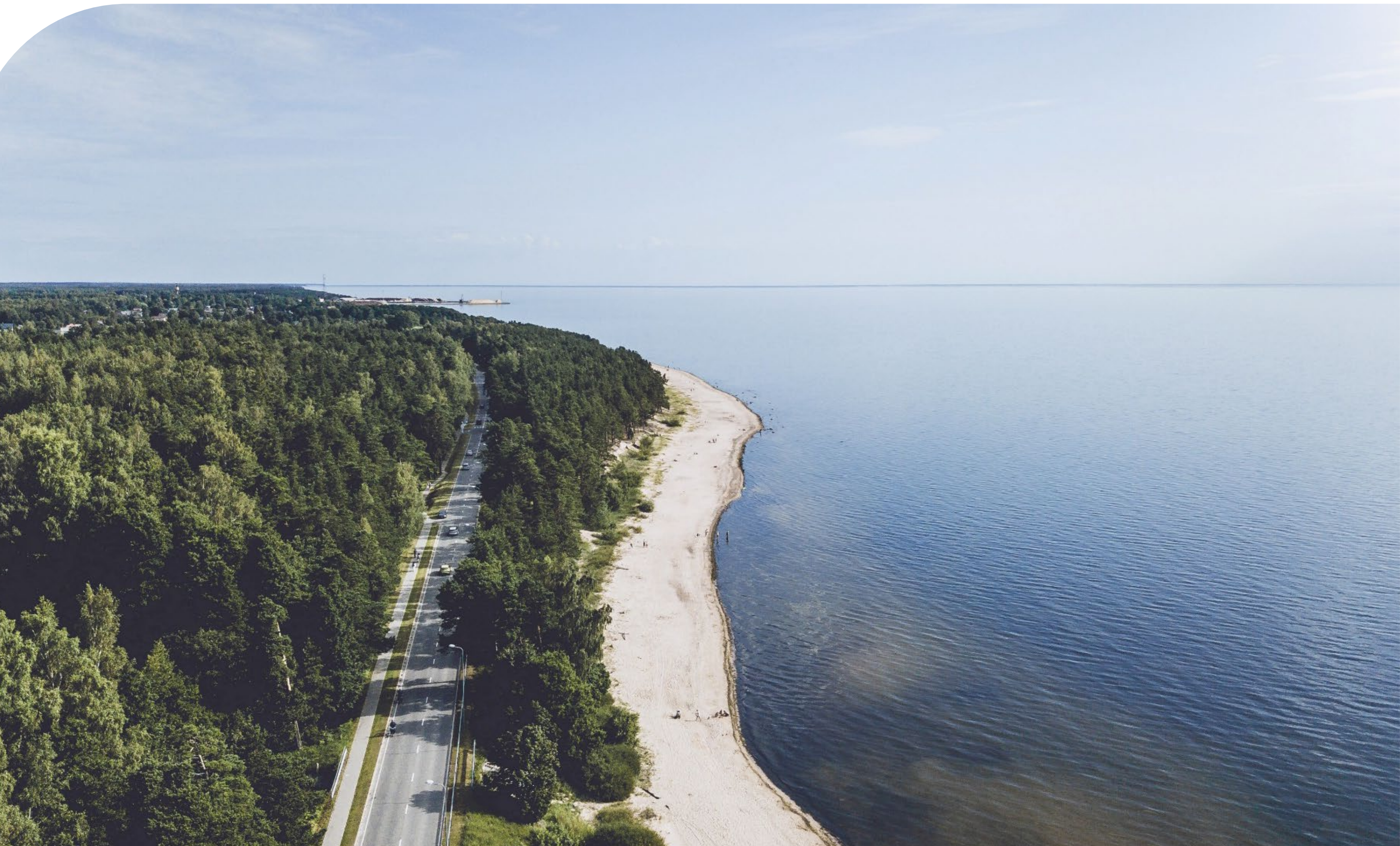
Redgate Capital

AS Redgate Capital

2021 Consolidated annual report

(Translation of the Estonian original)*

** This version of the annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.*



Consolidated annual report	01.01.2021 – 31.12.2021
Business name	AS Redgate Capital
Registry number	11532616
Address	Pärnu mnt 10, Tallinn 10148
Telephone	666 8200
E-mail	redgate@redgatecapital.eu

Primary activities	Financial advisory services
License	Investment company license no 4-1-1/32 issued by the Estonian Financial Supervision Authority

Board of Directors	Valeria Kiisk Aare Tammemäe
Supervisory Board	Mart Altvee Mairo Kaseväli Andrei Zaborski

Auditor

Business name	AS PricewaterhouseCoopers
Registry number	10142876
Address	Pärnu maantee 15, 10141 Tallinn

Management report

Redgate Capital (the Company) is an independent partnership-based investment banking entity, offering a wide range of financial advisory services tailored to meet the needs of Baltic entities. Our main services cover corporate mergers and acquisitions (M&A), capital raising advisory (bonds, shares and other equity) and advising on the purchase and sale of commercial real estate.

The Company's headquarter is located in Estonia. Entity has representatives in all three Baltic countries. There were 18 employees in the company at the end of the reporting year. The number of employees decreased by two employees during the year.

