

SORAINEN

2022 Annual Report

(01 January 2022 to 31 December 2022)



Sorainen ZAB SIA
Reg. No. 50203349641
Kr. Valdemāra 21-11, Rīga,
LV-1010, Latvia

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Information about the company

Name of the company	Sorainen ZAB SIA	
Legal status of the company	Limited Liability Company	
Registration number, place and date	50203349641, 29.09.2021, Rīga	
Registered address	Kr. Valdemāra 21-11, Rīga, Latvija, LV-1010	
NACE code	69.10 Legal services	
Shareholders	Class A 2500 shares	Jointly owned by: Eva Berlaus, Jānis Taukačs, Rūdolfs Eņģelis, Lelde Laviņa, Ieva Andersone, Andris Tauriņš, Valts Nerets, Nauris Grigals, Jorens Jaunozols
	Class B 500 shares	Jointly owned by: Eva Berlaus, Jānis Taukačs, Rūdolfs Eņģelis, Lelde Laviņa, Ieva Andersone, Andris Tauriņš, Valts Nerets, Nauris Grigals, Jorens Jaunozols, Viktorija Smirnova-Čerkasa, Violeta Zeppa-Priedīte, Renāte Purvinska, Andis Burkevics, Santa Rubīna, Inese Heinacka, Natālija Grāvele, Andris Vilisons, Māris Simulis, Zanda Frišfelde
Composition of the Management Board	From 29 September, 2021	
	Eva Berlaus	Chairwoman of the Management Board
	Jānis Taukačs	Member of the Management Board
	Rūdolfs Eņģelis	Member of the Management Board
	Lelde Laviņa	Member of the Management Board
	Ieva Andersone	Member of the Management Board
	Valts Nerets	Member of the Management Board
	Andris Tauriņš	Member of the Management Board
	Nauris Grigals	Member of the Management Board
	Jorens Jaunozols	Member of the Management Board
Reporting year	1 January 2022–31 December 2022	
Auditor's name and address	Kristīne Graudiņa	
	Responsible certified auditor Certificate No. 223	
	“Merhels Revidenti Konsultanti” SIA	
	Commercial company of certified auditors, licence no. 1	
	Republikas laukums 3-124, Rīga, LV-1010, Latvia	



Management report

Company's operations in the reporting period

Diverse team, one purpose

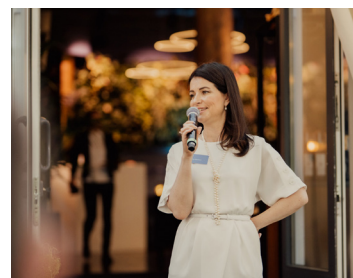
We are a part of an international business law firm working as integrated team towards a single goal: helping clients succeed in business.

15,000+ clients, one approach

We closely partner with businesses – local, regional and international – to fulfil our core purpose: to grow prosperity in the region by helping clients succeed in business.

With nine partners and a team of more than 90 people (on average 60 employers and 30 attorneys and assistant attorneys), we have the resources to support our clients with all business law and tax issues concerning the Latvian business environment. Founded in 1997, the Latvian office has worked on many significant mandates for international and local clients.

Management of the office: Management: Eva Berlaus has been country managing partner since 2010. She co-manages the Corporate and M&A practice group in Latvia. Eva has been with the firm since 2000. In October 2022, Eva Berlaus graduated with an executive MBA from SSE Riga; her master's thesis was devoted to the green deal and analysis of ESG-related risks at the biggest enterprises in Latvia.



Growing leadership: Every year the circle of partners expands as Sorainen promotes deserving lawyers to become shareholders in the company:

- In February 2022, Nauris Grigals joined the Sorainen partnership. Nauris has taken on the role of co-head of the Corporate and M&A practice group at the Latvian office, together with the country managing partner at the Latvian office, Eva Berlaus.



- The Sorainen partnership continues expanding as, in April 2022, Jorens Jaunuzols becomes the ninth partner at the Latvian office. He is a head of the Real Estate sector group in Latvia, and as of January 2022 co-heads the Latvian Real Estate & Construction group together with partner Lelde Laviņa.



