DEEPER, UAB

INDEPENDENT AUDITOR'S REPORT,
CONSOLIDATED FINANCIAL STATEMENTS PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION
AND THE ANNUAL REPORT

For the year ended 31 December 2022

CONTENTS

DEEPER, UAB
Company code: 302749154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2022
(All amounts are in the euros (EUR) unless otherwise stated)

	Notes	**31 December 2022**	**31 December 2021 (not audited)**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	**1**	22 872 990	23 678 579
Property, plant and equipment	**2**	200 273	190 838
Right-of-use assets	**3**	192 490	256 653
TOTAL NON-CURRENT ASSETS		**23 265 753**	**24 126 070**
CURRENT ASSETS			
Inventories	**4**	4 136 987	2 164 213
Trade and other receivables	**6**	1 142 445	1 024 685
Other current assets	**7**	206 577	281 450
Cash and cash equivalents	**8**	325 645	1 308 557
TOTAL CURRENT ASSETS		**5 811 654**	**4 778 905**
TOTAL ASSETS		**29 077 407**	**28 904 975**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**9**	25 308	5 273
Share premium	**9**	582 060	582 060
Legal reserve	**9**	2 531	527
Other reserves	**9**	14 558 939	14 558 939
Retained earnings	**5**	583 048	1 761 901
Adjustments due to exchange rate change		5 273	2 383
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**15 757 159**	**16 911 083**
TOTAL EQUITY		**15 757 159**	**16 911 083**
NON-CURRENT LIABILITIES			
Non-current portion of borrowings	**10**	7 759 941	7 857 426
Deferred income tax	**24**	1 106 973	1 373 169
Non-current portion of lease liabilities	**11**	133 311	198 080
Other non-current provisions and commitments	**12**	76 922	67 935
TOTAL NON-CURRENT LIABILITIES		**9 077 147**	**9 496 610**
CURRENT LIABILITIES			
Current portion of borrowings	**25**	603 978	110 468
Current portion of lease liabilities	**11**	64 768	58 573
Employment-related liabilities	**15**	403 753	393 843
Liabilities arising from contracts with customers	**13**	28 421	39 075
Income tax liabilities	**14**	12 452	177 721
Trade and other payables	**14**	3 105 873	1 684 759
Other provisions	**12**	23 856	32 843
TOTAL CURRENT LIABILITIES		**4 243 101**	**2 497 282**
TOTAL EQUITY AND LIABILITIES		**29 077 407**	**28 904 975**

The notes on pages 10-42 are an integral part of these CONSOLIDATED financial statements.
The CONSOLIDATED financial statements were signed on 29 November 2023.

Donatas Malinauskas
CEO

Dalia Skruzdienė
CFO

DEEPER, UAB
Company code: 302749154

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(All amounts are in the euros (EUR) unless otherwise stated)

	Notes	**31 December 2022**	**1 July 2021 - 31 December 2021 (not audited)**
Revenue	**17**	12 985 271	6 872 970
Cost of sales	**18**	(5 736 557)	(3 505 936)
GROSS PROFIT (LOSS)		**7 248 714**	**3 367 034**
Selling and distribution costs	**19**	(4 909 027)	(2 212 440)
Administrative expenses	**19**	(3 472 906)	(2 027 668)
Other income	**20**	(9 491)	9 635
OPERATING PROFIT (LOSS)		**(1 142 710)**	**(863 439)**
Finance income	**22**	6 276	12 989
Finance costs	**22**	(427 494)	(164 596)
PROFIT (LOSS) BEFORE INCOME TAX		**(1 563 928)**	**(1 015 046)**
Income tax expense	**24**	266 196	160 051
PROFIT (LOSS) FOR THE PERIOD		**(1 297 732)**	**(854 995)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1 297 732)**	**(854 995)**

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Dalia Skruzdienė
CFO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(All amounts are in the euros (EUR) unless otherwise stated)

	Notes	Share capital	Share premium account	Legal reserve	Other reserves	Retained earnings	Adjustments due to exchange rate change	Total
Balance at 1 July 2021 acquired (not audited)	5.1	**5 273**	**582 060**	**527**	**14 558 939**	**2 546 753**	**(24)**	**17 693 528**
Profit for the period	5	-	-	-	-	(854 995)	-	**(854 995)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(854 995)**	**-**	**(854 995)**
Adjustments due to exchange rate change		-	-	-	-	-	2 407	**2 407**
Equity-settled share-based payment		-	-	-	-	70 143	-	**70 143**
Balance at 31 December 2021 (not audited)		**5 273**	**582 060**	**527**	**14 558 939**	**1 761 901**	**2 383**	**16 911 083**
Profit for the period		-	-	-	-	(1 297 732)	-	**(1 297 732)**
Other comprehensive income		-	-	-	-	-	-	**-**
Total comprehensive income		**-**	**-**	**-**	**-**	**(1 297 732)**	**-**	**(1 297 732)**
Increase in share capital	9	20 035	-	2 004	-	(21 409)	-	**630**
Adjustments due to exchange rate change		-	-	-	-	-	2 890	**2 890**
Equity-settled share-based payment	16	-	-	-	-	140 288	-	**140 288**
Balance at 31 December 2022		**25 308**	**582 060**	**2 531**	**14 558 939**	**583 048**	**5 273**	**15 757 159**

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DEEPER, UAB
Company code: 302749154

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts are in the euros (EUR) unless otherwise stated)

	Notes	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		(1 563 928)	(1 015 046)
Adjustments for non-cash items:			
Depreciation and amortisation		2 256 266	1 075 661
Depreciation of right-of-use assets		64 163	26 527
Interest expenses		427 494	164 596
(Gain)/loss on disposal of non-current assets		(625)	(1 124)
Other income adjustment		2 226	2 027
Equity-settled share-based payment transactions		140 288	70 143
		2 889 812	**1 337 830**
Changes in working capital:			
(Increase)/decrease in inventories		(1 972 774)	228 120
(Increase)/decrease in trade and other receivables		(117 760)	349 700
Increase/(decrease) in employment-related liabilities		9 910	(86 329)
(Increase)/decrease in other current assets		74 873	31 433
Increase/(decrease) in liabilities arising from contracts with customers		(10 654)	(80 907)
Increase/(decrease) in trade and other payables		1 421 114	72 117
Increase/(decrease) in payables of financial liabilities		101 989	(158 630)
Other provisions		-	39 032
Income tax (paid)		(165 269)	(102 458)
		(658 571)	292 078
NET CASH INFLOW FROM OPERATING ACTIVITIES		**667 313**	**614 862**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisition) of property, plant and equipment and intangible assets		(1 461 465)	(506 166)
Proceeds from sale of non-current assets		2 642	2 643
Contributions to capital increase		630	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**(1 458 193)**	**(503 523)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		500 000	-
Proceeds from repayment		(103 975)	(8 773)
Payment of principal portion of lease liabilities		(58 574)	(26 527)
Interest paid		(529 483)	(5 966)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**(192 032)**	**(41 266)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(982 912)**	**70 073**
CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE PERIOD		1 308 557	1 238 484
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		325 645	1 308 557

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The CONSOLIDATED financial statements were signed on 29 November 2023.

Donatas Malinauskas
CEO

Dalia Skruzdienė
CFO

1. General information

DEEPER, UAB (hereinafter the “Group”) is a private limited liability Group registered (21 March 2012) with the State Enterprise Centre of Registers on Register of Legal Entities of Lithuania. The Group’s address is Antakalnio str. 17, LT-10312 Vilnius. The Group's code in the Register of Legal Entities is 302749154. Valid version of the Group's by-laws was registered with the State Enterprise Centre or Registers on 20 April 2022.

As at 31 December 2022, the company DEEPER UAB held the subsidiary: DEEPER, INC. The Subsidiary was registered on 3 May 2012 at 3801 Avalon Park East Blvd., Ste.350A, Orlando, Florida, US. The Company is 100% owned by the Parent company. Core line of business of subsidiary is sales of the products manufactured by DEEPER, UAB in the markets of the United States and Canada.

The Group of companies consists of the parent company DEEPER UAB and the subsidiary company DEEPER INC.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Because at the end of June 2021 the merger of the companies takes place, the Group's first reporting year is from July 1, 2021 to December 31, 2021. The information provided as a previous years information only includes data for the specified period.

These financial statements were prepared for DEEPER, UAB which is a surviving entity following the downstream merger between Alfresco LT, UAB and its wholly owned subsidiary DEEPER, UAB (the "Merger"). Alfresco LT, UAB was formed on 21 May 2021 by Alfresco S.a.r.l. for the purpose of acquiring shares in DEEPER, UAB from its previous owners. Alfresco LT, UAB then acquired DEEPER, UAB (the "Transaction"). The acquisition was completed on 22 June 2021 and is described further in Note [5]. Given that the Transaction resulted in a change in control over DEEPER, UAB, it was accounted for as a business combination by Alfresco LT, UAB under IFRS 3, *Business Combinations*. Following the Merger, Alfresco LT, UAB ceased operations and was de-registered. Alfresco LT, UAB is considered to be a new reporting entity under IFRS. These financial statements were prepared from the date of formation of Alfresco LT, UAB and therefore the comparative period presented therein reflects only a portion of calendar year 2021. Alfresco LT, UAB never prepared any financial statements in the past and therefore these are its first set of financial statements. Alfresco LT, UAB elected to apply IFRS from the very beginning. The Merger was reflected in these financial statements under a fully retrospective approach, as if Alfresco LT, UAB and DEEPER, UAB have been combined from the date of the Transaction.

An entity is encouraged to disclose the assumptions used to determine the recoverable amount of all significant assets and cash-generating units during the period. However, as a minimum, paragraph 134 of IAS 36 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit. In many cases, the impairment calculations also involve significant estimates and judgements which should be highlighted under paragraphs 122 and 125 of IAS 1.

The main shareholder of the Group Alfresco S.a.r.l. holding 97,1 % of Group shares.

The ultimate parent company of the Company is Alfresco S.a.r.l. with its registered office address: 60 route de Treves, L-2633 Senningerberg, Luxembourg, company code B253683.

The Group’s core line of business is production of measuring, testing, navigational and control equipment devices. The Group's main product is a smart fishing sonar, accessories for product support and a mobile application that integrates with the sonar and both collects and share information about water bodies. The Group operates in the field of IT and high-tech, develops consumer electronics interfacing with mobile devices.

As at 31 December 2022 , the Group had no branches and representative offices.

As at 31 December 2022 the position of the Group 's Director was held by Donatas Malinauskas, Head of Finance - Dalia Skruzdienė.

As at 31 December 2022, the average annual number of employees was 73 (2021: 67 employees).

2. Accounting policies

The principal accounting policies adopted in the preparation of the Group’s consolidated financial statements for the year 2022 are set out below. These accounting policies have been applied to all the periods presented in the consolidated financial statements, unless otherwise stated.

The Group’s financial year starts on 1 January and ends on 31 December.

The Group’s consolidated financial statements are presented in euro (EUR), which is the Group’s functional currency.

2.1. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Since the Group's first reporting year is from July 1, 2021 to December 31, 2021, the information provided as a previous years information only includes data for the specified period.