Redgate Capital is operating under license 4.1-1/32 issued by the Estonian Financial Supervision Authority, that grants the Company the right to arrange share and bond issues, accept and transfer client orders and advise companies on capital structure, mergers and acquisitions. On 17 January 2022, the Financial Supervision Authority granted AS Redgate Capital an additional investment entity license, which also entitles the Company to provide various investment services and ancillary investment services.

AS Redgate Capital consolidated group consists of Redgate Capital AS and Redgate Advisory Services OÜ, a 100% subsidiary of Redgate Capital AS. AS Redgate Capital's shareholder are as at reporting date 6 partners through a holding company Redgate Holding OÜ - Aare Tammemäe, Mart Altvee, Andrei Zaborski, Kristjan Petjärv, Valeria Kiisk and Mairo Kaseväli.

Redgate Holding OÜ		Redgate Capital AS		Redgate Advisory Services OÜ
Business area: holding	— 100% —	Business area: financial advisory	— 100% —	Business area: financial advisory

Business environment

The business environment was favourable for the Company during the past year:

- The economies of the Baltic states and Europe as a whole continued to recover rapidly from the Covid-19 crisis, reaching and exceeding pre-crisis levels.
- For several years in a row, the Baltic M&As market reached a new high in terms of both the number and volume of transactions.
- The Baltic capital markets also had a busy year. Rapid economic growth and growing investment interest from private investors pushed up stock prices and allowed a record number of companies to go public through an initial public offering (IPOs).
- The high investment interest of retail investors also significantly mitigated the negative impact of the Estonian pension reform on the capital markets. However, the (temporary) decline in institutional money is hampering the future development of the Baltic capital markets, making it more difficult to conduct larger securities offerings.

Against the background of a favourable business environment, the past year also brought a couple of developments that will have a rather negative impact on the Company's operations both in 2021 and in the following years:

- Inflation accelerated to a level by the end of 2021, which will lead to changes in central banks' monetary policy and increase the price of money in coming years.
- Good capitalisation of local banks and ambitious growth targets have increased competition in the banking market over many years. As a result, banks have also begun to finance projects and companies for which the doors of credit institutions remained closed a few years ago and which could therefore only rely on capital markets for financing. Increased bank activity and increased risk aversion are somewhat slowing down the growth rate of capital markets.
- The war in Ukraine cools the risk courage of investors and entrepreneurs. In the first months of the war, this has manifested itself in increased volatility in stock markets and the postponement of major investments. Major mergers and acquisitions, real estate development projects as well as fixed asset investments are pending. Postponement of investments and transactions will reduce the willingness of companies to raise additional capital for some time.

- The significant economic side-effect of the war and the accompanying sanctions is the acceleration of an already high inflation. The rise in prices is particularly rapid in the real estate and construction sectors and has already put some projects on hold.

Key events during the financial year

Redgate Capital ended 2021 with the largest sales revenue of 3.7 million euros in its history. All three lines of business of the Company made a strong contribution to achieving a good result – advising on capital raising transactions, mergers and acquisitions and commercial real estate transactions.

Redgate Capital advised on 9 capital raising transactions during the year and helped its clients raise capital in the amount of 80 million euros in the form of equity, loans and bonds. It was an exceptionally good year in advising on commercial real estate transactions, where Redgate Capital advised on 10 transactions in the total amount of 250 million euros.

In addition the Company advised on 5 M&A deals.

Largest advised transactions

M&A and commercial property sale transactions

Qvalitas AS and Unimed Kliinikud OÜ purchase

Advisor of Mehiläinen OÜ

2021

MCC Group 50% acquisition

Advisor of Dooropener OÜ

2021

Technobalt Eesti OÜ sale

Advisor of Technobalt Eesti OÜ

2021

Eesti Teed AS privatisation

Advisor of Estonian Republic

2021

Sale of the mortgage loan portfolio to LPB

Advisor of private investor

2021

Logistics center sale (LogInvest OÜ)

