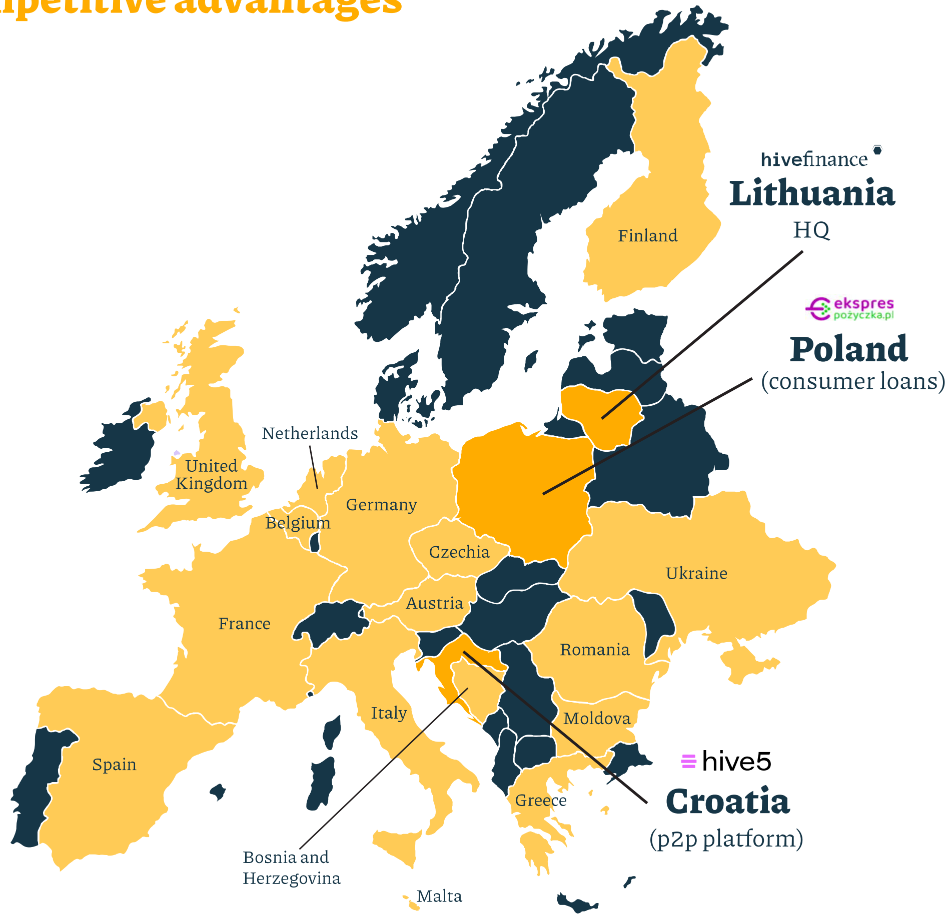
Business model

1. Borrower Ekspres Pozyczka (Argentum Capital Sp. z o.o.) receives funding from investors by selling the rights of claim to their loan agreements for interest through hive5 marketplace;
2. Investors - private persons or companies buy rights of claim to loan agreements of Ekspres Pozyczka (Argentum Capital Sp. z o.o.) through hive5 marketplace and earn interest on the loan payments.
3. Hive5 marketplace - a matchmaking platform for borrowers and investors. Earns commission fee from borrowers for listing its rights of claim to their loans on a marketplace.

Ruptela Loan Originator was introduced to the hive5 investors in 2023. This global telematics company specializes in developing GPS tracking devices and was founded in 2007 by Andrius Rupšys, who is also a co-founder of Hive finance group.

2.5 The Group's competitive advantages

All Hive finance group's companies and hive5 investors markets are shown on the map below:



Diversification and global scale

Hive finance group aims to establish itself as a global enterprise by implementing a strategy that empowers hive5 investors to broaden their investment portfolios and set themselves apart from other P2P platforms that confine themselves to a single product or regional market.

Hive finance group strategy involves entering the subsequent markets and introducing these types of loans:

1. Geographic: expansion into three continents: Europe, Africa and Asia.
2. Loan types: Green loans, Equipment leasing, Real Estate projects and many more.

Team of professionals only

Hive finance group companies have assembled a team of more than 20 fintech professionals from 5 different countries, sourced from the top fintech companies, banks, and leading P2P platforms. Additionally, the hive5 team consists of full-time investors who possess an in-depth understanding of what is critical to investors.

Technology and risk management

The first Loan Originator, Ekspres Pozyczka, is among the few in the market who have implemented a revolutionary AI-based, multisource Big Data scorecard decision engine. It allows not only to filter the fraud but also correctly manage and plan the default rate and ensure a fast-forward scale of the quality loan portfolio in Poland.

2.6 Vision, mission, values

We are driven by a purpose to transform the financial industry through technology and customer-centric approaches.

Vision

To be the leading group of innovative digital loan providers and investment platform, leveraging technology to create seamless and inclusive financial experiences, while fostering financial empowerment and growth for our customers and partners.

Mission

To revolutionize the lending and investment industry by providing innovative digital loan solutions and a cutting-edge investment platform, empowering individuals and businesses to achieve their financial goals with ease and efficiency.

Values

Hive finance group is guided by the following values in its operations:

Innovation

We constantly strive to push boundaries and challenge the status quo in the lending and investment industry. We embrace new technologies, ideas, and approaches to deliver groundbreaking solutions that meet the evolving needs of our customers and enhance their financial journeys.