Merger of the Companies took place in the middle of the month (22nd June 2021), however for the practical reasons Group decided that it accounting year will start on the 1st of July 2021, as most of the accounting entries are done once per month and closing in the middle of the month is difficult. Based on simplified analysis of cost allocation to specific day the Group draw a conclusion that the profit impact of 23-30 June 2021 on the results is limited (15k EUR loss on UAB level, 2k USD profit on INC level). In case of revenue/costs the activity level (of approx. 350k) is not far from what could be expected for an average week of the Group.

[●] Impact of amendments to IFRS and IFRS interpretations on the Group's financial statements

IFRS and their interpretations effective in the reporting period that have been issued and adopted by the European Union

During the current period the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022.

(a) New and amended standards and interpretations adopted by the Group

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.
The amendments had no material impact on the financial statements of the Group.
There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 2022 that would be expected to have a material impact to the Group.

(b) Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Group:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of Groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the Group of contracts (the contractual service margin). Insurers will be recognising the profit from a Group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a Group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The amendment will not affect the financial statements as the Group is not an insurance Group.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group expects that the amendment will have no significant impact on the financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The Group expects that the amendment will have no significant impact on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The management of the Group is currently assessing the impact of these amendments on the financial statements.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Group expects that the amendment will have no impact on the financial statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Group expects that the amendment will have no material impact on the financial statements.

The Group expects that the amendment will have no impact on the financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a Group might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The management of the Group is currently assessing the impact of these amendments on the financial statements.

[●] Intangible assets

Intangible assets acquired separately are initially measured at cost. Intangible assets are subsequently stated at cost, less accumulated amortisation and impairment losses, if any. The useful life of intangible assets is assessed to be either limited or indefinite.

As at 31 December 2022 and 2021, the Group had no intangible assets with an indefinite useful life.

Amortisation is calculated using the straight-line method over the estimated useful life. The useful life and amortisation method are reviewed at the end of each reporting period. Any changes in accounting estimates are accounted for prospectively.

The following useful lives are applied to different categories of intangible assets:

Software	3 years
Patents, licences	3 years
Other intangible assets	4 years
Trademarks	10 years

Goodwill

Goodwill is measured as described in note 26. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes (note [[1] Critical accounting estimates and key sources of estimation uncertainty]).

Trademarks, licences and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:
• it is technically feasible to complete the software so that it will be available for use
• management intends to complete the software and use or sell it
• there is an ability to use or sell the software
• it can be demonstrated how the software will generate probable future economic benefits
• adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
• the expenditure attributable to the software during its development can be reliably measured.
Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Customer contracts

The customer contracts were acquired as part of a business combination (see note [5]Business combinations note for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

[●] Property, plant and equipment

Items of assets are recognised as property, plant and equipment when all the below-listed criteria are met:

- the assets are used for a period longer than one year;
- the entity owns and controls the assets;
- economic benefits are expected to be derived from the assets in future periods;
- the acquisition cost of the assets can be measured reliably;
- the acquisition cost of such assets is not less than the established minimum acquisition cost of the assets, i.e. EUR 145;

Property, plant and equipment is stated at acquisition (production) cost, less accumulated depreciation and impairment, if any. Depreciation is calculated using the straight-line method over the estimated useful lives. Depreciation is not charged on items of property, plant and equipment that are no longer in use (conserved).

The Group applies the following useful lives to the items of property, plant and equipment:

Plant and machinery	5 years
Motor vehicles	4 years
Other fixtures, fittings, tools and equipment	3 - 6 years

Repair and reconstruction costs are recognised as expenses during the reporting period in which the expenditure is incurred. When reconstruction or repair works extend the useful life of property, plant and equipment or improve its original standard performance, such reconstruction or repair costs are added to the acquisition cost of property, plant and equipment, and its useful life is adjusted accordingly.

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds from the disposal with the net book amount of the asset disposed and all the expenses related to such disposal. Upon the disposal of property, plant and equipment, the result of the transaction is included in profit or loss.

The items of property, plant and equipment no longer used in the Group's activities and held for sale are accounted for in inventories in the Statement of financial position. When property, plant and equipment is written off or otherwise disposed, its acquisition cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with the carrying amount of the asset disposed and are included in profit or loss.

[●] Impairment of non-financial assets

At each reporting date, the Group reviews the net book amount of assets in order to determine whether any impairment indications exist for the assets. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and compares it with the carrying amount to assess impairment, if any. When the recoverable amount of the asset cannot be estimated, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to smaller Groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing the value in use, the expected net future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future net cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognised in profit or loss immediately, unless such an asset was previously revalued, in which case the impairment loss is treated as a decrease of the revaluation reserve.

If after recognition of impairment losses the value of an asset increases, the carrying amount of an asset (cash-generating unit) is increased to the newly calculated recoverable amount of an asset. That increased recoverable amount cannot exceed the carrying amount of an asset (cash-generating unit) that would have been determined had no impairment losses been recognised in the previous periods. A reversal of an impairment of the asset is recognised in profit or loss, unless such an asset was previously revalued, in which case the reversal of the asset's impairment is treated as an increase of the revaluation reserve (without exceeding the amount of the previous impairment).

[●] Right-of-use assets and lease liabilities

At the inception of an arrangement the Group determines whether such an arrangement is or contains a lease. The Group recognises right-of-use assets and lease liabilities for all leases under which the Group is a lessee, excluding leases of intangible assets, short-term leases and leases of low-value assets with the value of such new assets not exceeding EUR 145, however in individual cases not only the value of such assets, but also the assessment of the entire contract is considered. The Group recognises lease payments made under lease contracts but when assessed as short-term and low-value lease payments as operating expenses or cost of sales, depending on their nature, on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefit from the underlying assets is obtained over time.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office and other equipment that is considered of low value.

IFRS 16 does not apply to employees' Car Leasing contracts, as they are classified as low value contracts.

The Group recognises right-of-use assets, for which is makes lease payments, at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. The right-of-use assets are assessed for impairment.

Lease payments expected to be made based on reasonably certain lease extensions are also included in the calculation of the lease liability. The unwinding of the discount is recognised in the statement of comprehensive income as finance costs. Right-of-use assets are measured at cost consisting of an initial discounted lease liability and prepayments made. Right-of-use assets are depreciated on a straight-line basis over the lease term. Depreciation is accounted for as depreciation expenses in the statement of comprehensive income. Lease terms are adjusted if, based on the estimate of the Group's management, they will be extended. Right-of-use assets are accounted for as non-current assets. The Group's management determines the lease term by considering all facts and circumstances that can create economic incentives to extend the lease or decide not to exercise the option to terminate the lease. The option to extend the lease is included in the lease term if it is reasonably certain that the lease will be extended or will not be terminated. If the underlying asset is significantly improved and its net book amount is material to the Group, it is considered to be reasonably certain that the lease will be extended or will not be terminated. Otherwise, the Group assesses other circumstances, including plans to continue business operations.

[●] Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion and possible selling expenses.

The cost of inventories is determined using the first-in, first-out (FIFO) method (it is assumed that inventories that were acquired first are used first). When calculating the cost of goods, the Group attributes a part of discounts received to goods acquired from suppliers and not yet sold.

Inventories in transit are recognised when risks and rewards of ownership pertaining to inventories are transferred to the Group.

Inventories that are no longer expected to be realised are written off.

Work in progress is stated at cost which comprises the value of construction, structures and fixtures and other directly attributable costs.

[●] Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and cash at bank and other short-term liquid investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

[●] Financial assets and liabilities

Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial assets

On initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual nature of the cash flows of the financial asset and the Group's business model for managing financial assets. Except for trade receivables that do not contain a significant financing component, the Group initially recognises financial assets at fair value, plus, in case of financial assets not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the requirements of IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed for each financial instrument.

The Group's business model for managing financial assets indicates how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options. Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial asset.

Subsequent measurement of financial assets

After initial recognition, the Group measures financial assets at:

- amortised cost (debt financial instruments);
- fair value through other comprehensive income when accumulated profit or loss is transferred to profit or loss upon derecognition (debt financial instruments);
- fair value through other comprehensive income when accumulated profit or loss is not transferred to profit or loss upon derecognition (equity instruments);
- fair value through profit or loss.

Financial assets measured at amortised cost (debt financial instruments)

The Group measures financial assets at amortised cost provided that both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are subsequently recorded using the effective interest rate (EIR) method, less impairment losses. Gains or losses are recognised in profit or loss when the asset is derecognised, replaced or impaired.

The Group's financial assets measured at amortised cost include trade receivables, other current and non-current receivables.

Impairment of financial assets

According to the requirements of IFRS 9, the Group recognises expected credit losses (ECL) for all debt financial instruments that are not measured at fair value through profit or loss. ECL are based on the difference between the contractual cash flows receivable and cash flows expected to be received by the Group discounted at an original effective interest rate. ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are calculated for credit losses arising from default events that may occur within the next 12 months (12-month ECL). For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment is provided for the amount of credit losses expected to occur within the remaining life of the credit exposure, irrespective of the timing of default (lifetime ECL).

The Group considers that the debtor failed to meet his/her obligations related to financial assets when contractual payments are more than 90 days past due or when indications exist that the debtor or a Group of debtors is experiencing significant financial difficulty, defaults in interest or principal payments, the probability occurs that they will enter bankruptcy or reorganisation procedures and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (the debtor went bankrupt and it is not possible to recover contractual amounts without undue cost or effort or the debtor has no assets to settle the liabilities).

The Group's management estimates that trade receivables do not contain a significant financing component, therefore, the Group uses the simplified approach for calculating ECL for trade receivables, i.e. management assesses individual expected credit losses taking into consideration the client's credit history, forward-looking factors and risk factors specific to the debtor.

The Group generally uses a matrix of expected credit loss rates, which is based on the historical credit loss analysis and adjusted to reflect forward-looking factors specific to debtors and economic environment.

Credit losses of amounts receivable are recognised in profit or loss through the contra account of doubtful receivables.

Financial liabilities

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortised cost (borrowings and amounts payable). All financial liabilities are initially recognised at fair value and, in case of borrowings and amounts payable, net of directly attributable transaction costs. Interest payable on financial liabilities is accounted for under trade and other payables.

Subsequent measurement

Borrowings and other amounts payable

After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when financial liabilities are derecognised or amortised. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss within finance costs.

As at 31 December 2022 and 2021, the Group had no financial instruments measured at fair value through other comprehensive income.

[●] Effective interest rate method

The effective interest rate method is the method that is used in the calculation of the amortised cost of a financial asset and a financial liability and in the allocation of the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all 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 asset and the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

[●] Grants and subsidies

Grants are financial and material support rendered by state and municipal authorities, international organisations and foundations and other third parties for specific activities. Grants are recognised when the Group complies with the conditions for the allocation of the grant established in the grant agreement and when there is a reasonable assurance that the grant will be received.

The Group recognises Grants received to compensate for expenses :

Grants received as a compensation for expenses or unearned income of the current or previous reporting period, also, all grants, which are not grants related to assets, are defined as grants related to income. Grants related to income are recognised as used in parts to the extent of expenses incurred or unearned income in the reporting period for which the grant is intended to compensate.