Advisor of Loginvest OÜ

2021

“Metro Plaza“ sale, 7 300 m2

Advisor of East Capital

2021

J13 Tehnopargi sale, 40 000m2

Advisor of East Capital

2021

Rimi Logistikakeskuse sale, 18 000m2

Advisor of East Capital

2021

Sale of Tulbi and Tulbiõie development, 40 000 m2

Advisor of Enko BH

2021

Sale of Mustamäe Keskus, 14 000 m2

Advisor of East Capital

2021

Sale of Mustamäe Torn development

Advisor of Sääse Arendus and Nordest Kinnisvara

2021

Sale of rental apartment portfolio in Baltics

Advisor of YIT

2021

Sale of Papiniidu business center, Pärnu

Advisor of East Capital

2021

Sale of an office building Pärnu mnt 153, Tallinn

Advisor of Kaamos Kinnisvara AS

2021

Capital raising transactions

Bond issue
10 million euros

Advisor of PlusPlus Capital AS

2021

Bond issue
75 million euros

IuteCredit Finance S.à r.l regionaal sales agent

2021

Bond issue 8 million euros

UAB Lords LB Asset Management

2021

Bond issue
25 million euros

UAB Lords LB Asset Management co-advisor
legal advisor SORAINEN

2021

Bond issue
5 million euros

Advisor of Mainor Ülemiste

2021

Bond issue 4 million euros

Advisor of Baltic Horizon Fund SPV, BH Meraki UAB

2021

ADMIRAL MARKETS | admirals

Subordinated bond issue
2.7 million euros

Advisor of Admirals Group

2021

PRFOODS

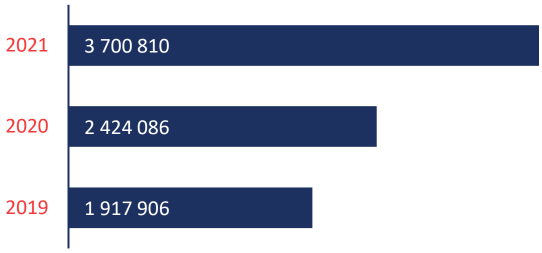
Convertible bond issue
2.37 million euros

Advisor of AS PRFoods

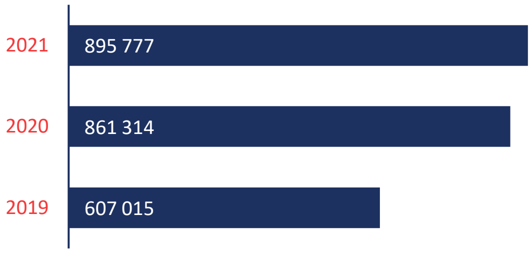
2021

Financial figures

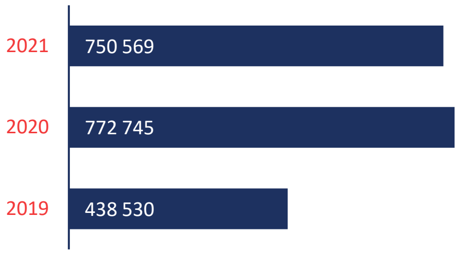
Revenue, EUR



EBITDA, EUR

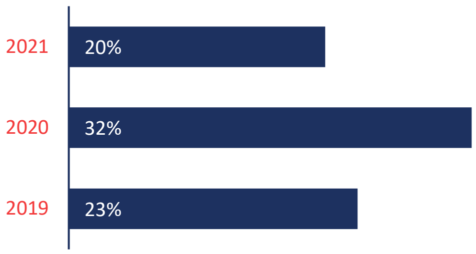


Net profit, EUR

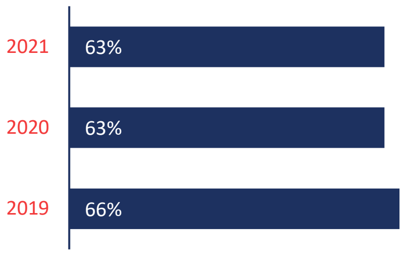


EBITDA margin, %

Net profit margin, %



Income and expenses ratio, %



Return on assets, %

Return on equity, %

EBITDA margin = EBITDA / revenue
Net profit margin = profit for the reporting year / revenue
Income-expenses ratio = (payroll costs + operating expenses) / (revenue – subcontract costs)
Return on equity (ROE) = profit for the reporting year/ average equity
Return on assets (ROA) = profit for the reporting year/ average assets

Capital adequacy

The purpose of the Company's capital management is to ensure sufficient capitalisation to cover taken risks and economic sustainability.

The Company monitors capitalisation on two levels:

- minimum regulatory capital requirement
- buffers and additional capital resources to cover operational risks identified as a result of self-assessment

In the last financial year, the new regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements for investment firms (IFR) entered into force, which will replace Regulation (EU) No 575/2013 of the European Parliament and of the Council on the prudential requirements for Credit institutions (CRR). The new regulation significantly changed the capital requirements and the procedure for calculating capital adequacy for the Company.

Own funds

(EUR)	31 December 2021	31 December 2020
Tier 1 capital		
Paid-in share capital	125,052	125,052
Retained earnings	1,241,675	1,132,107
Intangible assets (less)	-29,216	-36,115
Total Tier 1 capital	**1,337,511**	**1,221,044**
Net own funds for capital adequacy	**1,337,511**	**1,221,044**

The procedure for calculating own funds did not change with the application of IFR. The level of consolidated own funds of Redgate Capital as of 31 December 2021 is EUR 1,337,511 (31 December 2020: EUR 1,221,044). The Company's own funds consist entirely of Tier 1 capital. The level of own funds was affected by the profit earned in 2021 and the payment of dividends from previous retained earnings. No new own funds instruments were issued during the year.

Capital requirement under IFRS

Under IFR, an investment firm must have own funds on an ongoing basis for at least the amount specified as the higher of (1) the investment firm's fixed overheads requirement, (2) the investment firm's minimum capital requirement, or (3) the investment firm's K-factor requirement. The required level of Redgate Capital's own funds is determined by the requirement for fixed overheads.

(EUR)	31 December 2021
Fixed overhead requirement	190,431
Fixed minimum capital requirement	75,000
K-factor requirement	0
Minimum own funds requirement	**190,431**

Total exposure by CRR

Until the implementation of IFR (including 31 Dec 2020), the Company's capital requirements were defined according to the total risk position.