Trust and Transparency

We prioritize trust and transparency in all our interactions with customers, partners, and stakeholders. We believe in building long-lasting relationships based on honesty, integrity, and open communication. We ensure that our customers have a clear understanding of our processes, terms, and conditions, enabling them to make informed decisions.

Customer-Centricity

We place our customers at the heart of everything we do. We are committed to delivering exceptional customer experiences by understanding their unique needs, providing personalized solutions, and offering seamless digital platforms that are user-friendly and accessible. We continuously strive to exceed customer expectations and provide support throughout their financial journey.

2.7 Risk management

Debt recovery processes

Ekspres Pozyczka starts the debt recovery process 10 days after the loan's due date. Firstly, the borrower is offered to refinance the current loan with a payment of interest and commissions that accrued over the period of use.

The following stage is the soft-collection phase, during which the company employs various communication channels to reach out to its clients. On the 60th day past due, the loan agreement is transferred to the professional debt recovery agencies.

Then the debts 90 days past due are sold and written off from the Ekspres Pozyczka balance.

As a result, the company collects 75% of the overdue amount 5-90 days past due.

Risk mitigation and management

Ekspres Pozyczka is among the few in the market who have recently implemented a revolutionary AI-based, multisource Big Data scorecard decision engine. It allows not only to filter the fraud but also correctly manage and plan the default and ensure a fast-forward scale of the quality loan portfolio in Poland.

Target 3-layer liquidity buffer 2023

1 layer
Poland liquid cash reserve

• Purpose. Balance Poland consolidated production seasonality and p2p withdrawals servicing

• Target. 10% of monthly production volume (3 days production volume) consolidated (Poland+p2p) cash reserve

2 layer
Skin in the game

Shareholders consistently allocate a minimum of 10% of their funds for investment through hive5.

3 layer
Group Contingency reserve

• Purpose. Group contingency reserve for various liquidity distress event scenarios

• Target. 10% of quarterly profit allocation to non-distributable contingency reserve

3. Financial Statements

Hive finance, UAB
Company code: 305941697, address: Vilniaus g. 33-201, LT-01402 Vilnius

STATEMENTS OF FINANCIAL POSITION
31 December 2022
(All amounts are in EUR, unless otherwise stated)

ASSETS	Notes	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Non-current assets					
Property, plant and equipment		2,216	2,216	-	-
Goodwill	5	-	-	-	-
Other intangible assets	4	189,244	189,244	-	-
Investments in associates	6	-	3,654	-	-
Deferred tax assets	18	36,622	14,103	-	-
Other financial assets		-	358,154	-	-
Total non-current assets		**228,082**	**567,371**	**-**	**-**
Current assets					
Trade and other receivables	8	680,398	20,100	-	-
Current tax assets		-	-	-	-
Other assets	7	98,153	10,743	-	-
Cash and cash equivalents	9	225,980	2,597	1,411	1,411
Total current assets		**1,004,531**	**33,440**	**1,411**	**1,411**
TOTAL ASSETS		**1,232,613**	**600,811**	**1,411**	**1,411**
EQUITY AND LIABILITIES					
Equity					
Share capital	10	2,500	2,500	2,500	2,500
Legal reserve	11	-	-	-	-
Currency translation reserve	11	-	-	-	-
Retained earnings		(756,907)	(144,745)	(1,089)	(1,089)
Total equity		**(754,407)**	**(142,245)**	**1,411**	**1,411**
Non-current liabilities					
Borrowings	12	1,722,603	688,268	-	-
Retirement benefit obligation		-	-	-	-
Deferred tax liabilities	18	3,043	-	-	-
Provisions		-	-	-	-
Deferred revenue		-	-	-	-
Finance lease liabilities		-	-	-	-
Other liabilities		-	-	-	-
Total non-current liabilities		**1,725,646**	**688,268**	**-**	**-**
Current liabilities					
Trade and other payables	13	114,170	34,317	-	-
Borrowings	12	70,001	-	-	-
Provisions		-	-	-	-
Deferred revenue		-	-	-	-
Finance lease liabilities		2,325	2,325	-	-
Other financial liabilities		-	-	-	-
Other liabilities	13	74,878	18,146	-	-
Total current liabilities		**261,374**	**54,788**	**-**	**-**
Total liabilities		**1,987,020**	**743,056**	**-**	**-**
TOTAL EQUITY AND LIABILITIES		**1,232,613**	**600,811**	**1,411**	**1,411**

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

These financial statements were approved and signed on 19 June 2023:

Ričardas Vandzinskas General Director	Vida Krivickienė Chief Accountant

Hive finance, UAB
Company code: 305941697, address: Vilniaus g. 33-201, LT-01402 Vilnius

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2022
(All amounts are in EUR, unless otherwise stated)

	Notes	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Revenue	14	134,925	25,050	-	-
Cost of sales		(22,680)	-	-	-
GROSS PROFIT		**112,245**	**25,050**	**-**	**-**
Operating expenses	15	(849,121)	(265,551)	(1,089)	(1,089)
Investment income		-	-	-	-
Other gains and losses	16	(49,662)	124,150	-	-
Finance costs	17	(81,133)	(41,408)	-	-
PROFIT (LOSS) BEFORE TAX		**(867,671)**	**(157,759)**	**(1,089)**	**(1,089)**
Income tax (expense) benefit	18	111,853	14,103	-	-
PROFIT (LOSS) FOR THE YEAR		**(755,818)**	**(143,656)**	**(1,089)**	**(1,089)**
OTHER COMPREHENSIVE INCOME					
Items that will not be classified to profit or loss		-	-	-	-
Items that are or may be reclassified to profit or loss		**-**	**-**	-	**-**
TOTAL COMPREHENSIVE INCOME		**(755,818)**	**(143,656)**	**(1,089)**	**(1,089)**