Grants related to income are recognised in profit or loss when the related expenses are incurred or income is not earned for which the grant is intended to compensate by increasing other income or reducing related expenses. When grants cannot be attributed to expenses incurred or deferred expenses (or unearned income), they are recognised as revenue in the period in which they are received or the Group complies with the conditions for the allocation of the grant established in the grant agreement and when there is a reasonable assurance that the grant will be received.

[●] Revenue recognition

The Group's revenue includes as follows:

- Revenue from goods sold
- Revenue from accessories sold
- Revenue from resold goods
- Revenue from services rendered

Revenue

Revenue from contracts with customers, excluding leases, is recognised according to the provisions of IFRS 15 using a five-step model.

Step 1 – identification of the contract(s) with the customer

A contract is an agreement between two or more parties that creates enforceable rights and obligations and to which the customer is a party. A customer is a party that has contracted with an entity to obtain goods or services in exchange for consideration. A contract with a customer that is within the scope of IFRS 15 is accounted for only when all of the following criteria are met:
• the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
• the entity can identify each party's rights regarding the goods or services to be transferred;
• the entity can identify the payment terms for the goods or services to be transferred;
• the contract has commercial substance;

• the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Step 2 – identification of performance obligations

A performance obligation is a promise in a contract to provide services. If services are distinct, separate performance obligations are recognised. Each performance obligation is identified either as:

• a service (or a bundle of goods or services) that is distinct; or
• a series of services that are substantially the same and that have the same pattern of transfer to the customer.

Step 3 – determination of the transaction price

For the purpose of determining the transaction price, the Group considers the terms and conditions of the contract, legal acts of the Republic of Lithuania and its usual business practice. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties (for example, certain selling fees). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

Step 4 – allocation of the transaction price to performance obligations

An entity allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5 – recognition of revenue when (or as) the entity satisfies performance obligations

An entity recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Performance obligations are satisfied over time or at a point in time. The recognised amount of revenue is equal to the amount which is allocated to the satisfied performance obligation. Revenue is recognised when a reliable estimate of the amount of revenue can be made and when it is probable that the entity will receive economic benefit associated with the performance obligation.

Sales revenue is accounted for net of VAT and discounts granted. Revenue from sale of goods is recognised upon delivery of goods and transfer of risks and rewards incidental to ownership of these goods. The breakdown of revenue by nature earned is presented in Note [16].

The Group earns the majority of its revenue from sales of goods (SONARs). The Group recognises the SONAR and the compatible mobile application, which are usually sold together in a bundle, as two performance obligations and recognises revenue at a point in time when the SONAR is delivered and the app is made available for download to the customer. Given that the app is free of charge and readily available for download at any given point in time to the Group's customers and others, the timing of revenue recognition coincides with the delivery of the SONAR. The app performs the functionality of the visual output device and does not significantly modify the functionality of the SONAR.

The Group specializes in the creation and development of mobile applications. The Fish Deeper is a stand-alone application designed specifically for fishing enthusiasts, but also valuable for beginners. It combines advanced data and technology with convenient user-friendly features to enhance the fishing experience and increase the chances of a successful catch. The product can be purchased together with the sonar for free, and is also sold in monthly and annual consumption subscriptions. Revenues from monthly subscriptions are recognized as incomes immediately upon sale of the subscription. Revenues from annual subscriptions are recognized as income during the relevant period by allocating them to the income of future periods.

If the Group provides any additional services to the customer after control over goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision [Note 12].

No element of financing is deemed present as the sales are made with a credit term of 365 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group uses various sales channels: distributors, resellers and sales in electronic stores. All channels have different pricing and different profit margins. Pricing is different and varies by country as well. The Group uses the subsidiary as a separate channel for sales in the United States and Canadian markets. Business-to-business pricing follows an arm's length policy. The subsidiary's sales channels are analogous to the parent Group's channels.

[●] Recognition of expenses

The Group classifies expenses by function.

For expenses incurred in earning revenue in the current reporting period, the Group accounts for those expenses on the basis of data accrual principles referring to the following conditions:

· a part of costs associated with the value of goods sold or services rendered may be recognised as an expense because of the expense recognition criterion – costs incurred in earning revenue of the reporting period;

· costs incurred by the Group during the reporting period must be immediately recognised as expenses of that reporting period, if those costs cannot be attributed to specific revenue earned and revenue associated with these costs is not expected to be received in the upcoming periods.

[●] Foreign currency

Transactions denominated in currencies other than the euro are translated to the euros using the official exchange rate prevailing at the date of the transaction announced by the Bank of Lithuania, which approximates the market rates. At the end of each reporting period, all monetary items denominated in foreign currencies are translated using the exchange rate prevailing at that date.

Non-monetary items denominated in foreign currencies and measured at fair value are translated using the exchange rate at the date when the fair value was determined. Non-monetary items denominated in foreign currencies and measured at cost are not translated.

Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of preparation of financial statements. Foreign exchange gains and losses resulting from the translation of monetary assets or liabilities to the euros are recognised in profit or loss of the reporting period.

[●] Fair value

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 both cases the objective of a fair value measurement is the same, i.e. to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. a final price at the measurement date for a market participant that owns the asset or liability). A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. A fair value measurement requires an entity to determine all the following:

· the particular asset or liability that is the subject of the measurement (consistently with its unit of account);
· for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use);
· the principal (or most advantageous) market for the asset or liability;
· the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

The objective of the valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are as follows:

· the market approach is the valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a Group of assets and liabilities, such as a business;
· the cost approach is the valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost);
· the income approach is the valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement reflects current market expectations about those future amounts

Fair value hierarchy

To improve consistency in and comparability of fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

· Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
· Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
· Level 3 inputs are unobservable inputs for the asset or liability.

[●] Income tax

The income tax expense for the period is the current period's income tax payable and deferred income tax.

Current income tax

The current income tax charge is calculated on the basis of taxable profit for the year. Taxable profit differs from profit reported in the statement of comprehensive income since it excludes income taxable/expenses deductible in the next year, as well as non-taxable income or non-deductible expenses. Income tax is calculated using the tax rate that has been effective or enacted by the end of the reporting period. The income tax rate applied to the DEEPER, UAB was 15% in 2022 and 2021. DEEPER, INC is subject to a state corporate tax rate of 5.5 percent and an additional 21 percent of the United States corporate tax rate.

In the Republic of Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward of tax losses is discontinued if the Group ceases the activities that gave rise to these losses, except when the Group ceases the activities for reasons that are beyond its control. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum of 70%.

Deferred income tax

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax liabilities are recognised for all temporary differences, whereas deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are not recognised when temporary differences arise from goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred income tax assets are reviewed at each reporting date and if it is not probable that the Group will generate sufficient taxable profit to realise these assets, they are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred income tax assets and liabilities are estimated using the effective tax rate that will be applied in the year in which these temporary differences are expected to be realised or settled, based on the tax rates (and tax laws) that have been or will be enacted by the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences that follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxation authority, and when the Group intends to settle current tax assets and current tax liabilities on a net basis.

Current and deferred income tax

Current and deferred income tax is recognised as expenses in the statement of comprehensive income, except to the extent it relates to items recognised outside profit or loss (directly in equity), in which case income tax is also recognised outside profit or loss, or if it arose as a result of the initial recognition of the business combination.

[●] Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, however, they are disclosed in the notes to the financial statements when it is probable that income or economic benefits will flow to the Group.

[●] Correction of errors

Errors that are not fundamental are corrected in the financial statements for the current reporting period. The correction of the error is recorded in the same line item of the statement of comprehensive income in which the error was made.

The correction of fundamental errors of the previous periods is carried out retrospectively unless there is no possibility to accurately assess the impact of a fundamental error on the financial statements of the previous periods. In this case, correction is performed on a prospective basis.

[●] Provisions

Provisions are recognised when the Group has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised for an estimated amount of expenses necessary for the settlement of the obligation ('expected value'). If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax interest rate for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision is recognised as borrowing costs to reflect the passage of time.

At each date of the statement of financial position provisions are reviewed and adjusted in view of changed circumstances. If the amount of the provision was discounted, a portion reversed at each reporting period is equal to a discounting effect (interest expenses). If circumstance change and the provision is no longer necessary, the provision is reversed in the statement of comprehensive income through the expense line item in which it was recorded at the time of establishment.

At each date of the statement of financial position provisions are classified as non-current liabilities, if the Group's management expects to settle them after more than twelve months from the date of the statement of financial position, and as current liabilities, if the Group's management expects to settle them within the period of twelve months from the date of the statement of financial position.

Recognition of provisions for warranty obligations

The Group recognises provisions for warranty obligations in accordance with the general principles for the recognition of provisions as disclosed below.

The Group provides two - five -year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. The guarantee provision is formed after evaluating the amount of sonars in the market at the end of the year and the units of goods actually returned during the current period, as well as the costs of their repair and replacement. A provision of EUR 100 778 has been recognised at the year-end for expected warranty claims based on past experience of the level of repairs and returns. The balance at 31 December 2022 is expected to be either fully utilised or released by the end of 2027.

In cases when the Group is not liable for expenditure resulting from another party's failure to make the payment, the Group has no commitments regarding such expenditure and it will not be included in the provisions.

Expenses related to provisions are presented in the statement comprehensive income, net of the recognised amount of the reimbursement.

[●] Contract Assets and Liabilities

Definition: Contract assets are recognized when the Group has transferred goods or services to a customer under a contract but retains the right to receive consideration in the future, which is not yet due. In other words, it represents the Group's right to receive payment for work completed but not yet invoiced.
Recognition: Contract assets are recognized when the Group satisfies a performance obligation (i.e., when the Group has fulfilled its contractual obligations to the customer) and the customer has an obligation to pay. The Group should assess whether collectability of the contract asset is probable.
Measurement: Contract assets are measured at the amount of the right to consideration the Group has for goods or services that have been transferred to the customer, which is generally the amount the Group has the right to invoice. If there are variable considerations or constraints on the contract, the contract asset may be measured differently.
Contract liabilities are recognized when the Group receives payment from a customer before satisfying the related performance obligations, which represents an obligation to transfer goods or services to the customer in the future.
Recognition: Contract liabilities are recognized when the Group receives payment or consideration from the customer before transferring the goods or services, creating an obligation to transfer the goods or services in the future.
Measurement: Contract liabilities are initially measured at the amount of consideration received from the customer. Subsequently, the contract liability is recognized as revenue when the Group satisfies its performance obligations and transfers the goods or services to the customer.
Disclosures: Companies are required to disclose information about their contract assets and contract liabilities, including changes in the balances, significant judgments and estimates used in determining the amounts recognized, and any constraints on the Group's right to consideration.
Impairment: Contract assets and contract liabilities should be assessed for impairment, and any impairment should be recognized and disclosed in the financial statements.
Reassessment: Deeper UAB reassesses contract assets and contract liabilities at the end of each reporting period and adjust the balances if there are changes in the estimates or circumstances that affect their recognition or measurement.