(EUR)	31 December 2020
Credit risk Under standardised approach	897,766
Market risk	0
Operational risk under basic indicator approach	3,058,561
Total risk exposure	**3,956,327**

Capital adequacy

(EUR)	31 December 2021	31 December 2020
Tier 1 capital ratio	702,4%	30,9%
Capital adequacy	**702,4%**	**30,9%**

At the end of the reporting year, the level of capital adequacy of Redgate Capital is 702% and the Company complies with the applicable capital requirements.

Consolidated financial statements

Consolidated Statement of Financial Position

(EUR)	Note	31 December 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	4	1,194,931	890,858
Receivables and prepayments	6, 7	1,393,942	675,988
Total current assets		**2,588,873**	**1,566,846**
Non-current assets			
Financial investments	5	34,668	30,015
Property, plant and equipment	8	11,697	13,597
Intangible assets	8	29,216	36,115
Right-of-use assets	8	118,531	0
Total non-current assets		**194,112**	**79,727**
Total assets		**2,782,985**	**1,646,573**
LIABILITIES			
Current liabilities			
Payables and prepayments	9	1,297,726	389,414
Lease liabilities	10	68,252	0
Total current liabilities		**1,365,978**	**389,414**
Non-current liabilities			
Lease liabilities	10	50,279	0
Total non-current liabilities		**50,279**	**0**
Total liabilities		**1,416,257**	**0**
EQUITY			
Share capital	11	125,052	125,052
Retained earnings		1,241,675	1,132,107
Total equity		**1,366,727**	**1,257,159**
Total equity and liabilities		**2,782,985**	**1,646,573**

The notes on pages 14-32 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

(EUR)	Note	2021	2020
Revenue	12	3,700,810	2,424,086
Subcontracting services		-1,267,596	-210,765
Operating expenses	14	-622,366	-497,807
Payroll costs	13	-911,847	-895,210
Depreciation, amortisation and impairment of non-current assets	8	-18,621	-17,628
Other income	15	145	39,492
Other expenses		-6,700	-2,510
Interest income		3,330	4,028
Operating profit		**877,156**	**843,686**
Profit before income tax		**877,156**	**843,686**
Income tax		-126,587	-70,941
Total profit for the reporting year		**750,569**	**772,745**
Total comprehensive profit for the reporting year		**750,569**	**772,745**

The notes on pages 14-32 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

(EUR)	Note	2021	2020
Cash flows from operating activities			
Profit before income tax		877,156	843,686
Adjustments			
Depreciation, amortisation and impairment of non-current assets	8	18,621	17,628
Interest income		-3,330	-4,028
Other adjustments		0	-1
Total adjustments		15,290	13,599
Change in receivables and prepayments related to operating activities	6	-717,954	-447,452
Change in payables and prepayments related to operating activities	9	908,312	195,941
Total cash flows from operating activities		**1,082,805**	**605,774**
Cash flows from investing activities			
Paid for acquisition of property, plant and equipment and intangible assets	8	-9,822	-11,991
Paid for acquisition of other financial investments		-10,227	-4,552
Proceeds from sale of other financial investments		5,574	19,081
Received interests		3,330	4,029
Total cash flow from investing activities		**-11,144**	**6,568**
Cash flows from financing activities			
Dividends paid		-641,000	-411,000
Income tax paid		-126,587	-70,941
Total cash flows from financing activities		**-767,587**	**-481,941**
TOTAL CASH FLOWS		**304,073**	**130,401**
Cash and cash equivalents at the beginning of period	**4**	**890,858**	**760,457**
Net change in cash and cash equivalents		304,073	130,401
Cash and cash equivalents at the end of period	**4**	**1,194,931**	**890,858**

The notes on pages 14-32 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

(EUR)	Share-capital	Retained earnings	Total
Balance as of 01 January 2020	**125,052**	**770,362**	**895,414**
Announced dividends	0	-411,000	-411,000
Total transactions with shareholders	**0**	**-411,000**	**-411,000**
Profit for the reporting year	0	772,745	772,745
Comprehensive profit for the reporting year	**0**	**772,745**	**772,745**
Balance as of 31 December 2020	**125,052**	**1,132,107**	**1,257,159**
Balance as of 01 January 2021	**125,052**	**1,132,107**	**1,257,159**
Announced dividends	0	-641,000	-641,000
Total transactions with shareholders	**0**	**-641,000**	**-641,000**
Profit for the reporting year	0	750,569	750,569
Comprehensive profit for the reporting year	**0**	**750,569**	**750,569**
Balance as of 31 December 2021	**125,052**	**1,241,676**	**1,366,728**

More detailed information on share capital is presented in Note 11.

The notes on pages 14-32 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

NOTE 1: General information

AS Redgate Capital (the Company) is a limited liability company operating under investment company license. The address of its registered office is Pärnu mnt 10, Tallinn, Estonia. Its main activity is providing financial advisory services in Estonia, Latvia and Lithuania. AS Redgate Capital owns 100% shares of OÜ Redgate Advisory Services.

These consolidated financial statements were approved and authorized for issue by the Management Board on 29 April 2022. Pursuant to the Commercial Code of the Republic of Estonia, the annual report (that includes the financial statements) is prepared by the Management Board and approved by the Supervisory Board and authorised for issue by the General Meeting of Shareholders.