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

These financial statements were approved and signed on 19 June 2023:

Ričardas Vandzinskas
General Director

Vida Krivickienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2022
(All amounts are in EUR, unless otherwise stated)

The Group	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as of 1 January 2021	**-**	**-**	**-**	**-**	**-**
Subscribed share capital	2,500	-	-	-	**2,500**
Transfers to legal reserve	-	-	-	-	**-**
Dividends paid	-	-	-	-	**-**
Profit (loss) for the year	-	-	-	(1,089)	**(1,089)**
Other comprehensive income for the year, net of income tax	-	-	-	-	**-**
Balance as of 31 December 2021	**2,500**	**-**	**-**	**(1,089)**	**1,411**
Subscribed share capital	-	-	-	-	**-**
Transfers to legal reserve	-	-	-	-	**-**
Dividends paid	-	-	-	-	**-**
Profit (loss) for the year	-	-	-	(755,818)	**(755,818)**
Other comprehensive income for the year, net of income tax	-	-	-	-	**-**
Balance as of 31 December 2022	**2,500**	**-**	**-**	**(756,907)**	**(754,407)**

(Continued)

Hive finance, UAB
Company code: 305941697, address: Vilniaus g. 33-201, LT-01402 Vilnius

STATEMENTS OF FINANCIAL POSITION
31 December 2022
(All amounts are in EUR, unless otherwise stated)

The Company	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as of 1 January 2021	**-**	**-**	**-**	**-**	**-**
Subscribed share capital	2,500	-	-	-	**2,500**
Transfers to legal reserve	-	-	-	-	**-**
Dividends paid	-	-	-	-	**-**
Profit (loss) for the year	-	-	-	(1,089)	**(1,089)**
Other comprehensive income for the year, net of income tax	-	-	-	-	**-**
Balance as of 31 December 2021	**2,500**	**-**	**-**	**(1,089)**	**1,411**
Subscribed share capital	-	-	-	-	**-**
Transfers to legal reserve	-	-	-	-	**-**
Dividends paid	-	-	-	-	**-**
Profit (loss) for the year	-	-	-	(143,656)	**(143,656)**
Other comprehensive income for the year, net of income tax	-	-	-	-	**-**
Balance as of 31 December 2022	**2,500**	**-**	**-**	**(144,745)**	**(142,245)**

(Concluded)

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

These financial statements were approved and signed on 19 June 2023:

Ričardas Vandzinskas
General Director

Vida Krivickienė
Chief Accountant

Hive finance, UAB
Company code: 305941697, address: Vilniaus g. 33-201, LT-01402 Vilnius

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 31 December 2022
(All amounts are in EUR, unless otherwise stated)

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Cash flows (to) from operating activities				
Profit for the year	**(755,818)**	**(143,656)**	**(1,089)**	**(1,089)**
Adjustments for non-cash items:				
Depreciation and amortization	23,132	23,132	-	-
Net finance cost	81,133	44,070	-	-
Tax expenses	(111,853)	(14,103)	-	-
Impairment loss recognized on trade receivables	23,139	-	-	-
Elimination of foreign currency	126	-	-	-
Movements in working capital:				
Change in trade and other receivables	(703,537)	(147,056)	-	-
Change in other assets	(19,879)	(10,743)	-	-
Change in trade and other payables	1,218,505	34,317	-	-
Change in other liabilities	74,879	18,146	-	-
Cash generated from operations	**(170,173)**	**(195,893)**	**(1,089)**	**(1,089)**
Interest paid	(25,410)	-	-	-
Interest received	2,419	-	-	-
Income tax paid	-	-	-	-
Net cash generated by (used in) operating activities	**(193,164)**	**(195,893)**	**(1,089)**	**(1,089)**
Cash flows from (to) investing activities				
PPE and intangible assets	(212,267)	(212,267)	-	-
Loans disbursed	-	(282,000)	-	-
Loans recovered	-	65,000	-	-
Investments into subsidiaries	-	(3,654)	-	-
Net cash outflow on acquisition of subsidiaries	-	-	-	-
Net cash (used in) generated by investing activities	**(212,267)**	**(432,921)**	**-**	**-**
Cash flows from (to) financing activities				
Shareholders contribution	-	-	2,500	2,500
Proceeds from loans and borrowings	630,000	630,000	-	-
Repayment of borrowings	-	-	-	-
Payment of lease liabilities	-	-	-	-
Dividends paid	-	-	-	-
Net cash (used in) generated by financial activities	**630,000**	**630,000**	**2,500**	**2,500**
Net increase (decrease) in cash and cash equivalents	**224,569**	**1,186**	**1,411**	**1,411**
Cash and cash equivalents at the beginning of the period	**1,411**	**1,411**	**-**	**-**
Cash and cash equivalents at the end of the period	**225,980**	**2,597**	**1,411**	**1,411**

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

These financial statements were approved and signed on 19 June 2023:

Ričardas Vandzinskas
General Director

Vida Krivickienė
Chief Accountant

1. General information

Hive finance, UAB (thereinafter – the Company) is a private limited liability company registered in the Republic of Lithuania. The company began its activity on 23 November 2021. The address of its registered office is Vilniaus g. 33-201, LT-01402, Vilnius, Lithuania.

The Company is engaged in holding and micro lending activities. The Company's subsidiaries are engaged in micro lending and other financing activities.

The shareholders of the Company are private persons owning 60 and 40 percent of the Company shares respectively. As at 31 December 2022 and 2021, all shares, with the par value of EUR 25 each, were fully paid.