[●] Prepayments

Recognition: Prepayments are recognized as assets when The Group has a right to receive goods or services in the future, and it has already made a payment or provided consideration for them. The prepayment is initially recorded as an asset on the balance sheet.
Measurement: Prepayments are measured at the amount of cash paid or the fair value of the consideration given, whichever is lower.
Presentation: Prepayments are presented separately as a current or non-current asset on the balance sheet, depending on when the goods or services are expected to be received or the right to use the asset expires.
Amortization or Derecognition: Prepayments are amortized or derecognized as the goods or services are received or the right to use the asset expires. The amortization should be recognized as an expense in the income statement over the period in which the benefit from the prepayment is consumed.

[●] Employee benefits

Short-term employee benefits: benefits such as wages, salaries, bonuses, paid annual leave, and sick leave that are expected to be settled within 12 months after the end of the reporting period in which the employees render the related service. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment arrangements: remuneration may be any compensation paid to the Copmany's employee for the work performed or the compensation calculated by the employer on the basis of the value of the equity securities of the Group. Equity-based compensation is the compensation that is calculated on the basis of the value of the Group's equity securities or that may be granted in the form of shares, stock options, or other equity securities. The fair value of shares shall be determined on the date of their granting. Equity-based compensation may be paid only if specific conditions are met. In case the conditions of the grant of shares are changed and it affects the value of the remuneration, then the results of those changes shall be recorded in the accounting of the Group.

The fair value of the amount payable to employees in respect of share-based compensation, is recognized as an expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to use agreement rights. The amount recognised as an expense is adjusted to reflect the number of the awards for which the related service and non-market performance conditions are expected to be met, such that the amount untimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-veting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of SARs, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at the each reporting date and at settlement date based on the fair value of the SARs. Any changed in the liability are recognised in profit or loss.

[●] Business Combinations

The Group applies the acquisition method to account for business combinations in accordance with IFRS 3, Business Combinations. Under the acquisition method, the acquiree's identifiable assets, liabilities, and contingent liabilities are recognized at fair value at the acquisition date. Any excess of the fair value of the consideration transferred over the fair value of the net assets acquired is recognized as goodwill. If the fair value of the net assets acquired exceeds the consideration transferred, the difference is recognized as a gain on bargain purchase in the statement of comprehensive income.

Goodwill represents the excess of the consideration transferred and the fair value of the acquiree's identifiable net assets at the acquisition date. Goodwill is recognized as an intangible asset and is not amortized, but is tested for impairment annually or whenever there is an indication of impairment.

The Group discloses information about its business combinations in the financial statements, including the nature and effects of the business combinations, the fair value of consideration transferred, the fair value of assets acquired and liabilities assumed, and the amount of goodwill recognized or gain on bargain purchase. The Group also discloses information about the assumptions used in determining the fair values, and any significant adjustments made to the provisional amounts recognized at the acquisition date. Additionally, the Group provides information about any non-controlling interests acquired and the fair value of the acquirer's previously held equity interests in the acquiree. These disclosures are made to provide users of the financial statements with relevant information to assess the financial effects of the business combinations on the Group's financial position and performance.

Any adjustments made to the provisional amounts recognized at the acquisition date, as permitted by IFRS 3, are considered as adjustments to the business combination and are reflected in the comparative financial statements of the period in which the adjustment is made.

[1]. Intangible assets

Intangible assets comprised as follows as at 31 December:

	Goodwill	Patents, licences	Software	Other intangible assets	Prepayments relating to intangible assets	Total
Cost						
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**	**-**	**-**	**-**	**-**
- additions	-	15 205	369 485	-	35 176	419 866
- value of assets acquired in business combination*	12 536 278	7 345 191	2 946 620	1 100 783	367 629	24 296 501
- reclassifications	-	19 199	354 161	-	(373 360)	-
At the end of the previous financial year 31 December 2021 (not audited)	**12 536 278**	**7 379 595**	**3 670 266**	**1 100 783**	**29 445**	**24 716 367**
- additions	**-**	**67 433**	**1 025 223**	-	262 579	1 355 235
- disposals and write-offs	-	-	(2 857)	-	-	(2 857)
- reclassifications	-	29 445	-	-	(29 445)	-
At the end of the financial year 31 December 2022	**12 536 278**	**7 476 473**	**4 692 632**	**1 100 783**	**262 579**	**26 068 745**
Accumulated amortisation						
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**	**-**	**-**	**-**	**-**
- amortisation charges	-	(381 404)	(546 119)	(110 265)	-	(1 037 788)
At the end of the previous financial year 31 December 2021 (not audited)	**-**	**(381 404)**	**(546 119)**	**(110 265)**	**-**	**(1 037 788)**
- amortisation charges	-	(770 480)	(1 170 173)	(220 171)	-	(2 160 824)
- disposals and write-offs	-	-	2 857	-	-	2 857
At the end of the financial year 31 December 2022	**-**	**(1 151 884)**	**(1 713 435)**	**(330 436)**	**-**	**(3 195 755)**
Net book amount						
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**	**-**	**-**	**-**	**-**
At the end of the previous financial year 31 December 2021 (not audited)	**12 536 278**	**6 998 191**	**3 124 147**	**990 518**	**29 445**	**23 678 579**
At the end of the financial year 31 December 2022	**12 536 278**	**6 324 589**	**2 979 197**	**770 347**	**262 579**	**22 872 990**

As at 31 December 2022 and 2021, the Group had no gratuitous intangible assets that were used in its activities.

The cost of intangible assets fully amortised but still used in the Group's activities was as follows:

	31 December 2022	31 December 2021 (not audited)
Patents, licences	77 383	61 861
Software	72 867	138 794
Other intangible assets	1 723	-
Total	**151 973**	**200 655**

The net book amount of intangible assets fully amortised but still used in the Group's activities was EUR 151 973 as at 31 December 2022 (31 December 2021: EUR 200 655).

Impairment test

The impairment test for goodwill was performed as of 31 December 2021 and 31 December 2022. The test was based on discounted cash flow method, also described in Note 27.
The recoverable amount of CGU was based on discounted future cashflows, with the key assumptions used as listed below. The assumptions were based on management estimates as to industry trends, growth rates and historical data both from internal analyses and external sources.

	31 December 2022	31 December 2021
Terminal growth rate	1.5%	1.9%
Ebitda margin average during projections period	23.4%	26.0%
Discount rate	16.6%	15.7%

Terminal growth rate was used for establishing residual value of the CGU after the period of high growth that was covered in business plan prepared for management. Terminal growth rate used is LT growth rate of consumption published in periodic macro study by European Central Bank.
CGU’s profitability during the 5-years projections period was calculated based on the business plan prepared by the management, and taking into account in particular historical trends and growth dynamics of various products, as well as cost structure and needs for resources generated by the business activities. The factors that influenced the margin were primarily revenue growth rates and marketing support needed to achieve those as well as gross margin per product.
Discount rate for the business was calculated based on CAPM model and the assumptions that respectively 90% in 2021 and 84% in 2022 impairment test of the capital will be equity financing – this is in line with the data for consumer electronics industry. In terms of calculating of cost of equity the inputs from Damodaran’s database were used, cost of debt was derived based on actual cost of debt financing available to the business.

Sensitivity analysis to goodwill impairment test values	31 December 2022	31 December 2021
Growth rate decrease by 1%	- 1 841 853	- 2 203 795
Discount rate increase by 1%	- 2 799 452	- 2 943 014

Above changes are not causing the current estimate of fair value to drop below carrying values, so would not impact the impairment made.

In case of trademark, and software just qualitative test was performed - i.e. based on available information Management concluded that there are no reasons for impairment as all assets reviewed are in use as intended.

[2]. Property, plant and equipment

Property, plant and equipment comprised as follows as at 31 December:

	Plant and machinery	Motor vehicles	Other fixtures, fittings, tools and equipment	Prepayments relating to tangible assets	Total
Cost					
At the end of the year before the previous finncial year 1 January 2021 (not audited)	**-**	**-**	**-**	**-**	**-**
- additions	43 458	-	29 340	13 502	**86 300**
- disposals and write-offs	-	-	(690)	-	**(690)**
- reclassifications	-	-	5 867	(5 867)	-
-value of assets acquired in business combination*	56 394	1	80 686	5 867	142 948
At the end of the previous financial year 31 December 2021 (not audited)	**99 852**	**1**	**115 203**	**13 502**	**228 558**
- additions	48 618	-	51 912	5 700	106 230
- disposals and write-offs	-	-	(2 381)	-	(2 381)
- reclassifications	13 502	-	-	(13 502)	-
At the end of the financial year 31 December 2022	**161 972**	**1**	**164 734**	**5 700**	**332 407**
Accumulated depreciation					
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**	**-**	**-**	**-**
- depreciation charges	(15 926)	-	(21 947)	-	**(37 873)**
- disposals and write-offs	-	-	153	-	**153**
At the end of the previous financial year 31 December 2021 (not audited)	**(15 926)**	**-**	**(21 794)**	**-**	**(37 720)**
- depreciation charges	(41 236)	-	(54 206)	-	(95 442)
- disposals and write-offs	-	-	1 028	-	1 028
At the end of the financial year 31 December 2022	**(57 162)**	**-**	**(74 972)**	**-**	**(132 134)**
Net book amount					
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**	**-**	**-**	**-**
At the end of the previous financial year 31 December 2021 (not audited)	**83 926**	**1**	**93 409**	**13 502**	**190 838**
At the end of the financial year 31 December 2022	**104 810**	**1**	**89 762**	**5 700**	**200 273**

The cost of property, plant and equipment fully depreciated but still used in the Group's activities was as as follows as at 31 December:

	31 December 2022	31 December 2021 (not audited)
Plant and machinery	93 610	47 207
Motor vehicles	598	598
Other fixtures, fittings, tools and equipment	75 274	54 087
Total	**169 482**	**101 892**

The net book amount of property, plant and equipment fully depreciated but still used in the Group's activities was EUR 169 482 as at 31 December 2022 (31 December 2021: EUR 101 892).

Assets pledged as collateral

As at 31 December 2022 and 2021 Group did not have pledged tangible non-current assets.

Description of lease contracts

[3]. Right-of-use assets

Right-of-use assets comprised as follows as at 31 December:

	Rent of office premise	Total
Cost		
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**
- value of assets acquired in business combination*	283 180	**283 180**
At the end of the previous financial year 31 December 2021 (not audited)	**283 180**	**283 180**
At the end of the financial year 31 December 2022	**283 180**	**283 180**
Accumulated depreciation		
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**
- depreciation charges	(26 527)	**(26 527)**
At the end of the previous financial year 31 December 2021 (not audited)	**(26 527)**	**(26 527)**
- depreciation charges	(64 163)	(64 163)
At the end of the financial year 31 December 2022	**(90 690)**	**(90 690)**
Net book amount		
At the end of the year before the previous financial year 1 January 2021 (not audited)	**-**	**-**
At the end of the previous financial year 31 December 2021 (not audited)	**256 653**	**256 653**
At the end of the financial year 31 December 2022	**192 490**	**192 490**

The Group's right-of-use assets include rent of office premise. The Group does not sublease any of its assets. The Group has no lease contracts with variable payments. The Group's estimates at the reporting date exluded the lease extension options, since at the time of assessment of lease contracts the Group had no reasonable grounds to believe that the extension option will be exercised.
The calculations under IFRS 16 were based on discount rate of 5%.

The premises lease agreement was concluded until 31 December 2025.