New services launched: In response to increasing market needs, we launched new services: the Defence sector group, and ESG and Sanctions services, all of which have dedicated experienced teams. We also established the Ukraine Emergency Room to support all those who have been affected by the war.

Sorainen ranks first among Baltic top tier law firms, according to the annual Kantar Prospera client satisfaction survey, and holds second position in Latvia.

In August 2022, our associate Jūlija Terjuhana received the CIPP/E (Certified Information Privacy Professional/Europe) certificate, having successfully passed the examination. The certificate is issued by the International Association of Privacy Professionals (IAPP). This certificate complements Jūlija's experience in data protection and confirms her international competence.



KANTAR | PROSPERA

The energy and infrastructure news and analysis service Proximo awarded the European PPP Deal of the Year award for 2022 to the Kekava Bypass PPP project, closed in Latvia in July 2021. We together with lead counsel Loyens & Loeff (Brussels) advised the Kekava ABT. The cross-practice team consisted of finance, real estate, construction and corporate area experts and was led by partners Rūdolfs Enģelis and Lelde Laviņa.

In April 2022, an international conference of the European Criminal Bar Association (ECBA) took place in Riga. Dr. iur. Violeta Zeppa-Priedīte, a member of the ECBA and head of the White Collar & Compliance practice at Sorainen Latvia, participated in a panel discussion on the confiscation and seizure of assets during criminal proceedings.

In 2022, 18 new colleagues joined Sorainen Latvia, 11 of whom were lawyers and tax experts. Our team is not only growing by welcoming new talents but also celebrates the loyalty of our colleagues. Last year five colleagues celebrated their 15-year work anniversaries, and four their 10-year anniversaries.

We have involved ourselves in a number of corporate social responsibility activities throughout the year:

- Participation in the seaside clean-up day and volunteering activities to support the people of Ukraine.
- Sorainen lawyers provided *pro bono* advice to Ukrainian companies planning to relocate to the Baltics, as well as NGOs and people in distress.
- Supported the ceremony of the Baltic Sustainability Awards to celebrate innovators,



changemakers and leaders in sustainability and the Novatore Impact Summit, an international conference promoting women's economic empowerment.

- Donation of funds collected at our traditional internal Christmas auction provided support to the Children's Hospital Foundation, Dod5, the mental health support foundation ESI, and the Entrepreneurs for Peace activity group.



Our activities to support the young generation of legal experts and businesspeople:

- The Sorainen Student Academy took place for the 11th year, gathering together 20 students in Latvia.
- Sorainen Latvia experts joined a free pan-Baltic legal clinic for startups, offering each applicant a one-hour slot for personalised advice from our lawyers.
- As supporters, organisers and judges, we participated in the 24th K. Dischler moot in constitutional law.
- We conducted lectures on the LU Open Minded platform on the basics of law.
- Our Tax team provides advice to students who try their hand at providing practical consultations on the premises of the Legal Practice and Assistance Centre of the Faculty of Law at the University of Latvia.



Innovation:

- October was Innovation Month, with lectures and technology workshops.
- Green Meadow Document Drafter – new technology was added to help lawyers automatically fill in data from company registers into documents.
- Grammarly – an app was launched to help users produce grammatically correct, clear and easy-to-understand legal texts.
- Automated CV – a significant improvement was made to the internal system that helps project managers and assistants gather information about lawyers and create experience profiles.



Participation in advocacy in Latvia:

- Partner Jānis Taukačs holds the role of deputy chair of the Commission for Solving Tax and Financial Issues of the Latvian Collegium of Sworn Advocates.

- Partner Rūdolfs Enģelis participates in the work of the Supervision and Control Commission.
- The sworn advocate Violeta Zeppa-Priedīte works at the Commission for Professional Preparation, Performance Monitoring and Examinations of Sworn Attorney Assistants.
- Partner Andris Tauriņš was elected as a member of the Disciplinary Commission in 2022.



Financial result of the reporting year

The reporting period has been concluded successfully, the turnover amounts to EUR 8.4 million and profit of the office amounts to EUR 1.5 million. The company's investments in non-current assets increased by EUR 22,000 during the year and amount to EUR 126,500 as of 31 December 2022. Net assets increased by EUR 320,000 during the year.