As at 31 December 2022, the Group consisted of the Hive finance UAB and the following subsidiaries (hereinafter – the Group):

Company's name	Registration address	Acquisition date	Share of the stock held by the Group and the Company	Cost of investment (EUR)	Main activities
Argentum Capital Sp.z.o.o	Konstruktorska 11 02-673 Warsaw, Poland	28 March 2022	100%	1 000	Micro lending
Hive5 Marketplace d.o.o	Ulica Račkoga 8, Zagreb, Croatia	11 May 2022	100%	2 654	Micro lending
Total				**3 654**	

As at 31 December 2022, the number of employees of the Group was 21.

2. Basis of preparation and significant accounting policies

2.1. Statement of compliance

The separate and consolidated financial statements (hereafter – the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

2.2. Basis of measurement

The separate and consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial year of the Company and other Group companies coincides with the calendar year.

2.3. Functional and presentation currency

These financial statements are presented in EUR, which is the Group's functional currency unless otherwise stated.

2.4. Application of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (further – EU) are effective for the current period:

- Amendments to IFRS Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 16 Leases: Covid 19 - Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021).

The application of these standards, amendments, and interpretations did not have any significant effects on the Company's and the Group's financial statements.

Standards and Interpretations issued by IASB, approved by EU but not yet effective.

The Company and the Group did not yet apply these IFRS that are already issued on the date of signing these financial statements but are not yet effective:

- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

According to the Company, the application of these standards, amendments and interpretations will not have a significant effect on the Company’s financial statements at the time of its first adoption.

Standards and Interpretations issued by IASB but not yet endorsed by EU.

IFRSs currently endorsed by EU are not significantly different from the standards endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective date; Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

According to the Company and the Group, the application of these standards, amendments and interpretations will not have a significant effect on the Company’s financial statements at the time of its first adoption.

2.5. Basis of consolidation

The consolidated financial statements are prepared annually for the year ended 31 December and include the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year using consistent accounting policies.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the date of acquisition, non-controlling interests (NCIs) are measured at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Inter-company transactions between the Group companies are eliminated

Subsidiaries in the separate financial statements are accounted at cost, less impairment. That means the income from the investment is recognized only to the extent that the Group receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

2.6. Financial assets

The Group and the Company recognize financial assets and liabilities in their statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Under IFRS 9 Financial Assets - cash and cash equivalents, contractual rights to receive cash or another financial asset, contractual rights to exchange financial instruments with another party on terms that are potentially favourable, equity instruments of other entities, and contracts that will or may be settled themselves with company equity instruments.

Financial assets are classified:

- Financial assets that are subsequently measured at amortized cost.
- Financial assets that are measured at fair value in subsequent periods by recognizing a change in fair value through comprehensive income.
- Financial assets at fair value through profit or loss recognized in subsequent periods.

Financial assets are measured at amortized cost if both conditions are met:

- Financial assets are hold according to the business model - designed to hold financial assets to collect contractual cash flows.
- Due to contractual terms of the financial asset, cash flows that occur only on the principal amount and on the principal amount outstanding may arise on specified dates.

Financial assets are measured at fair value, the change of which is recognized in other comprehensive income if both of the following conditions are met:

- Financial assets are held according to a business model whose purpose is to achieve the contractual cash flows and to sell the financial assets.
- Due to contractual terms of the financial asset, cash flows that occur only on the principal amount and on the principal amount outstanding may arise on specified dates.

Financial assets at fair value through profit or loss include those financial assets that are not classified as financial assets at amortized cost and as financial assets at fair value through profit or loss, for which changes are recognized in other comprehensive income. At initial recognition, a financial asset may be irrevocably classified as a financial asset measured at fair value through profit or loss, if such assignment eliminates or diminishes the inconsistency of the measurement and recognition of financial instruments (accounting inconsistencies). These financial assets cannot subsequently be transferred to another group of financial assets.

The category of financial assets is determined at the time of acquisition of these assets.

Impairment of loans

The Impairment Model (Expected Credit Loss Calculation Model) will be applied to financial assets at amortized cost or fair value, excluding equity investments.

Lending positions, irrespective of whether special provisions are set for a homogeneous group or individually, are regrouped to respond consistently to credit risk factors as macroeconomic conditions change. After the regrouping of lending positions, the amounts of special provisions are recalculated accordingly.

Lending positions, after assessing their credit risk from initial recognition, are classified into one of three risk levels:
- Risk level 1 includes those exposures that have not significantly increased credit risk, i.e. no credit risk indicator or loss event has been recorded after the initial loan recognition.
- Risk level 2 includes exposures with a credit risk indicator or significant credit risk increase.
- Risk level 3 includes non-performing loans and other exposures that are expected to be defaulted.

Collectively rated lending exposures are assessed by the ECL using a model developed by the Group that calculates internal risk parameters for each homogeneous group according to the applicable scenario..

ECL for collectively assessed lending positions is calculated according to formula:

EAD x PD x LGD = ECL

Where: PD – probability default
LGD - loss given default
EAD – position for the period of ECL calculation

The assumptions on which ECL calculations are based, are reviewed periodically (at least once a year), supplemented by historical data and taking into account current economic forecasts.

The carrying amount of the loans is reduced using an impairment account and the amount of impairment is included in the profit (loss) statement. For all financial instrument, after initial recognition, the lending positions are reviewed, and detailed assessment of the change in the customer's risk profile is carried out at least once a year, to determine the increase in the significance of credit risk. Every month, and assessment of the indicators determining the decrease (increase) in the credit risk of lending position is carried out, based on which the previously recognized decrease in value is recovered or increased by adjusting the impairment account. Impairment losses related to the initial application of IFRS 9 are accounted directly through equity.