Interest expenses on leased assets of EUR 10 649 were reported under finance costs in the statement of comprehensive income in 2022 (2021: EUR 5 625).

Expenses of short-term leases and leases of low-value assets amounted to EUR 0 in 2022 (2021: EUR 0).

Lease payments were accounted for at a fixed rate by estimating liabilities arising from 31 January 2021 to 31 January 2022 and from 1 February throughout the entire lease term, and they amounted to EUR 321 529.

Lease liabilities comprised as follows as at 31 December:

	Reporting period	Previous reporting period
Within one year	64 768	58 573
Between 2 and 5 years	133 311	198 080
Later than 5 years	-	-
Total lease liabilities	**198 079**	**256 653**

[4]. Inventories

Inventories comprised as follows:

	Raw materials and consumables	Finished products	Total
Cost			
1 January 2021	-	-	-
- value of assets acquired in business combination*	886 004	1 506 329	2 392 333
Net realisable value at 1 July 2021	**886 004**	**1 506 329**	**2 392 333**
Cost			**-**
31 December 2021 (not audited)	1 476 474	756 233	2 232 707
Write-down allowance (-)	(68 494)	-	(68 494)
Net realisable value at 31 December 2021	**1 407 980**	**756 233**	**2 164 213**
Cost			
31 December 2022	2 684 249	1 452 738	4 136 987
Net realisable value at 31 December 2022	**2 684 249**	**1 452 738**	**4 136 987**
Value of inventory pledged	2 684 249	1 452 738	4 136 987
Inventory in transit	22 731	24 115	46 846
Inventory at third patries	2 536 124	1 351 463	3 887 587

Inventories expensed in 2022 amounted to EUR 5 736 557 (2021: EUR 3 505 936).
As at 31 December 2022, inventories held by the Group are expected to be realised over the next 12 months.

Inventories with the carrying amount of EUR 3 945 735 as at 31 December 2022 (31 December 2021: EUR 2 243 485) were pledged under the credit agreement to Swedbank AB institution. The pledge expires in 23 August 2023 or until the validity of the contract, if the contract is not extended.

Inventories with third parties: raw materials and consumables with manufacturing service providers, as the Group does not have in-house manufacturing. Finished products at storage warehouse and marketplace services suppliers, as the Group does not have goods warehouses within the Group.

[5]. Business combinations

June 2021 Deeper, UAB (hereinafter - the Group) attracted private capital investments from foreign investors (hereinafter - the Investor), as a result of which the structure of the Group's shareholders changed. Private capital investments were implemented through a legal entity registered in the Republic of Lithuania and operating at the time Alfresco LT, UAB (hereinafter - Alfresco LT). On 22 June 202 Investor Alfresco LT, UAB acquired 98,96 % of the shares and voting interests in Deeper, UAB. EUR 25,000,000 was paid for the acquisition of 98,96% of the shares.
Since the Investor had control over Alfresco LT, UAB, and Alfresco LT, UAB was the majority shareholder of the Group, as a result, on 11 November 2021, the shareholders of both the Group and Alfresco LT, in order to optimize and simplify the management of these two companies and reduce their maintenance costs, decided to initiate reorganization of these companies, i.e. by connecting Alfresco LT, UAB to the Group. For that purpose, the reorganization conditions for 11 November 2021 were prepared. According to the terms of the reorganization, all the rights and duties of Alfresco LT, UAB were taken over by the Group, which performed the same activities before the start of the reorganization and which continues to be performed after the reorganization. The shareholders of both companies approved the terms of reorganization of both companies on 17 December 2021, as a result of which Alfresco LT, UAB was merged with the Group. The reorganization of these companies was successfully completed on 28 January 2022.
This reorganization does not affect the performance of the Group's obligations assumed before the start of the reorganization.

Purchase consideration	
Cash paid	25 000 000
Ordinary shares issued	262 941
Total purchase consideration	**25 262 941**

The assets and liabilities recognised as a result of the acquisition (the fair values of the assets acquired are identified during the purchase price allocation exercise) are as follows:

Intangible assets [Software]	2 946 621
Intangible assets [Concessions, patents, licences, trade marks and similar rights]	7 345 190
Intangible assets [Other intangible assets]	1 100 783
Intangible assets [Advance payments]	367 629
Right of use asset	283 180
Property, plant and equipment	142 946
Inventory	2 751 862
Trade receivables	1 159 507
Other receivables	214 878
Cash and cash equivalents	1 238 484
Deffered expenses	81 732
Non-current portion of borrowings	(461 402)
Non-current portion of lease liabilities	(227 819)
Current portion of borrowings	(15 265)
Current portion of lease liabilities	(55 361)
Trade creditors	(1 454 930)
Contract liabilities	(339 440)
Deffered tax liability	(1 686 175)
Income tax (CIT) liabilities	(173 894)
Current other liabilities to emplyees (option)	(11 691)
Liabilities to emplyees	(480 172)
Added: goodwill	12 536 278
Net assets acquired	**25 262 941**

During the acquisition, goodwill was created due to the acquired Group Deeper, UAB. It will not be deductible for tax purposes.

Costs related with a business combination

Business combination-related expenses of EUR 14,994, which were not directly allocated to the value of the issued shares, are included in administrative expenses in the Statement of General Income and in operating cash flows in the Statement of Cash Flows.

The first statement of financial position of the merged companies

The transaction is accounted for using the acquisition method. Identified assets, liabilities and contingent liabilities are assessed and recognized at their fair values at the time of acquisition date. The excess of the fair value of the consideration transferred over the fair value of the net assets acquired was recognized as goodwill. Goodwill is recognized as an intangible asset and is not amortized, but is tested for impairment each year or if there are indications of impairment.

The first statement of financial position of the merged companies was prepared by the reporting entity on 1 July 2021. The company's management decided to reflect the previous year's retained earnings separately in the statement of financial position of the company merger, especially since the retained earnings reflect the operating result earned until 30 June 2021. Alfresco LT, UAB is considered a new reporting entity according to IFRS. These financial statements were prepared from the date of establishment of Alfresco LT, UAB, therefore the comparative period presented in them reflects only a part of the 2021 calendar year (from 1 July 2021 to 31 December 2021). Alfresco LT, UAB has never prepared any financial statements before, so this is its first compilation financial statements. Since Alfresco LT, UAB remains undistributed profit (or basically zero) after the merger, and since Alfresco LT is considered an "accounting acquirer" and the reporting entity changes due to the arrival of a new shareholder (i.e. Deeper UAB is no longer a reporting entity). As we decided to report the combined entity with Purchase Price Allocation adjustments / as a new reporting entity (including the divestiture of Deeper PNA in the first half of 2021). Since the reserves regulated by law of Lithuania are established in the company, the company's management decided to account for the increase in the share capital in the articles of other reserves.

The opening statement of financial position of the merged companies

ASSETS	1 July 2021 (not audited)
NON-CURRENT ASSETS	
Intangible assets	24 296 501
Property, plant and equipment	142 946
Right-of-use assets	283 180
TOTAL NON-CURRENT ASSETS	**24 722 627**
CURRENT ASSETS	
Inventories	2 392 333
Trade and other receivables	1 374 385
Other current assets	312 883
Cash and cash equivalents	1 238 484
TOTAL CURRENT ASSETS	**5 318 085**
TOTAL ASSETS	**30 040 712**
EQUITY AND LIABILITIES	
EQUITY	
Share capital	587 333
Legal reserve	527
Other reserves	14 558 939
Retained earnings	2 545 000
ADJUSTMENTS DUE TO EXCHANGE RATE CHANGE	(24)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**17 691 775**
TOTAL EQUITY	**17 691 775**
NON-CURRENT LIABILITIES	
Non-current portion of borrowings	7 961 402
Deferred income tax	1 640 656
Non-current portion of lease liabilities	227 819
Other non-current provisions and commitments	43 222
TOTAL NON-CURRENT LIABILITIES	**9 873 099**
CURRENT LIABILITIES	
Current portion of borrowings	15 265
Current portion of lease liabilities	55 361
Employment-related liabilities	480 172
Liabilities arising from contracts with customers	119 982
Income tax liabilities	173 894
Trade and other payables	1 612 642
Other provisions	18 522
TOTAL CURRENT LIABILITIES	**2 475 838**
TOTAL EQUITY AND LIABILITIES	**30 040 712**

[6]. Trade and other receivables

Trade and other receivables comprised as follows:

	31 December 2022	31 December 2021 (not audited)
Trade receivables - nominal value	882 667	928 558
Impairment for doubtful amounts receivable, recognised under IFRS 9 (-)	(28 234)	(28 234)
Trade receivables after impairment	**854 433**	**900 324**
Other receivables	288 012	124 361
Total other receivables	**288 012**	**124 361**
Total	**1 142 445**	**1 024 685**

Trade and other receivables from related companies comprised as follows:

	31 December 2022	31 December 2021 (not audited)
Trade receivables - nominal value	767 033	658 365
Trade receivables after impairment	**767 033**	**658 365**
Total	**767 033**	**658 365**

The Group uses a provision matrix to estimate the amount of expected credit losses (ECL) for trade receivables. The ECL rates are grouped by customer type based on historical past due information. The provision matrix is based on the Group's historical information on default events, and it is adjusted by the Group to incorporate forward-looking information.

When measuring impairment of trade receivables, trade receivables from individual customers were grouped based on days past due. The following ECL rates were used to estimate the amount of ECL:

	Days past due			
	Less than 90	**91 -120**	**121-270**	**271-360**
31 December 2022	5.00%	10.00%	15.00%	15.00%
31 December 2021 (not audited)	5.00%	10.00%	15.00%	15.00%

The table below presents information on the amount of lifetime ECL for trade receivables, which was estimated using a simplified approach under IFRS 9:

	Collective assessment	Individual assessment	Total
-	**28 234**	**-**	**28 234**
Expected credit losses formed	41 678	-	41 678
Amounts receivable written off	(41 678)	-	(41 678)
31 December 2021 (not audited)	**28 234**	**-**	**28 234**
Expected credit losses formed	5 479	-	5 479
Amounts receivable written off	(5 479)	-	(5 479)
31 December 2022	**28 234**	**-**	**28 234**

Movement in impairment of doubtful amounts receivable during 2022 and 2021 was reported as operating expenses in the statement of comprehensive income.

Customers with a deferral period are insured with a credit insurance company. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including financial derivatives in the balance sheet, if any. Therefore, the Group’s management is of the opinion that the maximum risk equals the trade receivable less impairment losses recognised as at the financial statement date.

Trade receivables bear no interest and have settlement term of 0 - 90 days.

Trade and other receivables are exposed to insignificant impact of COVID-19 pandemic.

The table below presents the ageing analysis of trade receivables as at 31 December:

Trade receivables - nominal value comprised as follows:

Days past due	31 December 2022	31 December 2021 (not audited)
Not yet due	1 005 825	934 529
Less than 30 days	69 210	71 559
31-90 days	31 545	14 381
91-180 days	35 865	4 216
Total	**1 142 445**	**1 024 685**

[7]. Other current assets

Non-current assets available for sale or transfer

As at 31 December 2022 were no obsolete, used and unfit-for-further-use items of assets identified during the annual physical stock count and were no reclassified to inventories.