Future prospects and further development

The firm plans to continue to provide legal services to both Latvian and foreign clients, as well as to specialise in different market niches in order to be able to advise its clients as best as possible.

Financial risk management

a) Foreign currency risks:

The company's foreign currency risk is assessed as insignificant. Accordingly, the Company does not need to use foreign currency risk hedging instruments.

(b) Liquidity risk:

Liquidity risk describes the possibility that obligations will not be met in a timely and efficient manner. As part of prudent liquidity risk management, the Company maintains adequate funds in current accounts at the bank. The company controls its liquidity risk by planning repayment terms for received loans and supplier debts.

(c) Credit risk:

Credit risk is the risk of loss in the event that the business partner of the Company is unable or refuses to fulfil its obligations to the Company. The Company is exposed to credit risk related to cash and trade receivables. The company's management controls its credit risk by constantly evaluating customer debt repayment history and monitoring the balances of accounts receivable.

Events after the last day of the reporting year

In the time period between the last day of the reporting period and the day when the board approved the annual report of the Company, there were no significant or extraordinary circumstances that could affect the results of the reporting period and the financial position of the Company.

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Eva Berlaus
Chairwoman of the
Management Board

/electronically signed/

Andris Tauriņš
Member of the Manage-
ment Board

/electronically signed/

Jorens Jaunuzols
Member of the Manage-
ment Board

/electronically signed/

Jānis Taukačs
Member of the Manage-
ment Board

/electronically signed/

Rūdolfs Eņģelis
Member of the Manage-
ment Board

/electronically signed/

Valts Nerets
Member of the Manage-
ment Board

/electronically signed/

Lelde Laviņa
Member of the Manage-
ment Board

/electronically signed/

Ieva Andersone
Member of the Manage-
ment Board

/electronically signed/

Nauris Grigals
Member of the Manage-
ment Board

In Riga, on 28 April 2023

Profit or loss statement

	Notes	01.01.2022- 31.12.2022	01.10.2021- 31.12.2021
		EUR	EUR
Net turnover ¹		8,394,222	3,224,084
Other operating income	2	7,746	126,857
		8,401,968	3,350,941
Personnel costs	3	(2,158,487)	(471,483)
Depreciation and amortisation costs of fixed assets and intangible assets	5, 6	(59,429)	(14,047)
Other operating expenses	4	(4,428,256)	(1,249,828)
Other interest and similar income		4,969	1,399
Profit before corporate income tax		1,760,765	1,616,982
Corporate income tax for the reporting period		(300,477)	(7,001)
Profit for the reporting year		1,460,288	1,609,981

The Notes on pages 13 to 20 are an integral part of this financial report.

¹ Net turnover from operating activities other than agricultural activity

Balance sheet

	Notes	31.12.2022 EUR	31.12.2021 EUR
Assets			
Long-term investments:			
Intangible investments	5	12,952	26,137
Fixed assets:			
Other fixed assets	6	113,523	78,167
		126,475	104,304
Current assets:			
Debtors:			
Trade receivables	7	1,783,187	1,944,844
Other receivables	8	12,481	185,801
Deferred expenses		96,505	44,078
Accrued income	9	136,854	159,525
		2,029,027	2,334,248
Cash	10	1,082,795	1,343,567
		3,111,822	3,677,815
Total asset		3,238,297	3,782,119
Liabilities			
Equity capital:			
Equity capital	11	3,000	3,000
Retained earnings			
a) retained earnings of previous years		530,313	60,197
b) profit for the reporting year		1,460,288	1,609,981
		1,993,601	1,673,178
Short-term creditors:			
Advance payments received from customers		81,312	50,148
Payables to suppliers and contractors		536,018	842,781
Taxes and social insurance contributions	12	260,891	166,794
Other creditors		5,730	7,706
Unpaid dividends		-	536,568
Accrued liabilities	13	360,745	504,944
		1,244,696	2,108,941
Total liabilities		3,238,297	3,782,119

The Notes on pages 13 to 20 are an integral part of this financial report.

