

Jio Estonia OÜ
Financial Statements
for the year ended 31st December, 2022

[Translation of Estonian original]

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Jio Estonia OÜ

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance for the year then ended in accordance with Accounting Act and Estonian Financial Reporting Standard.

Basis for Opinion

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

Other matter

Financial statements for the year ended 31.12.2021 were not audited. Financial statements for the year ended 31.12.2022 were audited for the first time since the Company's establishment.

Other Information

The Management is responsible for the other information. The other information comprises the Management Report included in the Entity's annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. It is also our responsibility to note whether information presented in the management report is in accordance with applicable legal requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we note that information presented in the management report is in material respects in accordance with the financial statements and with applicable legal requirements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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31 March 2023

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Statement of financial position as at December 31, 2022

(In Euros)

	31.12.2022	31.12.2021	Note
Assets			
Current assets			
Cash and cash equivalents	72 569	61 136	2
Receivables and prepayments	277 425	152 653	3
Total current assets	349 994	213 789	
Total assets	349 994	213 789	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	118 795	52 795	5
Total current liabilities	118 795	52 795	
Total liabilities	118 795	52 795	
Equity			
Issued capital	50 000	50 000	7
Statutory reserve capital	5 000	0	7
Retained earnings (loss)	105 994	72 705	
Annual period profit (loss)	70 205	38 289	
Total equity	231 199	160 994	
Total liabilities and equity	349 994	213 789	

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Income statement for the year ended December 31, 2022

(In Euros)

	2022	2021	Note
Revenue	1 096 647	585 276	8
Other income	536	9	
Raw materials and consumables used	-305 077	-138 840	9
Other operating expense	-191 477	-148 565	10
Employee expense	-525 547	-259 586	11
Other expense	-2 992	-5	
Operating profit (loss)	72 090	38 289	
Profit (loss) before tax	72 090	38 289	
Income tax expense	-1 885	0	
Annual period profit (loss)	70 205	38 289	

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Note 1 Accounting policies

General information

The Annual Accounts 2022 of Jio Estonia OÜ (hereinafter referred to as the "Company") have been prepared in accordance with the Estonian Financial Reporting Standard.

The accounting principles for the organisation of financial accounting and financial reporting are laid down in the Accounting Act of the Republic of Estonia. The Estonian Financial Reporting Standard (Estonian FAS) is a set of financial reporting requirements based on internationally accepted accounting and reporting principles, the basic requirements of which are laid down by law and supplemented by guidance issued by the Accounting Standards Board.

In accordance with the amendments made to the Accounting Act, Jio Estonia OÜ is classified as a group of small companies and, accordingly, the company is not required to disclose a statement of cash flows and statement of changes in equity in its financial statements.

The financial statements are presented in euros.

Changes in accounting policies or presentation of information

The 2022 audit identified classification errors. In order to ensure comparability of the information, subsequent corrections were made retrospectively for 2021 in the 2022 audit:

Additional item name	31.12.2021	Change	31.12.2021
Prepayments of taxes and recoveries	4 490	4 181	8 671
Tax debts	5 385	4 181	9 566
Debts to employees	9 244	6 086	15 330
Other accrued liabilities	6 086	-6 086	0
Goods, raw material, materials and services	-141 042	2 202	-138 840
Labor costs	-260 931	1 345	-259 586
Miscellaneous operating expenses	-145 018	-3 547	-148 565

Error adjustments

1. VAT prepayments were moved from liabilities to tax prepayments, see notes 3, 4, 5.
2. Tax debts related to labour costs were reclassified from accrued income to payables to employees, see note 5.
3. Expenditure on transport services has been reclassified from freight costs to other operating costs, see note 9.
4. Reclassification of fringe benefits and employee insurance costs from labour costs to miscellaneous operating costs, see note 10.

In the 2021 report, the average number of employees has been adjusted from 4 to 3 due to 1 employee on parental leave, see note 11.

Cash and cash equivalents

Cash and cash equivalents include balances on the current account.

Receivables and prepayments

Accounts receivable, accruals and other short-term receivables are recorded at adjusted cost. On each balance sheet date, it is assessed whether there are signs of impairment of the value of these financial assets. In the event that such characteristics are present, financial assets recorded at adjusted cost are devalued to the present value of payments expected to be received from them in the future. Impairment discounts are recognized as an expense in the income statement.

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Plant, property and equipment and intangible assets

During the reporting period, the company has no fixed assets. According to the board's decision, the lower limit of capitalization of fixed assets is 2,500 euros. An asset whose value is below the capitalization limit is recognized as an expense in the period in which it was acquired.

Minimal acquisition cost 2500

Financial liabilities

Financial liabilities (trade payables, accrued expenses) are stated at amortized cost.