In addition to the information complying with International Financial Reporting Standards, as adopted by the European Union, financial statements include the parent company's separate financial statements, as required by the Estonian Accounting Act (Note 17).

NOTE 2: Summary of significant accounting policies

AS Redgate Capital's and its subsidiary's OÜ Redgate Advisory Services consolidated financial report, which has been compiled 31 December 2021, has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, which are issued by the International Accounting Standards Board (IASB).

The key accounting policies used in the consolidated financial statements are outlined below. These policies have been used consistently in all of the years presented, unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention, except for the cases when described otherwise in the following accounting policies.

The financial year started on 1 January 2021 and ended on 31 December 2021. The Company's functional currency is the euro. The consolidated financial statements are presented in full units, unless otherwise stated.

New standards, implementations and amendments

New or amended standards and interpretations have been issued that became mandatory for the Company from 1 January 2021. In the opinion of the Management Board, they do not have a significant impact on the Company. Similarly, new or amended standards and interpretations that become mandatory for the Group from 1 January 2022 or later and that the Group has not early adopted are not expected to have a material impact.

Consolidation

The consolidated financial statements comprise the financial statements of Redgate Capital AS and its subsidiary, combined line by line. Subsidiary is fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

A subsidiary is an entity controlled by the parent company. Control means that the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Where necessary, the accounting policies and measurement bases of the subsidiary are adjusted for consolidation to ensure consistency with the policies adopted by the group. In preparing the consolidated financial statements, statement of financial position, statement of comprehensive income and cash flows statement of the parent company and its subsidiaries are combined line by line. All transactions, balances and unrealised profits and losses arising from transactions between consolidated entities are eliminated in full.

Investments in subsidiaries in the parent company's separate financial statements

Investments in subsidiaries are accounted for using the equity method in the parent company's separate financial statements. In accordance with the equity method, the acquisition cost is adjusted for subsequent changes in the investor's share of the investment's equity and for the elimination of the difference between the fair value and the carrying amount of the asset, liabilities and contingent liabilities of the investment object as per purchase analysis or further amortization. Unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the carrying amount of the investment is reduced to zero and the long-term receivables, which essentially form part of the investment, are written down. Further losses are recognized off-balance sheet.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the recoverable amount (the higher of the fair value less costs to sell or value in use) may has fallen below it carrying amount. Impairment losses are recognized as financial expenses in the parent's separate statement of comprehensive income. If the situation changes and the write-down is no longer justified, the previously recognized impairment loss will be reversed. The reversal of an impairment loss is recognized as a financial gain in the period in which the reversal took place.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank account balances, term deposits with original maturities of three months or less.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss) (as at 31 December 2021 and 31 December 2020, the Company had no financial assets measured FVOCI or FVPL),
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. As at 31 December 2021 and 31 December 2020, all the Company's debt instruments are classified in amortised cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

As at 31 December 2021 and 31 December 2020, the following financial assets of the Company were classified in this category:

- Investments in bonds;
- Trade receivables;
- Other receivables and prepayments;
- Cash and cash equivalents.

FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within Net profit (loss) on financial assets at fair value in the period in which it arises. Such fair value gain or loss includes any contractual interest received on debt instruments classified to this category.

As at 31 December 2021 and 31 December 2020, the Company had no financial assets measured FVPL.

Property, plant and equipment

Property, plant and equipment are assets used for the Company's operating activity with a useful life of over one year. An item of property, plant and equipment is initially recognised at cost which consists of the purchase price and other directly attributable expenditure.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of property, plant and equipment is carried in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. Deprecation is calculated on the straight-line method.

Minimum cost for qualifying as fixed asset is EUR 640. The following useful lives are generally to items of property, plant and equipment:

- Computers and office equipment: 3-5 years
- Furniture and office furnishings: 5-8 years
- Other tangible assets: 2-5 years

At each reporting date, the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed. The Company's management assesses whether there are signs that may indicate that the asset may be impaired. If there is an indication that an asset may be impaired, an impairment test is carried out. If the test reveals that the recoverable amount is lower than its carrying amount, the item of property, plant and equipment is written down to its recoverable amount. Asset impairments are recognised as loss in the accounting period. Depreciation of tangible assets starts from the moment the asset is acquired.

Intangible assets

Intangible assets are non-monetary assets which are without physical substance and identifiable, and what the Group intends to use over a period of more than one year. An acquired intangible asset is initially recognised at historical cost, comprising its purchase price and any directly attributable costs on preparing the asset for its intended use. An item of property, plant and equipment is carried in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses.

Deprecation is calculated on the straight-line method. The Company recognise software development with the estimated useful life of 5 years within intangible assets. Minimum cost for qualifying as intangible asset is EUR 640.

At each reporting date, the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed. The Company's management assesses whether there are signs that may indicate that the asset may be impaired. If there is an indication that an asset may be impaired, an impairment test is carried out. If the test reveals that the recoverable amount is lower than its carrying amount, the asset is written down to its recoverable amount. Asset impairments are recognised as loss in the accounting period.

Leases

The Company leases offices. At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The group revises the lease term if there is a change in the non-cancellable period of a lease.