Cash flow statement

	Notes	01.01.2022- 31.12.2022	01.10.2021- 31.12.2021
		EUR	EUR
Cash flows from operating activities			
Profit or loss before corporate income tax		1,760,765	1,616,982
Depreciation charges	5,6	59,429	14,047
Interest income		(4,969)	(1,399)
(Profit)/loss from disposal of fixed assets		(5,815)	(322)
Profit before adjustments for changes in current assets and short-term payables			
		1,809,410	1,629,308
Changes in debtors		144,454	(667,407)
Changes in creditors		(916,923)	328,999
Gross operating cash flow			
		1,036,941	1 290,900
Expenses for corporate income tax payments		(247,799)	(1,560)
Net cash flow from the basic activities			
		789,142	1,289,340
Cash flow from investment activity			
Proceeds from the sale of fixed assets		6,125	322
Purchase of fixed assets and intangible investments		(81,910)	-
Proceeds from repayment of loans		150,000	-
Interest received		15,736	-
		89,951	322
Cash flow from financing activity			
Repayment of loans		-	(470,000)
Dividends paid		(1,139,865)	-
		(1,139,865)	(470,000)
Net increase/(decrease) in cash and cash equivalents			
		(260,772)	819,662
Cash and cash equivalents at the beginning of the reporting year			
	10	1,343,567	523,905
Cash and cash equivalents at the end of the reporting year			
	10	1,082,795	1,343,567

The Notes on pages 13 to 20 are an integral part of this financial report.

Statement of changes in equity

	Equity capital	Retained profit EUR	Total EUR
Balance 01.10.2021	3,000	596,765	599,765
Result for the reporting period		1,609,981	1,609,981
Dividends		(536,568)	(536,568)
Balance on 31.12.2021	3,000	1,670,178	1,673,178
Result for the reporting period		1,460,288	1,460,288
Dividends		(1,139,865)	(1,139,865)
Balance on 31.12.2022	3,000	1,990,601	1,993,601

In the process of changing the legal status of the office, the total undistributed profit transferred to the Company was EUR 596,765, of which EUR 536,568 was earned from 1 January 2021 to 30 September 2021.

The Notes on pages 13 to 20 are an integral part of this financial report.

Notes

1. Summary of the most important accounting principles

General principles

The financial statements have been prepared in accordance with the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia, and the Regulations of the Cabinet of Ministers of the Republic of Latvia on Application of the Law on Annual Statements and Consolidated Annual Statements. In the preparation of the financial report, the requirements and guidelines that apply to small and medium-sized companies within the meaning of the Law on Annual Statements and Consolidated Annual Statements have been observed. This is the second financial report. It covers a 12-month period, whereas the previous financial report covered a three-month period, so the profit and loss statement and cash flow statement for the previous period are not comparable to the reporting year. The company's balance sheet balance on 1 October 2021 consists of the property taken over from ZAB Sorainen, which has been assessed and presented in accordance with the requirements of the Law on Annual Statements and Consolidated Annual Statements. The company's annual report has been prepared in accordance with the going concern principle.

Use of estimates

When preparing the financial statements, the management makes certain estimates and assumptions that affect the reported amounts of certain balance sheet and income statement items and the amounts of contingent liabilities. Future events may affect the assumptions on the basis of which the relevant estimates have been made. The effect of any change in estimates is reflected in the financial statements at the time they are determined.

True value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled in a transaction between well-informed, interested parties who are not financially related.

Transactions in foreign currencies

The accounting of the Company is carried out in the national currency of Latvia – the euro (EUR). Transactions in foreign currencies are recognised in the Company's functional currency in accordance with the euro reference rate published by the European Central Bank effective at the beginning of the day of the transaction. Monetary assets and liabilities in foreign currencies at the end of the reporting year are converted into euros at the euro reference rate published by the European Central Bank at the end of the last day of the reporting year. Gains or losses resulting from fluctuations in foreign exchange rates are reflected in the profit or loss statement for the relevant period.

Recognition of income and expenses

Revenue from legal consultancy services: revenues from consultations are recognised according to the amount of services provided in the reporting period.