Provisions and contingent liabilities

A provision is recognized if the entity has a legal or constructive obligation as a result of a binding event that arose before the balance sheet date, it is probable that the liability will be realized and its amount can be measured reliably. Other contingent liabilities or contingent liabilities that are not probable of realization or cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

Revenue recognition

Revenue is recognized at the fair value of the consideration received or receivable, taking into account all discounts and allowances made. Revenue is recognized when the sales revenue and the cost related to the transaction can be reliably determined and the receipt of the fee from the transaction is probable.

Revenue from the sale of the service is recognized after the service has been rendered.

Expense recognition

Expenses are classified according to the items in Scheme 1 selected in the income statement. Expenses are recognized in the same period as the related revenue. Expenses incurred in the course of business are either periodic or prepaid expenses.

Taxation

According to the applicable laws of the Republic of Estonia, Estonian companies do not pay income tax on profits.

Income tax payable on profits Estonian companies pay income tax on dividends paid out of retained earnings, on special benefits, gifts, donations, acceptance expenses, non-business-related payments and transfer price adjustments.

The applicable tax rate as of 01.01.2015 is 20/80 on net dividends paid. As from 2019, a tax rate of 14/86 will apply to dividend payments. This more favourable tax rate can be used for dividend payments up to the average dividend payout of the three preceding financial years, which are taxed at a rate of 20/80.

Since income tax is paid on dividends and not on profits, there are no temporary differences between the tax bases and the carrying amounts of assets and liabilities that could give rise to deferred income tax assets and liabilities.

Income taxes relating to the payment of dividends are recognised as an expense in the income statement when the dividends are declared. No potential income tax liability is recognised in the balance sheet in respect of the enterprise's unrestricted equity that would arise on the distribution of unrestricted equity in the form of dividends.

The maximum potential income tax liability that could arise on the payment of dividends is disclosed in note 6 to the financial statements.

Related parties

A party is considered to be related if one party has control or significant influence over the other party's business decisions.

Related parties include:

- * Management and senior management, as well as individual owners with significant shareholdings, unless those individuals have significant influence over the business decisions of the entity;
- * Companies related to the executive and senior management and their family members;
- * Owners with legal personality and companies belonging to the same group.

The notes disclose the following information about related parties and related party transactions:

- (a) The type and volume of related party transactions during the year;
- (b) Balances with related parties at the balance sheet date;
- (c) Impairment losses on receivables from related parties.

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Events after reporting date

The annual accounting report reflects important circumstances affecting the valuation of assets and liabilities that appeared between the date of the balance sheet and the date of preparation of the report, but are related to transactions that took place in the reporting period or earlier periods.

Events after the balance sheet date, which have not been taken into account in the assessment of assets and liabilities, but which significantly affect the result of the next financial year, are disclosed in the appendices of the annual report.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2022	31.12.2021
Bank account balance	72 569	61 136
Total cash and cash equivalents	72 569	61 136

Note 3 Receivables and prepayments

(In Euros)

	31.12.2022	Within 12 months	Note
Receivables from related parties	217 836	217 836	12
Tax prepayments and receivables	6 969	6 969	4
Other receivables	51 652	51 652	12
Accrued income	51 652	51 652	
Prepayments	968	968	
Deferred expenses	421	421	
Other paid prepayments	547	547	
Total receivables and prepayments	277 425	277 425	
	31.12.2021	Within 12 months	Note
Receivables from related parties	143 982	143 982	12
Tax prepayments and receivables	8 671	8 671	4
Total receivables and prepayments	152 653	152 653	

At the time of reporting, 100% of the receivable from the parent company has been received.

As at 31.12.2022, an accrued income includes a receivable from the parent company in respect of 2022 for the reimbursement of expenses for which the invoice was received after the closure of the period, see Annex 12.

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

	31.12.2022		31.12.2021	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	3 061	0	4 181	0
Personal income tax	0	12 495	0	3 254
Social tax	0	21 386	0	5 569
Contributions to mandatory funded pension	0	1 296	0	338
Unemployment insurance tax	0	1 556	0	405
Other tax prepayments and liabilities	20	9 146	0	0
Prepayment account balance	3 888		4 490	
Total tax prepayments and liabilities	6 969	45 879	8 671	9 566

In 2022, 1 additional employee was hired in Finland, whose taxes are declared and paid in Finland. Other taxes prepaid and payable include taxes to be declared in Finland.

See Annexes 3 and 5.

Note 5 Payables and prepayments

(In Euros)

	31.12.2022	Within 12 months	Note
Trade payables	12 560	12 560	
Employee payables	36 973	36 973	
Related parties payables	6 145	6 145	12
Tax payables	45 879	45 879	4
Other payables	17 220	17 220	
Other accrued expenses	17 220	17 220	
Prepayments received	18	18	
Other received prepayments	18	18	
Total payables and prepayments	118 795	118 795	
	31.12.2021	Within 12 months	Note
Trade payables	13 490	13 490	
Employee payables	15 330	15 330	
Related parties payables	5 786	5 786	12
Tax payables	9 566	9 566	4
Other payables	8 612	8 612	
Other accrued expenses	8 612	8 612	
Prepayments received	11	11	
Other received prepayments	11	11	
Total payables and prepayments	52 795	52 795	

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Accrued expenses include expenses and invoices for the reporting period that have not reached the accounts as at 31.12.2022.