Non-current assets available for sale or transfer are stated at the carrying amount at the end of the financial year, which is lower than the fair value less costs to sell.

Prepayments, right of return assets and deferred expenses

Prepayments, right-of-return assets and deferred expenses comprised as follows as at 31 December:

	31 December 2022	31 December 2021 (not audited)
Prepayments	40 059	131 490
Goods for resale	96 397	41 528
Deferred expenses	70 121	108 432
Total	**206 577**	**281 450**

[8]. Cash and cash equivalents

Cash and cash equivalents comprised as follows as at 31 December:

	31 December 2022	31 December 2021 (not audited)
Cash at bank	319 897	1 300 654
Cash in transit	5 748	7 903
Total	**325 645**	**1 308 557**

Due to insignificant impact, no ECL were recognised for the balances of cash and cash equivalents as at 31 December 2022 and 2021.

[9]. Capital and reserves

a) Share capital

The shares structure as at 31 December 2022 and 2021.

	31 December 2022	31 December 2021 (not audited)
Number of shares	87 270	18 182
Nominal value of one share	0.29	0.29
Total share capital	**25 308**	**5 273**
Share premium account	**582 060**	**582 060**

The shares and shareholders as at 31 December 2022.

	Alfresco S.a.r.l.	Donatas Malinauskas
Number of shares	84 721	2 549
Nominal value of one share	0.29	0.29
Share capital split	**97.08%**	**2.92%**

The shares and shareholders as at 31 December 2021.

	Alfresco S.a.r.l.	Donatas Malinauskas
Number of shares	17 807	375
Nominal value of one share	0.29	0.29
Share capital split	**97.94%**	**2.06%**

In 2022, the share capital was increased twice by issuing new shares. The first capital increase took place on January 28, 2022, increasing the share capital to EUR 24 678 (increase EUR 19 405), the second on April 20, 2022, increasing it to EUR 25,308 (increase EUR 630). The share capital of the Group is fully paid. The Group has no issued, but not yet paid shares.

b) Legal reserve

The legal reserve is a reserve compulsory under the Lithuanian laws. The legal reserve is required to be no less than 10% of authorised share capital and may be used solely to cover the Group's losses. When the legal reserve is less than 10% of authorised share capital, transfers to the reserve are compulsory and must be no less than 5% of net profit.

As at 31 December 2022 and 2021, the legal reserve amounted to EUR 2 531 and EUR 527, respectively.

c) Other reserves

Annual transfers to the reserves are established by the body implementing the Group's shareholder rights and obligations.

Other reserves comprised as follows as at 31 December:

	Previous reporting period (not audited)	Change	Reporting period
Reserve of merger of companies	14 558 939	-	14 558 939
Total	**14 558 939**	**-**	**14 558 939**

Other reserves were formed in the process of merging companies (note [5]) after evaluating the result of the differences between capital value of subsidiary DEEPER Group and parent company Alfresco LT UAB . Since the Group decided to perform the merger based on fair value of assets, the resulting increase in value of capital was recognized as reserve of merger of companies, with the amount equal to difference between book value and fair value of capital of entity being taken-over. The created reserve has no legal or contractual restrictions.

[10] Amounts owed to credit/not credit institutions

Financial debts consisted of debts to credit institutions and non-credit institutions:

	31 December 2022	31 December 2021 (not audited)
Swedbank, AB	500 000	-
Finansų bitė verslui, UAB	363 919	467 894
A loan to former shareholders related to a business combination	7 500 000	7 500 000
Total	**8 363 919**	**7 967 894**
Minus: debts due later than one year later	(7 759 941)	(7 857 426)
Debts to credit institutions, payable within one year in total	**603 978**	**110 468**

More detailed information on received loans at 31 December 2022 and 2021 given below:

Loan provider	**Loan granting date**	**Repayment term**	**Interest rate**
Swedbank, AB	2017-08	2023-08	Euribor 6 m + fixed margin
Finansų bitė verslui, UAB	2020-06	2026-06	Fixed margin
A loan to former shareholders related to a business combination	2021-06	2024-06	Fixed margin

During 2022 a total of EUR 427 494 of interest was accrued, which is accounted for in the article of financial activity costs of the general income statement (in 2021 – EUR 164 596)

Movement of financial debts during the year:

	Financial debts
2021-07-01 (not audited)	**7 976 667**
Received loans	109
Loan repayments	(8 773)
Interest on the loan (Trade liability accumulated)	164 596
Interest on the loan (Trade liability paid)	(5 966)
2021.12.31	**8 126 633**
Received loans	500 000
Loan repayments	(103 975)
Interest on the loan (Trade liability accumulated)	427 494
Interest on the loan (Trade liability paid)	(529 483)
2022.12.31	**8 420 669**

The Group's inventories are pledged to the bank for the concluded credit line agreement. The amount of the loan is EUR 500 000.

The Group has a contract with former shareholders who provided loan to the Group as part of the business combination transaction. The amount of the loan is EUR 7 500 000. The loan obligations including maintaining a financial covenant defined as rolling normalized 12-months EBITDA being higher than EUR 1 200 000. The covenant is tested quarterly. The definition allows the Management to adjust reporting EBITDA for non-cash transactions (e.g. options to Management) or non-recurring transactions (e.g. related to M&A). The covenant calculated according to above definition is met by the Group as of the end of 2022, and in the subsequent periods before preparing the report. Under the above loan, the Group has an obligation to present audited financial statements to loan providers. The obligation to deliver audited financial statements for 2022 was not fulfilled in line with contractual obligation, but the loan providers agreed to additional time without taking any action with respect to loan.

Loan provided by Swedbank has two financial covenants tested quarterly, i.e. equity to total assets ratio, short term financial obligations to current assets.

[11]. Lease liabilities

Operating lease is classified as finance lease under the provisions of IFRS 16. Right-of-use assets are accounted for as property, plant and equipment and disclosed in Note 3. The Group did not have any other lease liabilities at the dates 31 December 2022 and 2021.

	31 December 2022	31 December 2021 (not audited)
Non-current lease liabilities	133 311	198 080
Current lease liabilities	64 768	58 573
	198 079	**256 653**

More details about the Group's financial leaseing as at 31 December 2022 and 2021 are presented below:

Creditor, 2022.12.31	Lease origination date *	Repayment date **	Interest rate
Vilniaus technologijų ir meno centras VŠĮ	2017.03.03	2025.12.31	5 perc.

* The earliest date of the valid contracts is provided. ** The latest end date of the valid contracts is provided.

In 2022, interest charged totalled EUR 10 649, and it was included in finance costs in the statement of comprehensive income (2021: EUR 5 625).

[12]. Other provisions and commitments

A manufacturer gives warranties at the time of sale to purchasers of its product. Under the terms of the warranty, the manufacturer undertakes to repair or replace items that fail to perform satisfactorily for two-five years from the date of sale. At the end of the reporting period, a provision of 100 778 has been recognised. The provision has not been discounted as the effect of discounting is not material. The following information is disclosed:
A provision of 100 778 has been recognised for expected warranty claims on products sold during the last five financial years. Most of the products sold have a two-year warranty. Higher priced and higher quality products come with an exclusive five-year warranty. Below is a breakdown of short-term and long-term warranty service obligations.

Other non-current provisions and commitments consisted of the warranty service provision:

	31 December 2022	31 December 2021 (not audited)
Warranty service commitment total	**76 922**	**67 935**

It is expected that expenditure will be incurred within five years after the reporting period. The first reporting period is accounted for under short-term Other provisions.

	31 December 2022	31 December 2021 (not audited)
after one year	32 656	22 471
after two years	16 692	11 592
after three years	17 180	16 692
after four years	10 394	17 180

Other current provisions and commitments consisted of the warranty service provision:

	31 December 2022	31 December 2021 (not audited)
Warranty service commitment total	**23 856**	**32 843**

[13]. Liabilities arising from contracts with customers

Contract liabilities comprised as follows:

	31 December 2022	31 December 2021 (not audited)
Advance amounts received total	**28 421**	**39 075**

Advance amounts received are recognised as revenue for the services provided typically during 30 days.

[14]. Trade and other payables

Trade and other payables comprised as follows:

	31 December 2022	31 December 2021 (not audited)
Trade payables	2 855 699	1 459 241
Income tax payable	12 452	177 721
Other amouts payable	95 186	91 290
Accruals and defferd income	154 988	134 228
Total	**3 118 325**	**1 862 480**

Financial liabilities are subject to the following terms and conditions:

a) trade payables bear no interest and they are typically settled within 90 days;
b) other payables bear no interest and they are typically settled within 365 days.

[15]. Employment-related liabilities

Current Employment-related liabilities comprised as follows:

	31 December 2022	31 December 2021 (not audited)
Wages and salaries payable	154 024	136 500
Accrued vacation reserve and other employment-related accruals	136 462	158 988
Resident income tax payable	52 243	45 477
Social security contributions payable	59 871	51 374
Other employment-related amounts payable	1 153	1 503
Total	**403 753**	**393 842**

Based on the remuneration policy approved by the Group, the Group has a monthly incentive system. All employment-related obligations, including salary, incentive payments and options, have been expensed in 2022. No additional payments are planned for the 2022 financial year. Taking into account, this obligation, a provision of the corresponding amount has been recorded and reflected in the Statement of financial position line Employment-related liabilities and the Statement of comprehensive income in the line Operating expenses.

[16]. Share-based payment arrangements

	31 December 2022	31 December 2021 (not audited)
Share-based payment arrangements	222 122	81 835
Total	**222 122**	**81 835**

Share-Based Payment

In May 2020 (the "Grant Date") the controlling shareholders of the Group agreed to grant an option to the Chief Executive Officer that gives the CEO a right to acquire 374 shares in the Group (the "Award"), comprising 1.94% of the Group's number of shares outstanding on fully diluted basis. The Award contains a service condition requiring the CEO to continue working for the Group until 28 May 2024, which is the vesting period. Therefore, the Award meets the definition of share-based payment. The Group measured the Award at its estimated fair value on the Grant Date and recognises the compensation cost on a straight-line basis over the vesting period. Given that the Award is equity-settled share-based payment to employee with service condition only, it will not be remeasured in future periods.

Therefore, the liability is expected to be accumulated within the specified period by recording employment related costs and liabilities under Other employment related liabilities.

	2022		2021 (not audited)	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	270	371	270	371
As at 31 December	270	**371**	270	**371**
Vested and exercisable at 31 December		0		0

No options expired during the periods covered by the above tables.

Fair value of options granted

The fair value of the Award was determined based on the estimated fair value per share (determined based on the enterprise value derived from consideration for the business, as disclosed in Note [5]), multiplied by the number of shares comprising the Award, less the cumulative exercise price for the Award.

In calculating the fair value of the Award, the following key assumptions were made:

Total Equity Value:	25 262 941
Total amount of shares:	18 182
Total Option Shares:	371
Cumulative Exercise price	100 000

The fair value of the Award will be recognized in profit or loss over the vesting period as follows.

2021	81 835
2022	140 288
2023	140 288
2024	58 335
	420 746

The Group has no other obligations and accumulated pensions provisions related to employees.