Revenues relating to the reporting year, but for which invoices have not yet been issued, are reflected in the accrued revenue.

Expenses: Expenses are recognised on accruals basis when expenses incurred not when money rendered.

Net turnover

Net turnover is generated from the provision of legal consultancies, less value added tax and discounts directly linked to sales.

Intangible investments

The intangible investments include only those intangible investments that have been acquired for a fee. They are valued by deducting amortisation from the original value. Amortisation is calculated using the straight-line method over the estimated useful life of the relevant intangible assets, using the following rates determined by management:

	%
Intangible investments	35

Fixed assets

Purchases worth more than EUR 1,000, whose estimated useful life exceeds one year, are capitalised in fixed assets.

Fixed assets are recorded at their acquisition value, less depreciation and accumulated impairment, if any. Depreciation is calculated according to the straight-line method, using the following rates determined by management:

	%
Furniture	20
Computer equipment and other IT equipment	35
Other fixed assets	20

Fixed asset maintenance costs are included in the income statement of the period in which they are incurred. Expenses that extend the economic useful life of the fixed asset and/or increase its economic potential are capitalised.

Profit or loss on disposal of fixed assets is calculated as a balance between the balance sheet value of the asset and the income from sale and included in the income statement for the period incurred.

The remaining value and useful life of fixed assets are reviewed and, if necessary, changed at the end of each reporting year.

Loans

Issued Loans are recognised as financial assets when cash is dispensed to borrowers. They are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all risks and rewards of ownership.

Loans are initially recognised at the amount of cash dispensed. Subsequently loans are carried at amortised cost using the effective interest rate method.

Trade receivables

Receivables are recognised at a net amount due, which is calculated by deducting provisions for doubtful trade receivable from the book value. Provisions are valued at the amount, which is doubtful to be received. The Company recognises provisions based on an individual assessment of the recoverability of each receivable.

Borrowings

Initially borrowings are recognised at an amount of funds received less net of transaction costs incurred. Interest charges and commissions related to the borrowings are recognized as costs, and they are included in the profit and loss statement in the period in which they were incurred.

Provisions

Provisions are recognised at the moment when past events have caused contractual or otherwise irrevocable liabilities to the Company, and the amount of these liabilities can be credibly estimated.

Recording of creditors

Amounts of liabilities are recognised in the balance sheet as long-term creditors or short-term creditors, depending on the debt payment or liability coverage deadline, which respectively falls later than 12 months after the end of the relevant reporting year or within 12 months of the end of the reporting year.

Tax

- The object of corporate income tax is distributed (for example, dividends) and conditionally distributed (for example, costs not related to economic activity) profit;
- The tax rate is 20% of the tax base, calculated by dividing the value of the tax object by 0.8 (or in other words, the tax rate is 25% of the value of the tax object);
- Expenses of the corporate income tax are recognised in the period when the tax object is created. Corporate income tax expenses on dividends are recognised at the time of distribution.

Accrued liabilities

Accrued liabilities consist of clearly known amounts of liabilities to suppliers and contractors for goods or services received in the reporting year, for which at the balance sheet date an invoice has not yet been received, and estimated amounts of liabilities to employees for unused vacation days accumulated in the reporting year, as well as estimated amounts of liabilities to employees for bonuses on the performance results for the reporting year.

The remuneration to be paid to employees for unused vacation is calculated based on the number of unused vacation days of employees at the end of the reporting year, which is multiplied by the average earnings of employees for the last 6 months spent at work.

Related parties

The Company's members, members of the Company's management board, their close family members and companies in which the mentioned persons have control or significant influence are considered related parties.