Lending positions, regardless of whether special provisions are set for a homogeneous group or individually, are regrouped to continuously respond to credit risk factors in the same way as macroeconomic conditions change. After regrouping lending positions, the amounts of special provisions are also recalculated accordingly.

Write-offs

When the loans and advances cannot be recovered and all collateral has been realized, they are written-off and charged against impairment for incurred credit losses. The management of the Group and the Company makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the profit or loss.

Partial write-off may be applicable only for clients having the status of defaulted clients, if there is no evidence that full or partial Group claim (principal, accrued interest and other charges) towards the client will be covered (e.g. the client has the status of bankrupt procedure, or the Group has initiated legal procedure and there is not enough collateral and no expected cash flow or any other property to fully cover part of the claim).

2.7. Financial liabilities

Financial liabilities - contractual obligations to transfer cash, other financial assets or financial instruments under potentially unfavorable conditions and contracts that will or may be settled by the Group's own equity instruments. Financial liabilities are classified into:

- Financial liabilities at amortized cost.
- Valued at fair value through profit or loss.

Financial liabilities are classified as financial liabilities at amortized cost, except for:
- measured at fair value through profit or loss and derivative financial instruments.
- financial liabilities that arise when the transfer of financial assets does not meet the criteria for derecognition or if a follow-up approach is applied.
- financial guarantee contracts.
- commitments to grant a loan with a lower than market interest rate.
- contingent consideration recognized in a business combination.

Financial liabilities measured at fair value through profit or loss include those financial liabilities that are not classified as financial liabilities at amortized cost in the category of financial liabilities. Financial liabilities at initial recognition may be

- The group of financial liabilities or financial assets and financial liabilities is managed, and its results are measured at fair value based on a documented risk management or investment strategy;
- Such an assignment eliminates or reduces the inconsistencies between the measurement and recognition of financial instruments (accounting discrepancies).

These financial liabilities cannot subsequently be transferred to another group of financial liabilities.

The Group has not classified any financial liabilities at fair value through profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.8. Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and the Company have a currently enforceable legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9. Employee benefits

Short-term employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no significant long-term employee benefits.

Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter referred to as the Fund) on behalf of its employees in accordance with the local legal requirements. The social security contributions are recognized as an expense on an accrual basis and are included within personnel expenses.

2.10. Foreign currency

Transactions in foreign currencies are translated to EUR at the official exchange rate of the Bank of Lithuania (spot exchange rate) prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than EUR are recognized in the profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate prevailing at the date of the statement of financial position. Gains and losses resulting from the translation of items of the statement of financial position are recognized in the profit or loss. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, while non-monetary assets carried at fair value or revalued amounts are translated at the exchange rate when the fair value was determined.

2.11. Interest revenue and expenses

Interest revenue and expense are recognized in the profit or loss on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loans.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fees and commission

Fees and commission revenue and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission revenue, including account servicing fees, investment management fees, sales commission, placement fees and others are recognized on an accrual basis as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to the transaction and service fees, which are expensed as the services are received.

2.12. Expenses

Other expenses are recognized based on accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually accounted for as the amount paid or due.

2.13. Dividends

Dividend revenue is recognized when the right to receive payment is established.

2.14. Cash and cash equivalents

Current accounts with banks due to their high liquidity with maturity up to three months from the date of placement are accounted for as cash and cash equivalents in the statement of cash flows. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15. Intangible assets

Initially intangible assets acquired by the Group and the Company are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company do not have any intangible assets with indefinite life.

Intangible assets with finite lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets, from the date that it is available for use. The estimated useful life of software is 3 years.

2.16. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment. The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the profit or loss incurred.

2.17. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group and the Company measure the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For financial instruments traded in active financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. In the absence of an active market the fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. For unquoted equity investments fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group and the Company use market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.18. Lease

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.19. Share capital

Share capital is presented in the statement of financial position at the amount subscribed.

2.20. Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is calculated based on the local tax legislation.

In accordance with the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15 percent on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets have been recognized in the statement of financial position to the extent the management believes they will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

2.21. Off-balance sheet items

All liabilities that may be recognized in the statement of financial position in the future are accounted for as off-balance sheet liabilities. This allows the Group and the Company to assess capital requirement and to attract the necessary funding to cover these liabilities.

2.22. Related parties

Parties are related if one party can unilaterally or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or where parties are under common control. In addition, members of key management personnel as well as their close family members and entities are controlled by them, and close family members of individuals that unilaterally or jointly control the Group or exercise significant influence over it. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

2.23. Provisions

Provisions are recognized when the Group and the Group have a present obligation (legal or constructive) because of a past event, if it is probable that an outflow or recourses embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the profit or loss. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.24. Contingencies

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

2.25. Subsequent events

Subsequent events that provide additional information about the Group's and the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

3. Use of estimates and judgements in the preparation of financial statements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation and judgements used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for loans and other receivables, realization of deferred tax asset, finance leases and derecognition of financial assets and going concern.