[17]. Revenue

Breakdown of revenue by nature:

	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
Revenue from sales of goods	**12 983 591**	**7 191 312**
Revenue from goods sold	11 222 236	6 619 135
Revenue from accessories sold	1 036 031	292 215
Revenue from resold goods	725 324	279 962
Revenue from services rendered	**231 441**	**55 548**
Discounts, returns (-)	**(229 761)**	**(373 890)**
Total	**12 985 271**	**6 872 970**

At the end of the reporting and previous reporting periods, the Group had no significant performance obligations that were not satisfied.

Deferred income when the sale has been recorded but the goods have not yet been delivered to the customer until the end of the reporting year or the annual extended warranty or bathymetric map service application has been sold to the customer, accounted for EUR 78 825 at 31 December 2022 (EUR 25,493 at 31 December 2021)

[18]. Cost of sales

Cost of sales comprised as follows:

	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
Cost of sales	**5 489 672**	**3 652 558**
Cost of goods sold	4 339 855	3 173 645
Cost of accessories sold	351 377	108 509
Cost of resold goods	757 204	354 478
Depreciation and amortisation	41 236	15 926
Cost of services rendered	**141 246**	**69 571**
Warranty services	**98 982**	**95 162**
Indirect costs of production	**6 670**	**3 952**
Discouts, returns (-)	**(13)**	**(315 307)**
Total	**5 736 557**	**3 505 936**

[19]. Operating expenses

Selling and distribution costs comprised as follows:

	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
Wages and salaries and related contributions	1 097 397	457 390
Busines trips	43 662	34 030
Depreciation and amortisation	719 110	359 555
Advertising and marketing	1 840 301	791 004
Commissions, inventory storage fees	997 531	479 470
Other selling expenses	211 026	90 991
Total	**4 909 027**	**2 212 440**

Administrative expenses comprised as follows:

	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
Wages and salaries of employees and related expenses	1 039 250	586 382
Salary benefits of employees and related expenses	140 288	70 144
Depreciation expenses of property, plant and equipment	52 393	21 291
Amortisation expenses of intangible assets	1 505 876	678 234
Insurance expenses	31 019	12 355
Furter training of employees	14 560	9 745
Stationery and office supplies	56 629	55 465
Business trip expenses	20 826	18 375
Legal and consultation services	104 552	33 222
Operating taxes	18 143	8 487
Accounting and audit services	124 206	43 557
Technological development services	19 851	31 951
Impairment of trade receivables	29 966	56 145
Impairment of inventory	12 555	229 551
Other employee-related expenses	94 173	47 579
Market and inovations research	11 797	30 240
Representation expenses	9 513	5 276
Maintenance and support of computer hardware	98 722	47 539
Other general and administrative expenses	88 587	42 130
Total	**3 472 906**	**2 027 668**

[20]. Key management personnel compensation

	31 December 2022		1 July 2021 - 31 December 2021 (not audited)	
	Administration personnel *	Board and Audit Committee members	Administration personnel	Board and Audit Committee members
Short-term benefits	704 377	-	718 008	-
Other long-term benefits	140 288	-	70 144	-
Termination benefits	27 450	-	-	-
Total	**872 115**	**-**	**788 152**	**-**
Average number of management personnel during the period	10	-	10	-

The option transaction matures in 2024; therefore, the liability is expected to be accumulated within the specified period by recording employment related costs and liabilities under Other employment related liabilities.

*Administration personnel include: CEO, CFO and HR manager, Software dep. manager, Customer care manager and Innovations dep. manager, Marketing director, Sales director, Production manager, R&D manager.

[21]. Other income and expenses

Breakdown of other income and costs by nature:

	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
Gain from disposal of non-current assets	2 642	2 643
Gain from insurance contracts	3 542	1 581
Write off of Payable amounts	2 148	759
Adjustments of previous periods	380	6 174
Rounding adjustments	895	229
Total	**9 607**	**11 386**
Loss on disposal of non-current assets	2 017	1 519
Loss from disposal of current assets	17 081	232
Total	**19 098**	**1 751**
Net result of the other activity	**(9 491)**	**9 635**

[22]. Interest and other similar income and expenses

Breakdown of Interest and other similar income and expenses by nature:

	31 December 2022	1 July 2021 - 31 December 2021 (not audited)
Gain from foreign exchange differences	6 276	12 989
Total	**6 276**	**12 989**
Interest costs	427 494	164 596
Total	**427 494**	**164 596**
Net result of the interest and other similar activity	**(421 218)**	**(151 607)**

[23]. Related-party transactions

The parties are defined as related when one party has a possibility to exercise control or have significant influence over another party in making the financial and business decisions. As at 31 December 2022 and 2021, the Group had no transactions with parent Group or its subsidiaries.

No guarantees or security deposits were issued or received in respect of the amounts payable to/receivable from the related parties. Amounts receivable from/ payable to related parties are expected to be settled in cash or as a set-off against the respective amounts payable to/receivable from the respective related parties.

[24]. Income tax

Income tax expenses (benefit) comprised as follows:

	Reporting period		Previous reporting period
Curent tax (Lithuanian Law)	-		105 172
Curent tax (United States Law)	-		510
Deferred tax	(266 196)		(265 733)
	(266 196)	-	(160 051)

Current income tax comprised as follows:

	Reporting period	Previous reporting period (not audited)
Profit before tax	**(1 563 928)**	**(1 015 046)**
Adjustment under the Lithuanian CIT Law		
Adjustment for IFRS impact	-	744 065
Non-taxable income	(843)	(1 268)
Additional deductible expenses (charity provided)	(7 030)	-
Adjustment of deferred income of upcoming periods	(67 406)	106 012
Tax losses for which no deferred income tax has been established	125 801	4 917
Amortization of revalued assets	1 702 154	851 077
Liabilities ant other amounts acquired during a business combination	383 424	158 630
Employment-related liabilities	140 287	70 144
Tax losses for which no deferred income tax has been established	-	2 283
Non-deductible expenses	90 854	116 299
Taxable base for income tax purposes	**803 313**	**1 037 113**
Benefits reducing corporate tax (investment benefit)	(803 314)	(335 969)
Income tax expenses at income tax rate of 15% (LT)	-	105 172
Income tax expenses at income tax rate of 21% (USA)	-	510
Payable income tax	**-**	**105 682**
Deferred income (-) / expense		
Origination and reversal of temporary differences	(1 774 641)	(1 771 552)
Deferred income (-) / expense	**(266 196)**	**(265 733)**
Tax income (-) / expense	**(266 196)**	**(160 051)**

Deferred income tax comprised as follows:

	31 December 2022	31 December 2021 (not audited)
Deferred income tax assets/ liability (-)		
Social insurance contributions on the vocation accrual	2 373	2 765
Other employment related liabilities (stock option)	222 120	81 834
Unrealised profit from inventory	225 380	292 786
Inventory impairment	68 494	68 494
Warranty provision	100 778	100 778
Impairment of amounts receivable and write-off of bad debts	28 234	28 234
Intangible assets	(8 027 197)	(9 729 350)
Total deferred income tax obligation	**(7 379 818)**	**(9 154 459)**
Effective income tax rate	15%	15%
Deferred tax	(1 106 973)	(1 373 169)

As at 31 December 2022, 2021, the Group estimated the components of deferred income tax assets at income tax rate of 15%.

[25]. Financial risk management

Under International Financial Reporting Standards (IFRS), financial risk management is an important aspect of financial reporting. The Group has addressed those main risk areas: Credit risk, Liquidity risk, Interest rate risk, Foreign exchange rate risk. The Group to regularly reassess the effectiveness of its financial risk management policies and procedures.

Credit risk

Credit risk arises from a counterparty's failure to fulfil its contractual obligations, which affects the Group's financial performance. The concentration of the Group's customers is not high, and customers often pay for the services provided by the Group in advance or at the time of sale on electronic trading sites. The Group's receivables mainly consist of receivables that are covered by credit insurance or receivables from related parties (which are also subject to credit insurance). Credit risk or risk of counterparty default is controlled through credit terms, credit insurance and monitoring procedures.

The credit ratings of the insurance company are as follows based on Moody's: COMPAGNIE FRANCAISE D ASSURANCE POUR LE COMMERCE EXTERIEUR and its branches A2 (Positive).

The ageing analysis of the Group's amounts receivable is presented in Note [7].

The Group's maximum credit exposure arising from cash and cash equivalents is equal to the fair value of cash and cash equivalents classified as such in the statement of financial position. The Group's management believes the credit risk arising from cash at bank is insignificant, because the Group keeps its cash with the Lithuanian commercial banks with hight credit ratings. For e-commerce activities, the Group uses the services of intermediaries that administer payments (Paypal, Paysera, Braintree). Funds are transferred to main bank accounts once a week. The credit ratings of the main banks where the Group keeps its cash are as follows based on Moody's:

	Bank of America	Swedbank, AB	Paypal, Braintree, others
Short-term bank deposits	Aa3 (stable)	Aa3 (stable)	A3 (stable)

Breakdown (%) of cash at bank as at 31 December 2022 and 2021:

	31 December 2022	31 December 2021 (not audited)
Bank account EUR, Swedbank	78%	80%
Bank account USD, Swedbank	17%	14%
Bank account GBP, Swedbank	0%	2%
Bank account USD, Bank of America	0%	1%
Other banks	5%	3%
Total	**100%**	**100%**

Liquidity risk

Liquidity risk is a risk that the Group will not be able to settle its financial liabilities in due time. The Group's approach towards liquidity management is to ensure an adequate level of liquidity, which is necessary to settle its financial liabilities under both normal and stressed conditions, without incurring unacceptable losses and without putting at risk the Group's reputation. The Group follows a policy to maintain sufficient amount of cash and cash equivalents or ensure availability of funding.

As at 31 December 2022, the Group's drawn balance of non-current borrowings amounted to EUR 7 759 941 (31 December 2021: EUR 7 857 426). During the reorganization of the companies, a long-term loan of 7.5 million euros was obtained. Interest is currently being paid for the loan, the repayment term is scheduled for June 2024.

The Group's current liquidity ratio (total current assets / total amounts payable within one year and current liabilities) and quick ratio ((total current assets – inventories) / total amounts payable within one year and current liabilities) were 1,36 and 1,47 as at 31 December 2022 (31 December 2021: 1,91 and 1,14 , respectively).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2022	**Within one year**	**After one year**	**After two years**	**Total**
Borrowings	603 978	7 603 976	155 965	8 363 919
Interest rate	550 619	269 422	862	820 903
Lease liabilities	73 006	73 006	73 006	219 018
Contract liabilities	28 421	-	-	28 421
Warranty provisions	23 856	76 922	-	100 778
Trade and other payables	3 105 873	-	-	3 105 873
Financial liabilities	**4 385 753**	**8 023 326**	**229 833**	**12 638 912**
31 December 2021 (not audited)				
Borrowings	110 468	103 976	7 753 450	7 967 894
Interest rate	386 330	535 619	270 284	1 192 233
Lease liabilities	69 529	73 006	146 012	288 547
Contract liabilities	39 075	-	-	39 075
Warranty provisions	32 843	67 935	-	100 778
Trade and other payables	1 684 759	-	-	1 684 759
Financial liabilities	**2 323 004**	**780 536**	**8 169 746**	**11 273 286**

Interest rate risk

The Group observes a minimum risk of fluctuations in variable part of interest rate on its loan from Swedbank, AB. As at 31 December 2022, the outstanding balance of loan amounted to EUR 500 000 (31 December 2021: EUR 0). As at 31 December 2022 and 2021, there were no changes in the Group's interest rate, with the variable part thereof linked to EURIBOR interest rate base, which in any case may not be lower than zero, plus the bank margin of 3%, which is contractually fixed and meets the market conditions. The variable part of interest rate remains effective for 8 months.