Amounts owed to related parties are outstanding liabilities to companies related to a member of the Management Board amounting to EUR 6 145 (2021: 5 786) as at 31.12.2022.

Note 6 Contingent liabilities and assets

(In Euros)

	31.12.2022	31.12.2021
Contingent liabilities		
Distributable dividends	140 959	88 795
Income tax liability on distributable dividends	35 240	22 199
Total contingent liabilities	176 199	110 994

Contingent liabilities are accounted for off-balance sheet.

Note 7 Share capital

(In Euros)

	31.12.2022	31.12.2021
Share capital	50 000	50 000
Number of shares (pcs)	1	1

In the framework of the 2022 audit, a mandatory reserve capital of 10% of the share capital, i.e. EUR 5 000, was created in accordance with the Commercial Code.

Note 8 Net sales

(In Euros)

	2022	2021	Note
Net sales by geographical location			
Net sales outside of European Union			
India	1 096 647	585 276	12
Total net sales outside of European Union	1 096 647	585 276	
Total net sales	1 096 647	585 276	
Net sales by operating activities			
IT consulting services	586 426	585 276	
Scientific and technological services and related research and design as a service	510 221	0	
Total net sales	1 096 647	585 276	

In 2022, a new sales segment was created, through which the company will realise the owners' plans to export IT innovation to India and European countries.

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Note 9 Goods, raw materials and services

(In Euros)

	2022	2021
Services purchased for resale	-305 077	-138 840
Total goods, raw materials and services	-305 077	-138 840

In the framework of the 2022 audit, the opening balances have been restated, see Annex 1.

Note 10 Miscellaneous operating expenses

(In Euros)

	2022	2021
Leases	-36 000	-36 000
Energy	-4 411	-3 262
Electricity	-3 001	-1 622
Heat energy	-1 410	-1 640
Water supply services	-69	-83
Miscellaneous office expenses	-22 855	-12 100
Travel expense	-89 375	-70 864
Accounting expenses	-7 555	-7 200
Consulting service	-24 413	-15 880
Fringe benefits and income tax	-3 134	-1 345
Insurance payments	-1 970	-1 613
Other	-1 695	-218
Total miscellaneous operating expenses	-191 477	-148 565

Business trip expenses are mostly related to the fact that some employees perform their duties at the parent company in India.

In 2022, Jio Estonia OÜ will purchase the following services from companies related to a member of the Board of Directors: office space rental, office utilities, IT support and accounting services for a total amount of EUR 58 343 (2021: 55 038), see Annex 12.

In the framework of the 2022 audit, an adjustment to opening balances was made, see Annex 1.

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Note 11 Labor expense

(In Euros)

	2022	2021
Wage and salary expense	-410 515	-193 679
Social security taxes	-97 575	-65 907
Pension expense	-17 457	0
Total labor expense	-525 547	-259 586
Average number of employees in full time equivalent units	5	3
Average number of employees by types of employment:		
Person employed under employment contract	5	3

As of 2022, the company will have an employee resident in Finland, for whom pension costs will be calculated in accordance with the requirements of Finnish law.

In addition, the number of employees for 2021 was amended due to the fact that one employee was on parental leave at that time, see Annex 1.

Note 12 Related parties

(In Euros)

Related party balances according to groups

SHORT TERM	31.12.2022	31.12.2021
Receivables and prepayments		
Parent company	269 488	143 982
Total receivables and prepayments	269 488	143 982
Payables and prepayments		
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	6 145	5 786
Total payables and prepayments	6 145	5 786

SOLD	2022	2021
	Services	Services
Parent company	1 096 647	585 276
Total sold	1 096 647	585 276

BOUGHT	2022	2021
	Services	Services
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	58 343	55 038
Total bought	58 343	55 038

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Notes to the financial Statements for the year ended December 31, 2022

(In Euros)

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2022	2021
Remuneration	38 004	25 504

Jio Estonia OÜ buys the following services from companies related to a member of the board: IT support services and Microsoft 365 licences; rents office space and pays for utilities, communications and cleaning services.

Related party transactions are disclosed in Annexes 3, 5, 7, 10.

Note 13 Events after the reporting date

In 2023, Jio Estonia OÜ became a member of the European Telecommunications Standards Institute (ETSI), which will enable the realisation of the ambitious plans of the management and the owner to contribute to the introduction of European IT innovations. Membership costs €154 720 per year. In January 2023, the company paid its first ETSI membership fee, which will be applied annually thereafter.