Below are presented key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses on loans and receivables

The Group and the Company regularly review their loans and receivables to assess impairment. The Group and the Company use their experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and historical data relating to similar borrowers is available. Similarly, the Group and the Company estimate changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment like those in the group of loans and receivables when scheduling its future cash flows. The Group and the Company use their experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Deferred tax asset

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. A significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. Intangible assets

As at 31 December, the Group's and the Company's intangible assets consisted of the following:

The Group and the Company	**Software**	**Other intangible assets**	**Total**
Cost as at 1 January 2021	**-**	**-**	**-**
- additions	-	-	-
- disposals	-	-	-
- effect of foreign currency exchange differences	-	-	-
As at 31 December 2021	**-**	**-**	**-**
- additions	208,998	2,904	211,902
- disposals	-	-	-
- effect of foreign currency exchange differences	-	-	-
As at 31 December 2022	**208,998**	**2,904**	**211,902**
Accumulated amortization and impairment			
As at 1 January 2021	**-**	**-**	**-**
- amortization expense	-	-	-
- disposals	-	-	-
- impairment losses recognized in profit or loss	-	-	-
- effect of foreign currency exchange differences	-	-	-
As at 31 December 2021	**-**	**-**	**-**
- amortization expense	22,234	424	22,658
- disposals	-	-	-
- impairment losses recognized in profit or loss	-	-	-
- effect of foreign currency exchange differences	-	-	-
As at 31 December 2022	**22,234**	**424**	**22,658**
Carrying amount			
31 December 2021	**-**	**-**	**-**
31 December 2022	**186,764**	**2,480**	**189,244**

5. Goodwill

As at 31 December, the Group's goodwill consisted of the following:

	2022	2021
Cost		
Balance at beginning of year	-	-
Additional amounts recognized from business combinations occurring during the year	11,001	-
Derecognized on disposal of a subsidiary	-	-
Reclassified as held for sale	-	-
Effect of foreign currency exchange differences	-	-
Balance at end of year	**11,001**	**-**
Accumulated impairment losses		
Balance at beginning of year	-	-
Impairment losses recognized in the year	**(11,001)**	-
Derecognized on disposal of a subsidiary	-	-
Classified as held for sale	-	-
Effect of foreign currency exchange differences	-	-
Balance at end of year	**(11,001)**	**-**
Total	**-**	**-**

The goodwill arising from the acquisition of Argentum Capital Sp.z.o.o amounting to EUR 11,001 was fully impaired at inception due to uncertainty of its realization in the future.

6. Business combinations

6.1. Investments into subsidiaries

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred (EUR)
2022				
Argentum Capital Sp.z.o.o	Micro lending	28-02-2022	100%	1,000
Hive5 marketplace d.o.o	Micro lending	14-06-2022	100%	2,654
				3,654

Argentum Capital Sp.z.o.o was acquired so as to continue the expansion of the Group's activities in micro lending. Hive5 marketplace d.o.o was established to expand its operations across Europe.

Acquisition-related costs amounting to EUR 1,651 have been excluded from the consideration transferred and have been recognized as an expense in profit or loss in the current year, within the 'operating expenses' line item.

6.2. Goodwill arising on acquisition

	Argentum Capital Sp.z.o.o	**Total**
Consideration transferred	1 000	1 000
Plus: non-controlling interests	-	-
Less: fair value of identifiable net assets acquired	12,001	12,001
Goodwill arising on acquisition	**11,001**	**11,001**

Goodwill arose on the acquisition of Argentum Capital Sp.z.o.o because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

However, the Group decided to fully impair the goodwill at inception, due to uncertainty of its realization in the future, and to avoid annual impairment testing for the respective CGU. Cost of impairment amounting to EUR 11,001 was accounted for under "other gains and losses" line in profit and loss.

7. Other assets

As at 31 December, other assets consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Prepaid taxes	79,119	-	-	-
Other	19,034	10,743	-	-
Total	**98,153**	**10,743**	-	-
Current	98,153	10,743	-	-
Non-current	-	-	-	-
Total	**98,153**	**10,743**	**-**	**-**

8. Loans granted and other receivables

As at 31 December, loans granted and other receivables by the Group and Company consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Receivables from loans granted	673,726	358,154	-	-
Receivable for services	29,811	20,100	-	-
Impairment loss	(23,139)	-	-	-
	680,398	**378,254**	**-**	**-**
Current	680,398	20,100	-	-
Non-current	-	358,154	-	-

The Company has a receivable principal of EUR 331,150 and accrued interest of EUR 16,291 from its subsidiary Argentum Capital Sp.z.o.o as well as receivable principal of EUR 10,000 and accrued interest EUR 712 from its subsidiary Hive5 marketplace d.o.o. The annual interest rates vary from 9 p.a. to 17 p.a. All loans are considering to be current.

The Group's loans comprise granted unsecured cash loans to the clients. The maturity of loans granted is up to 30 days and is recoverable within 12 months period.

9. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Cash at bank	208,310	2,597	1,411	1,411
Cash in transit	17,670	-	-	-
Total	**225,980**	**2,597**	**1,411**	**1,411**

10. Share capital

As at 31 December 2022, the Group's and the Company's share capital amounted to EUR 2,500. It consisted of 100 ordinary shares, with the par value of EUR 25 each. All shares were fully paid.

11. Reserves

Legal reserve
A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated according to accounting policies of the Republic of Lithuania, are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2022 the Company's legal reserve was not fully formed.

Currency translation reserve
Currency translation reserve consists of the differences between currency exchange rates at the date of acquisition of the Group companies and at the year end.

12. Borrowings

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Credit and loans to shareholder	699,064	688,268	-	-
Credits and loans to other parties	1,093,540	-	-	-
Other payables	-	-	-	-
	1,792,604	**688,268**	**-**	**-**
Current	70,001	-	-	-
Non-current	1,722,603	688,268	-	-

The Company's borrowings as of 31 December 2022 comprise payables to one of the shareholders. The loans payable to shareholder are interest charge at 18 p.a. and includes accrued interest of EUR 58,268.