<u>Initial measurement</u>

At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability. At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the lessee;
d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Subsequent measurement

After the commencement date, a lessee measures the right-of-use asset and the corresponding liability on the date that the cost model can be applied to the leased asset.

To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made;
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement of the lease term, the lessee recognises the interest on the lease liability in the income statement. If lease payments change, it may be necessary to reassess the lease liability. The lessee recognises the amount of the revaluation of the lease liability as an adjustment to the asset that is the subject of the right of use. However, if the carrying amount of the asset subject to the right of use decreases to zero and a further decrease is recognised in measuring the lease liability, the lessee shall recognise the revaluation surplus in profit or loss.

The lessee shall recognise a change in the lease as a separate lease, if:

a) the change increases the amount of the lease by adding one or more rights to use the underlying asset,
b) each lease payment is apportioned between the finance charge (interest expense) and the principal repayments of the lease liability to reduce the carrying amount of the liability.

The financing cost is included in the gain or loss for the residual value of the liability in each instalment.

Financial liabilities

All financial liabilities (trade payables, accruals) are initially recorded at cost, less transaction costs directly attributable to the financial liability. They are subsequently measured at amortised cost, using the effective interest rate method. Transaction costs are included in calculation of the effective interest rate. The difference between the proceeds (less transaction costs) and redemption value are recognised in the statement of profit or loss during the term of the instrument, using the effective interest rate. Interest costs are included in the statement of profit or loss line "Interest expenses".

Borrowings and issued debt are initially recognised at fair value, less transaction costs.

Payables to employees

Payables to employees contain the contractual obligation arising from employment contracts and accrued social and unemployment taxes calculated on it. Pursuant to employment contracts and current legislation, payables to employees also include vacation pay accrual as of the balance sheet date. In addition to the vacation pay accrual, this liability also includes accrued social and unemployment taxes.

Provisions and contingent liabilities

A provision is recognised before the reporting date when the Company has a present legal or constructive obligation contingent on its activity, the realisation of the provision in the form of outflow of resources is likely and the amount of the provision can be reliably determined. Other obligations whose settlement is not probable or the amount of accompanying expenditure of which cannot be measured with sufficient reliability, but that in certain circumstances may become obligations, are disclosed as contingent liabilities.

Share capital

The Company does not have preference shares. The costs directly related to the issuance of shares are recognised as a reduction of the equity. If the fair value of the consideration received is greater than the nominal value, the difference is recognised as a share premium in the equity.

Dividends

Dividends are recognised as a liability and deducted from equity in the period in which they are declared and approved. Dividends that are announced after the reporting date and before the consolidated financial statements are published are disclosed in the notes to the financial statements.

Taxation

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business-related disbursements and adjustments of the transfer price.

The tax rate on the net dividends paid out of retained earnings is 20/80. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount up to the average dividend payment during the three preceding years that were taxed with the rate of 20/80. When calculating the average dividend payment of three preceding years, 2019 will be the first year to be taken into account.

Related parties

Transactions with members of the management and supervisory board and other persons and entrepreneurs, who can control or significantly influence finance and business decisions of the Company and transactions with major shareholders, are considered as transactions with related parties.

Revenue

Revenue is income arising in the course of the Company’s ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good or service to a customer.

The Company´s main source of sales revenue is fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Company’s performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other income, fee and commission income is recognised at a point in time when the Company satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

Significant accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments by management, which impact the amounts reported in the financial statements. It also requires management to exercise its judgment and make estimates in the process of applying the Company's accounting policies and measurement bases. Although these estimates have been made to the best knowledge of management, they may not coincide with subsequent actual results. Estimates and related assumptions are reviewed periodically. Changes in management estimates are included in the income statement of the period in which the change occurred.

The areas requiring key management judgments and estimates which have a direct impact on the amount reported in the financial statements are as follows:

<u>Success fee calculation in recognition of revenue</u>. The company's sales revenue mainly consists of fees for advisory services, which mostly consists of two parts:

a) a fixed fee payable by the client during the preparation phase of the transaction,
b) a variable remuneration (success fee) payable only when the transaction is finalised.

Advisory agreements signed between the Company and its clients, depending on the transaction, may last from one month up to a year (and sometimes even longer). The Management assesses that the success fee can only be recognised as sales revenue after the transaction is completed, even if the contract includes several accounting periods. Before the transaction is completed, it is not possible to reliably measure the probability of its finalisation and the exact volume of the transaction, which is used as basis for the calculation of the success fee.

NOTE 3: Risk management, principles of calculating capital requirements and capital adequacy

Economic activities of the Company involves taking risks, which could have negative impact on the Company's financial position when they realize. The Company's risk management is based on the risk policy approved by the Management Board that maps most significant risks for the Company, defines the Company's risk profile and risk management process in the Company.

Risk management is the constant process and the Management Board is responsible for that. Risk management purposes are:

a) to map most significant risks for the Company;
b) to minimise the probability of realization of the risks to the optimal level for the Company by applying limits, restrictions or other risk mitigation techniques;
c) to monitor and track the risks;
d) to be prepared to cover losses arising from the realization of risks by providing adequate own funds buffer or access to an additional capital to restore financial situation.