In April 2020, the Group applied for funding under the financial incentive 'Loans to Businesses Most Affected by COVID-19". In June 2020, the Company received a preferential loan from UAB Finansų Bitė Verslui. The initial amount of the loan is EUR 660,000. As at 31 December 2022, a loan instalment of EUR 363 919, the interest is fixed until the end of the contract and amounts to 0.69% contractual interest.

The Vendor loan of EUR 7 500 000 taken over during the Group reorganization has a fixed interest rate and does not affect the risk of interest rate fluctuations (the fixed interest rate is 4-8 percent, which changes in the contacted years 2021-2024).

In the management's opinion, with fixed interest loan contracts, the sensitivity analysis of the Group's profit before taxes to possible changes in interest rates is redundant, since there are no variable interest components. The shifts in interest rates have no direct impact on equity.

Foreign exchange rate risk

Business functional and reporting currency is EUR, however there's some USD exposure on revenues (25%), direct cost (50% out of which half is just linked to USD for price adjustment but invoiced in EUR). In terms of BS current assets at any given time with value of approx 2% of annual revenues are USD denominated.

Sensitivity to FX changes (IN EURs) impact on PBT (split into revenue/cost items and Balance Sheet/revaluation impact, that subsequently is recognised in P&L on top of direct P&L impact). Because of the business model the impact of changes going directly to P&L and BS ones have opposite direction, thus the final impact on PBT is very limited. The sensitivity was done based on 2022 values, but since the counterparties in 2021 were similar the conclusion for 2021 would be the same.

	EUR/USD change	1.00%	5.00%	10.00%
P&L impact depending on FX change		- 2 874	- 14 371	- 28 742
% of annual revenues		-0.02%	-0.11%	-0.22%
	EUR/USD change			
BS impact depending on FX change		2 173	10 863	21 726
% of annual revenues		0.02%	0.08%	0.17%
Net PBT impact		- 702	- 3 508	- 7 015
% of annual revenues		-0.01%	-0.03%	-0.05%

Fair value of financial assets and financial 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. The fair value measurement assumes that the transaction to sell the asset or to transfer the liability takes place either:

• in the principal market for the asset or liability; or
• in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must have access to the principal or the most advantageous market.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;

• Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

• Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether any transfers have occurred between the hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Measurements are carried out by the Group’s management at each reporting date. For the purpose of fair value disclosures, the Group has grouped assets and liabilities into categories on the basis of the nature, characteristics and risks of assets or liabilities and the level of the fair value hierarchy as explained above.

The Group’s financial assets and financial liabilities are accounted for at amortised cost and do not carry any financial instruments at their fair values. Based on the Group’s management estimation the carrying values of the trade receivables at the balance sheet date corresponds to their fair values. All financial assets of the Group fall into the category ‘Financial assets measured at amortized cost’. All financial liabilities of the Group fall into the category ‘Other financial liabilities at amortized cost’

Capital management

The Group's policy is to maintain a strong capital base in comparison to debts, thereby ensuring credibility among the creditors and other market participants, as well as maintaining business development in the future. Capital is defined as equity attributable to equity holders.

The Group manages its capital structure and adjusts it in light of changes in economic conditions and risk characteristics specific to its activities. In order to maintain or adjust its capital structure, the Group may adjust the amount of profit contribution payable to the state or municipal budget or return capital to shareholders. There were no changes in the objectives, policies or processes of capital management as at 31 December 2022 and 2021.

As at 28 January 2022 and 20 April 2022 was imposed authorised capital of the Group in 2022 January 28 and 2022 April 20 the Group's authorized capital was changed in the amounts of EUR 19 405 and EUR 630 and at 31 December was EUR 25 308 December 20 and 31; in 2021 - EUR 5 273.

The subsidiary

The Group has one subsidiary Group Deeper, INC with the share capital of USD 200.
At 31 December 2022, the equity consisted of EUR 76 673 (negative value), at 31 December 2021 – EUR 46 239 (positive value).
(unaudited).
Sales to the subsidiary Deeper INC in 2022 accounted for the turnover of EUR 2 172 681, in 2021 (June - December) – EUR 895 481 (unaudited).
At 31 December 2022, debts of the Group Deeper INC to the Group Deeper UAB amounted to EUR 767 033, at 31 December 2021 – EUR 658 365 (unaudited).
In 2022, operating result of Deeper INC was loss of EUR 125 801 (unaudited), in 2021 – profit of EUR 5 427 (unaudited).

In 2022, the Group took marketing actions to increase sales in the US market. This led to an increase in marketing costs and the subsidiary's performance became unprofitable. Evaluating the subsidiary as a separate risk factor, the Group's management does not see a high risk, since all goods can be recovered, and all receivables would belong to the Group. The actions taken in 2022 brought a return and by the date of the audit the operations of the subsidiary became profitable and the equity became positive.

[26] Critical accounting estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of assumptions and accounting estimates by management that affect the reported amounts of assets and liabilities, income and expenses and disclosure of contingencies. The areas where estimates are significant to the financial statements include allowances for doubtful debts and stock ageing. Future events may cause changes in the assumptions that were used in performing these estimates. The effect of any changes in such estimates will be recorded in the financial statements when determinable.

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Based on management's assessment the whole business of the Group represents one operating segment which is the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group is comprised of one CGU, which is the same as the operating segment.

The following paragraph shows the valuation technique used in measuring the fair value of CGU, as well as significant unobservable inputs used:

Discounted cash flows	- model considers present value of net cash flows to be generated by CGU, taking into account growth prospects, profitability (EBITDA margin). The expected net cash flows are discounted using risk adjusted discount rates reflecting the weighted average cost of capital with the structure typical for the consumer electronics industry. C977
Significant unobservable inputs	- Revenue growth rate sonars and hardware business: 2021 – CAGR ’21-‘25 of 21%, 2022 – CAGR ’22-‘26 of 12.9% - Revenue growth rate app: 2021 (n/a, too early stage to include), 2022 – CAGR ’22-’26 of 224% - EBITDA profitability of entire business: 2021 – average for ’21-25 of 23,2%; 2022 – average of ’22-‘26 of 18,9%. - Risk adjusted discount rates (WACC) – 2021 – 15.7%, 2022 – 13.3%
Inter-relationship between significant unobservable inputs and fair value measurements	Following relationships occurs in measurement: -The higher growth rate of sonars and hardware business the higher the value -The higher the growth rate of app business the higher the value -The higher EBITDA profitability, the higher the value - The lower the discount rate the higher the value

[27]. Going concern

After the end of the financial year until the date of preparation of these consolidated financial statements, there were no material subsequent events which would have effect on these consolidated financial statements or require disclosure.

Relations with the People's Republic of China deteriorated following opening of the Taiwanese Representative Office in the Republic of Lithuanian at the end of 2021. Deeper UAB faced difficulties when delivering goods to China, the time spent on custom procedures increased. The time needed for delivery of components and raw materials from China also increased. We assess the changed geopolitical situation as a low risk as we only use a small portion of components from China and only a small portion of our products is sold in this market. Plans made for the beginning of 2022 were to find alternative suppliers in other countries for the components purchased in China; however, the worldwide crisis of shortage of electronic components had effect on the Group as well. The price increases that started in Spring 2022 have influenced to expedite decision making and to decisively raise prices of the products sold. The market of electronic components stabilized in Autumn 2022. Currently, there is no risk in the market that was faced during the last year.

As a result of supply chain uncertainty in 2022 the Group had to book production capacity well in advance of normal business practice. Following the period of components shortage in mid 2022, the deliveries accelerated ahead of Group's needs at the end of 2022 and as a result of those the raw materials of the Group increased by 83% between end of 2021 and end of 2022. The Group was unable to pay for all the deliveries, but entered into an payment schedule with the supplier to repay the outstanding amount in course of 2023. The repayment is financed with cash generated by the business and reduction of working capital (inventory) that was part of agreement with abovementioned supplier.

Following military actions initiated by the Russian Federation in Ukraine in February 2022, Deeper UAB suspended all of its activities in the Russian Federation and the Republic of Belarus. Revenue from Russia, Belarus and Ukraine decreased due to the ongoing war. Approximately 15% of revenue was expected to be generated in these markets in 2022. The lost sales were expected to be partially compensated in other markets by reallocating marketing costs and relocating activities to those markets. No direct losses were incurred due to suspended activities in the Russian Federation; Russian clients did not have any pending significant transactions as at the moment of activity suspension, goods were delivered upon prepayment. In 2022, the loss of the Russian market was partially covered. As we had lost the Ukrainian market as a result of the military actions taking place in that country, the expected level of sales was not achieved.

Due to the negative influence of the mentioned factors in 2023 at the beginning of the year, the Group started discussions with financial institutions in order to secure new financing that would better meet the cash flow needs of the Group of Companies, especially the need to refinance the supplier's loan in 2024. Refinancing agreements were signed at the end of October 2023. The group of companies was granted financing by issuing bonds for 7.0 million euros. The maturity of the bonds is 5 years. A decision was also made to increase the share capital of the Group by 3.0 million amount of euros. All contractual obligations have been fulfilled and cash inflows have been received by the date of this report. Taking into account these new sources of financing, the management of the Group believes that the instruments and balance sheet structure meet the needs of the business.

In October of 2023 the Group had 2.9 million EUR trade debts, of which 955 thousand were overdue for more than 30 days. Although the total amount of payables was significantly lower than the current assets of the Group (as the value of inventories at the end of October 2023 was EUR 3.09 million and the value of receivables was EUR 1.84 million), management decision was made to cover have aging debts. The amounts due to the suppliers were paid from the received funding sources at the beginning of November. Also during the period end of October - beginning of November all short-term financial obligations (i.e. 7.5 million euro loan to the previous owners and 0.35 million euro loan from Swedbank) with a repayment period of less than one year were covered. After the actions taken, the liquidity ratio of the Group of Companies reached 2.2.

The equity and debt refinancing project was completed at the beginning of November 2023. Since the management believes that the new financing structure meets the needs of the Group, these financial statements are prepared on the basis of the going concern principle.

Based on the above, the management concluded that the Group will generate sufficient cash flows to ensure its ability to continue on a going concern basis, and did not identify any significant uncertainties in relation thereto.

[28]. Events after the reporting period

In August of 2023 the credit line agreement with Swedbank AB was extended. The amount of the loan is EUR 0.5 million. Part of the used credit was returned at the end of October of 2023. Credit agreement terminated.

In October of 2023 an agreement was signed on the issuance of bonds worth EUR 7.0 million.

In October of 2023, a decision was made regarding the increase of the authorized capital by the amount of EUR 3.0 million.

There were no more events during the period between 31 December 2022 and the date of approval of these financial statements, that might have material impact on the financial statements or require additional disclosures.