Credits and loans to other parties relate to financing via the P2P platform (financing from unrelated entities).

13. Trade and other payables

As at 31 December, trade and other payables consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Trade payables	114,170	34,317	-	-
Salaries and related expenses	38,624	18,146	-	-
Other payables (taxes)	27,178	-	-	-
Accrued expenses	9,076	-	-	-
	189,048	**52,463**	**-**	**-**
Current	189,048	52,463	-	-
Non-current	-	-	-	-

The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

14. Revenue

For the year ended 31 December, revenue consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Income from commission fee	77,977	-	-	-
Income from interest	5,331	-	-	-
Income from financial intermediation	41,221	-	-	-
Income from service fee	7,614	25,050	-	-
Other income	2,782	-	-	-
Total	**134,925**	**25,050**	**-**	**-**

15. Operating expenses

For the year ended 31 December, operating expenses consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Salaries and related expenses	508,809	174,242	-	-
External services	266,157	29,564	1,089	1,089
Depreciation & amortization	23,132	23,132	-	-
Office rent	13,945	8,805	-	-
Other operating expenses	37,077	29,808	-	-
Total	**849,121**	**265,551**	**1,089**	**1,089**

16. Other gains and losses

For the year ended 31 December, other gains and losses consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Receivable loan assumed on acquisition	-	124,150	-	-
Negative goodwill	-	-	-	-
Other gains	15,010	-	-	-
Other gains and losses	**15,010**	**124,150**	**-**	**-**
Goodwill write-off	(11 001)	-	-	-
Other expenses (impairment loss)	(53,671)			
Other losses	**(64,672)**	**-**	**-**	**-**
Total	**(49,662)**	**124,150**	**-**	**-**

The Company at inception of acquisition of the shares of Argentum Capital Sp.z.o.o has assumed the receivable loan from the later of EUR 124,150, and recognized it as at receivable and other gain thereon.

17. Finance costs

For the year ended 31 December, financing costs consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Interest income	2,419	17,004	-	-
Foreign currency exchange gain	3	3	-	-
Total financial income	**2,422**	**17,007**	**-**	**-**
Interest expenses	(83,409)	(58,269)	-	-
Foreign currency exchange loss	(146)	(146)	-	-
Total financial expenses	**(83,555)**	**(58,415)**	**-**	**-**
Total	**(81,133)**	**(41,408)**	**-**	**-**

18. Income tax

18.1. Income tax recognized in profit or loss

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Current tax	78,292	-	-	-
Deferred tax	33,579	14,103	-	-
Effect of foreign currency exchange	(18)	-	-	-
Total income tax expense recognized	**111,853**	**14,103**	**-**	**-**

For the year ended 31 December, income tax consisted of the following:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Profit (loss) before tax	(867,672)	(157,759)	(1,089)	(1,089)
Income tax computed using enacted statutory tax rate (15%)	(130,151)	(23,664)	(163)	(163)
Non-taxable differences at statutory tax rate	66,264	10,894	163	163
Impact of difference in statutory rate	(27,175)	-	-	-
Change in deferred tax	(20,791)	(1,333)	-	-
Income tax expense /(income) recognized in profit or loss	**(111,853)**	**(14,103)**	**-**	**-**

18.2. Deferred tax balances

The Group and the Company plans to realise certain deferred income tax asset and liabilities on the net basis and such assets and liabilities are accounted the net basis. As at 31 December 2022 and 2021, deferred income tax assets and liabilities were as follows:

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Deferred income tax asset, net	36,622	14,103	-	-
Deferred income tax liability, net	3,043	-	-	-
Deferred income tax asset, net	**33,579**	**14,103**	**-**	**-**

For the year ended 31 December 2022, deferred tax asset/(liability) of the Group consisted of the following:

2022	**Opening balance**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisitions/ disposals**	**Closing balance**
Deferred income tax asset					
Salary related provision	-	9,326	-	-	-
Income recognized upfront	-	6,281	-	-	-
Valuation of loans received	-	597	-	-	-
Unpaid interest on loans	-	7,648	-	-	-
Loss carried forward	-	12,770	-	-	-
Total deferred tax asset	**-**	**36,622**	**-**	**-**	**-**
Less: valuation allowance	-	-	-	-	-
Deferred income tax liability					
Unpaid contractual interest	-	1,266	-	-	-
Unpaid penalty interest	-	301	-	-	-
Valuation of loans received	-	1,475	-	-	-
Total deferred tax liability	**-**	**3,043**	**-**	**-**	**-**
Deferred income tax asset net	**-**	**33,579**	**-**	**-**	**-**

For the year ended 31 December 2021, deferred tax asset / (liability) of the Company consisted of the following:

2022	**Opening balance**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisitions/ disposals**	**Closing balance**
Deferred income tax asset					
Salary related provision	-	1,333	-	-	-
Income recognized upfront	-	-	-	-	-
Valuation of loans received	-	-	-	-	-
Unpaid interest on loans	-	-	-	-	-
Loss carried forward	-	12,770	-	-	-
Total deferred tax asset	**-**	**14,103**	**-**	**-**	**-**
Less: valuation allowance	-	-	-	-	-
Deferred income tax liability					
Unpaid contractual interest	-	-	-	-	-
Unpaid penalty interest	-	-	-	-	-
Valuation of loans receive	-	-	-	-	-
Total deferred tax liability	**-**	**-**	**-**	**-**	**-**
Deferred income tax asset net	**-**	**14,103**	**-**	**-**	**-**

19. Financial instruments

The Company is exposed to the financial risk in its operations, i.e. credit risk, liquidity risk and market risk (foreign currency risk, fair value interest rate risk and cash flows interest rate risk, shares market value). To manage these risks, the Group and the Company seeks to minimize potential adverse effects which could negatively impact the financial performance of the Group and the Company.