For AS Redgate Capital the most significant risks are:

- Credit risk
- Liquidity risk
- Operational risk

Credit risk

Credit risk expresses potential loss if the Company's counterparties cannot fill their contractual obligations. The Company is open to credit risks through clients' unpaid invoices, investments in bonds and cash and cash equivalents hold in financial institutions.

To prevent and reduce credit risks from unpaid invoices the Management Board evaluates the Company's credit solvency, tracks the Company's credit history and if needed applies additional measures to reduce risks.

To measure expected credit losses, receivables are grouped according to common attributes of credit risk and due dates. Expected credit losses are based on the payment discipline of past 36 months up to 31 December 2021 and historical credit losses occurred in respective periods. Historical losses are adjusted to reflect current and future information on macroeconomic factors and buyers' ability to pay claims. The Company has estimated that GDP and unemployment rates in the countries where its' goods and services are sold are the most relevant indicators and the Company adjusts the historical losses rate based on the expected change of these indicators.

The impairment of receivables based on principles described above was not material as at 31 December 2020 and 31 December 2021.

The Company's investment portfolio only includes investments in bonds, which issues the Company advised itself. In order to mitigate the risk the Company established bonds- and issuer-based limits as well as a limit on the total portfolio size. The Company does not grant loans (except for small-scale investments in bonds).

Although cash and cash equivalents and bank deposits with the maturity of over 3 months are also included in the IFRS 9 expected credit loss model, the impairment recognized was not material as at 31 December 2020 and 31 December 2021.

Free funds are held mainly on bank accounts in LHV, Swedbank, SEB and Luminor Group.

(EUR)	Note	Moody's rating 31 December 2021	31 December 2021	31 December 2020
Swedbank		Aa3 (group)	277,166	95,266
SEB		Aa3 (group)	250,836	107,566
Luminor		Baa1	249,960	31,957
LHV		Baa1	416,944	656,044
Total cash on bank accounts	**4**		**1,194,906**	**890,832**

The Company's historical credit losses from the realization of credit risk have been very low. In the last five years the Company did not have any losses from credit risks.

Liquidity risk

Liquidity risk is related to the solvency of the Company's contractual obligations in a timely manner or in a full amount without incurring significant costs. Liquidity risk arises from differences in maturities between assets and liabilities.

To manage liquidity risk the Management Board estimates constantly cash flows from assets, liabilities and off-balance sheet positions that have an impact on the Company's liquidity and financing needs.

As of 31 December 2021 and 31 December 2020, the Company had no overdue payables.

Assets and liabilities held for managing liquidity risk by contractual maturity dates (31 December 2021)

(EUR)	Note	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Assets held for managing liquidity risk								
Cash and cash equivalents	4	1,194,931	0	0	0	0	**1,194,931**	**1,194,931**
Trade receivables	6	0	1,343,592	0	0	0	**1,343,592**	**1,343,592**
Financial investments	5	0	0	0	34,668	0	**34,668**	**34,668**
Total assets held for managing liquidity risk		**1,194,931**	**1,343,592**	**0**	**34,668**	**0**	**2,573,191**	**2,573,191**
Liabilities by contractual maturity dates								
Payables and prepayments	9	0	1,297,726	0	0	0	1,297,726	1,297,726
Lease liabilities	10	0	16,908	51,344	50,279	0	118,531	118,531
Total liabilities		**0**	**1,314,633**	**51,344**	**50,279**	**0**	**1,416,257**	**1,416,257**

Assets and liabilities held for managing liquidity risk by contractual maturity dates (31 December 2020)

(EUR)	Note	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Assets held for managing liquidity risk								
Cash and cash equivalents	4	890,858	0	0	0	0	**890,858**	**890,858**
Trade receivables	6	0	597,598	0	0	0	**597,598**	**597,598**
Financial investments	5	0	0	0	30,015	0	**30,015**	**30,015**
Total assets held for managing liquidity risk		**890,858**	**597,598**	**0**	**30,015**	**0**	**1,518,471**	**1,518,471**
Liabilities by contractual maturity dates								
Payables and prepayments	9	0	389,414	0	0	0	389,414	389,414
Total liabilities		**0**	**389,414**	**0**	**0**	**0**	**389,414**	**389,414**

Operational risk

Operational risk is the risk of loss from the activities of people, internal procedures or systems not functioning as expected.

In order to mitigate the risk the Company conducts a comprehensive selection of employees at the recruitment phase, contributes to the continuous training of employees, uses internal limits and control systems. The Company also carries out regular maintenance, upgrades and tests of IT systems. The Company regularly updates its procedures and conducts regular internal trainings to ensure that they are followed.

In order to reduce operational risk the Company has also entered a liability insurance contract with an internationally recognized insurance service provider.

Capital management

The purpose of the Company's capital management is to ensure sufficient capitalization to cover taken risks and economic sustainability.

The Company monitors capitalization on two levels:

- minimum regulatory capital requirement
- buffers and additional capital resources to cover operational risks identified as a result of self-assessment

Under IFR, an investment firm must have own funds on an ongoing basis for at least the amount specified as the higher of (1) the investment firm's fixed overheads requirement, (2) the investment firm's minimum capital requirement, or (3) the investment firm's K-factor requirement. The required level of Redgate Capital's own funds is determined by the requirement for fixed overheads.