	01.01.2022- 31.12.2022	01.10.2021- 31.12.2021
	EUR	EUR
2. Other operating income		
Write-off of liabilities assumed as a result of the legal status change process	4,165	126,427
Result of disposal of computer equipment, net	1,941	322
Recovery of claims taken over as a result of a change of legal status process	1,621	-
Other income	19	108
	7,746	126,857

3. Personnel costs

Remuneration for work	1,745,221	384,070
State social insurance contributions	413,001	87,334
Other personnel expenses	265	79
	2,158,487	471,483

4. Other operating expenses

Legal services from attorneys practising at the office and other law firms	1,890,897	455,340
Services received from other Sorainen international group offices	1,221,842	508,809
Premises rent, utilities and maintenance costs	483,452	122,421
Staff education, membership fees in professional organisations	101,674	9,646
Costs of staff sustainability, costs of ensuring working conditions	101,228	8,907
Allowances for doubtful accounts and write-offs for bad debts	85,383	-
Marketing and participation in organisations	80,467	28,555
Insurance expenses	52,755	13,130
Other expenses	410,558	103,020
	4,428,256	1,249,828

5. Intangible investments

EUR	Other intangible investments
Initial value	
01.01.2022	68,132
Additions in the reporting period	-
Disposals in the reporting period	-
31.12.2022	68,132
Depreciation	
01.01.2022	41,995
Calculated for the reporting period	13,186
For excluded	-
31.12.2022	55,181
Remaining balance sheet value 01.10.2021	26,137
Remaining balance sheet value 31.12.2022	12,951

6. Fixed assets

Initial value	
01.01.2022	248,308
Additions in the reporting period	81,910
Reclassified in the reporting period	-
Disposals in the reporting period	(52,805)
31.12.2022	277,413
Depreciation	
01.01.2022	170,141
Calculated for the reporting period	46,243
For excluded	(52,494)
31.12.2022	163,890
<hr/>	
Remaining balance sheet value	
31.12.2021	78,167
Remaining balance sheet value	
31.12.2022	113,523

7. Trade receivables

	31.12.2022	31.12.2021
	EUR	EUR
Trade and other receivables, gross	1,855,842	1,944,844
Special provisions for bad and doubtful debts	72,655	-
	1,783,187	1,944,844

8. Other debtors

Loan to SIA SLOR	-	160,767
Other debtors	11,338	16,020
Tax overpayment	1,143	9,014
	12,481	185,801

9. Accrued income

Accrued revenue for legal services rendered	136,854	159,525
	136,854	159,525

10. Cash

Cash in banks*	1,082,795	1,343,567
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* The company's bank account inter-alia includes client money of EUR 2,521, separate from the firm's own funds, which may only be used for client purposes.

11. Equity capital

The registered and fully paid share capital consists of 3,000 shares with a nominal value of EUR 1 each.

12. Taxes and social insurance contributions

	31.12.2022	31.12.2021
	EUR	EUR
Value added tax	118,094	95,873
Corporate income tax	58,119	5,441
State social insurance contributions	54,921	42,139
Personal income tax	29,736	23,321
Business risk duty	21	20
	260,891	166,794

13. Accrued liabilities

Accrued liabilities for unused vacations	156,620	137,843
Accumulated liabilities for services received during the reporting period	13,460	179,517
Other accrued liabilities	190,665	187,584
	360,745	504,944

14. Information about personnel

	2022	2021
Average number of persons employed at the Company	60	55

15. Trademark (brand) agreement

On 29 September 2021, the Company took over the open-ended contract for the exclusive right to use the Sorainen trademark (brand). The agreement provides for a licence fee of a percentage of the Company's turnover. The licence fee is reviewed at the beginning of each year.

Approval of the annual statement

The Management Board of the Company has approved the financial statement reflected on pages 13 to 20 on 28 April 2023.

/ electronically signed/

Eva Berlaus
Chairwoman of the
Management Board

/ electronically signed/

Andris Tauriņš
Member of the Manage-
ment Board

/ electronically signed/

Jorens Jaunuzols
Member of the Manage-
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/ electronically signed/

Jānis Taukačs
Member of the Manage-
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Rūdolfs Eņģelis
Member of the Manage-
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/ electronically signed/

Valts Nerets
Member of the Manage-
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/ electronically signed/

Lelde Laviņa
Member of the Manage-
ment Board

/ electronically signed/

Ieva Andersone
Member of the Manage-
ment Board

/ electronically signed/

Nauris Grigals
Member of the Manage-
ment Board

The annual report 2022 was prepared by the company's chief accountant Gunta Pāla.

/ electronically signed/

Gunta Pāla
Chief Accountant