19.1. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group is not subject to any externally imposed capital requirements.

19.2. Credit risk management

Due to the nature of its business – granting unsecured cash loans – the Group is exposed to credit risk, i.e. the risk that the client will not be able to repay in whole or in part its obligations to the Company on time. The risk of significant unexpected credit losses in relation to receivables from customers is medium due to the dispersion of credit risk - the Company lends low amounts practically for one term (30 days) to a diverse group of clients. The risk is also minimized since loans are granted only to those clients who, according to the techniques of assessing the Company's creditworthiness and creditworthiness, can afford their repayment. The Group grants loans only to persons with documented, stable sources of income; Natural persons conducting business activity and having the only source of income from this form of activity constitute a small group of customers. The amount of the loan granted to the client and the repayment period depend on the risk category assigned to the client in the process of assessing creditworthiness and creditworthiness using external sources of information CRIF, KBIG, KRD, Kontomatik.

19.3. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management board, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company adheres to the principles of cash management to mitigate the liquidity risk by:

- preparing of daily cash reports consisting in the presentation of all movements on bank accounts,
- preparing of daily and summary monthly cash flow reports, analyzing cash flows for the Company's Management Board,
- financing a loan action through a P2P platform, thanks to which financing refers to a specific loan granted (1:1 model).

Most receivables from customers have payment terms of up to 30 days. Trade and service obligations are due within 30 days. The Company covers its current expenses with shareholder loans and fundraisers from loans granted. The investment needs related to the construction of the debt portfolio are financed mainly through long-term external financing. In 2022, there was no liquidity risk in the Group, the Group settled its internal (towards employees) and external liabilities on an ongoing basis. The Management Board of the Company is aware that the development of the Company and the achievement of business objectives require a significant investor contribution and external financing in the next few years of operation.

19.4. Interest rate risk

The company is exposed to moderate interest rate risk. On the one hand, the Company offers products with a fixed interest rate, but for a very short period. On the other hand, the Company's operating and administrative activities are secured by financing from a related entity, characterized by a long maturity, while external financing of the loan action is financed mainly from loans secured by financed assets in a 1:1 model via a P2P platform.

19.5. Fair value measurements

The directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

20. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	The Group 2022	The Company 2022	The Group 2021	The Company 2021
Income	1,212	41,726	-	-
Expenses (interest)	58,415	58,415	-	-
Receivables	1,212	394,929	-	-
Payables (loan from shareholder)	699,064	688,268	-	-

21. Contingent liabilities and contingent assets

As at 31 December 2022 and 2021, the Group and the Company was not involved in any legal proceedings, which in the management opinion would have a material impact on the financial statements.

The provisions on value added tax, corporate income tax, personal income tax and social security contributions are subject to frequent changes, because of which there is often no reference to established regulations or legal precedents. The applicable regulations also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations both between state authorities and between state authorities and enterprises. Tax and other settlements (e.g. customs or foreign exchange) may be subject to inspection by authorities that are entitled to impose high penalties, and the additional amounts of liabilities determined as a result of the inspection must be paid together with high interest. These phenomena cause that the tax risk in Poland and Lithuania is higher than that usually existing in other countries. Tax settlements can be audited for a period of five years. As a result, the amounts disclosed in the financial statements may change later after their final determination by the tax authorities.

22. Going concern

The Group has activated its lending activity in Q2 of 2022 and plans further development through expansion and, among others, introducing new products (credit card limit) and continuous improvement of the quality of the portfolio. development of credit risk assessment techniques Less competition on the market (subsequent amendments to the Consumer Credit Act, which entered into force on December 18, 2022) should create a competitive advantage and the possibility of reselling loans on a large scale, even using a credit card, constituting the Company's core business. Further business development will also result from work to improve brand awareness (PR and marketing activities), and in the long term also through expansion into foreign markets. In 2023, the Company focuses its efforts on achieving a break-even result net financial statement in each subsequent month of operation. The company also anticipates an increase in operating efficiency by searching for more effective channels and methods of acquiring customers and developing sales, including, among others, continuation of cooperation with brokers, new affiliates, and development in the area of sales via electronic channels (so-called 'digital').

Hive 5 marketplace d.o.o. shall apply for Croatian financial services supervisory agency HANFA for a European Crowdfunding Service Providers (ECSP) license in June 2023. It will unlock our platform an EU passport based on a single set of rules, which will make us easier to offer projects and business financing crowdfunding services across the EU with a single authorization.

The management of the Group believes there are no significant issues related to the Group’s ability to continue as a going concern.

23. Events after the reporting period

On March 20, 2023, the subsidiary Argentum Capital Sp. z o. o. signed a cooperation agreement for the sale of language courses. The cooperation is aimed at increasing the company's revenues.

On December 15, 2022, the sole shareholder of Argentum Capital Sp. z o.o., i.e., UAB "Hive Finance", agreed to sell 211 shares in the Company to Mr. Wojciech Homan by concluding a donation agreement for the above-mentioned shares without the right of pre-emptive buyout. The registration of the Company's capital increase took place on January 2, 2023.

No other significant events have occurred after the date of financial statements and before the approval of financial statements.

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