NOTE 4: Cash and cash equivalents

(EUR)	Note	31 December 2021	31 December 2020
Cash on hand		26	26
Bank accounts	3	1,194,906	890,832
Total cash and cash equivalents		**1,194,931**	**890,858**

NOTE 5: Financial investments

(EUR)	Note	31 December 2021	31 December 2020
Other shares and securities	3	34,668	30,015
Total other shares and securities		**34,668**	**30,015**
Financial assets and liabilities at fair value			
Other shares and securities	3	35,539	35,479
Total other shares and securities		**35,539**	**35,479**

NOTE 6: Receivables and prepayments

(EUR)	Note	31 December 2021	31 December 2020
Trade receivables	3	1,343,592	597,598
Total trade receivables		**1,343,592**	**597,598**
Accrued income		0	25,237
Tax prepayments	7	23,170	22,000
Prepaid expenses		27,161	29,244
Other prepayments		19	1,909
Other short-term receivables and prepayments		**50,350**	**78,390**
Total receivables and prepayments		**1,393,942**	**675,988**

NOTE 7: Prepaid taxes and tax liabilities

(EUR)	31 December 2021 Prepayment	31 December 2021 Tax liability	31 December 2020 Prepayment	31 December 2020 Tax liability
Value added tax	0	144,076	0	44,188
Personal income tax	0	17,959	0	17,244
Tax on fringe benefits	0	3,321	0	45
Social security tax	0	31,188	0	30,413
Contribution to mandatory funded pension	0	1,765	0	1,843
Unemployment Insurance tax	0	1,965	0	1,944
Other tax liabilities	0	4,626	0	2,253
Prepayment account balance	23,170		22,000	
Total prepaid taxes and tax liabilities	**23,170**	**204,901**	**22,000**	**97,929**

Information regarding receivables and liabilities is presented in notes 6 and 9.

Tax authorities have the right to review the Company's tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The management of the Company believes that there are no any circumstances, which may lead the tax authorities to impose significant additional taxes on the Company.

NOTE 8: Property, plant and equipment

(EUR)	Fixed assets	Right-of-use asset	Total fixed assets	Intangible assets	Total property, plant and equipment
31 December 2020					
Acquisition cost	89,101	0	**70,491**	44,995	**134,096**
Accumulated depreciation	-75,504	0	**-50,316**	-8,880	**-84,384**
Carrying amount	**13,597**	**0**	**20,175**	**36,115**	**49,712**
Additions and improvements	7,967	118,531	**126,498**	1,855	**128,353**
Depreciation expense	-9,867	0	**-9,867**	-8,754	**-18,621**
31 December 2021					
Acquisition cost	95,671	118,531	**214,202**	46,850	**261,052**
Accumulated depreciation	-83,974	0	**-83,975**	-17,634	**-101,609**
Carrying amount	**11,697**	**118,531**	**130,227**	29,216	**159,443**

NOTE 9: Payables and prepayments

(EUR)	Note	31.12.2021	31.12.2020
Trade payables		931,271	151,486
Payables to employees		160,379	138,737
Tax liabilities	7	204,901	97,930
Other liabilities		935	1,004
Prepayments received		240	257
Total payables and prepayments received		**1,297,726**	**389,414**

NOTE 10: Right-of-use assets and lease liabilities

The Company rents office space in Tallinn, Riga and Vilnius. From 31 December 2021, the Company recognises leases as right-of-use asset and a corresponding liability on the date the leased asset is available for use. All lease agreements can be terminated by agreement of the parties.

The Company applies a borrowing rate of 2.44% to calculate the right-of-use assets and lease liabilities. The right-of-use and lease liabilities are recognised in the statement of Financial Position on separate lines.

(EUR)	Lease liabilities
Balance as at 01 January 2020	**0**
Balance as at 31 December 2020	**0**
Balance as at 01 January 2021	
Additions	118,531
Repayments of lease liabilities	0
Interest expenses	0
Balance as at 31 December 2021	**118,531**

Information on the movement of right-of-use assets is provided in Note 8.

NOTE 11: Share capital

(EUR)	31 December 2021	31 December 2020
Share capital	125,052	125,052
Number of issued shares	1,957	1,957
Nominal value of shares	63.90	63.90

All (100%) of the Company shares belongs to OÜ Redgate Holding.

Retained earnings of the Company amounted to EUR 1,241,675 as of 31 December 2021 (31 December 2020: EUR 1,132,107). From year 2019 it is possible to apply 14/86 tax rate on dividend payments. This more favourable tax rate can be used for dividend payments up to an average dividend pay-out of up to three previous tax years, taxed at 20/80. In calculating the average dividend payment for the three preceding financial years, 2019 is the first year to be considered. As at the 31

December 2021 the Company can paid out to the shareholders net dividends in amount of EUR 1,026,410 (31 December 2020: EUR 940,691) and the corresponding income tax would amount to EUR 215,265 (31 December 2020: EUR 191,416).

NOTE 12: Revenue

(EUR)	2021	2020
Net sales by geographical location		
Net sales in European Union	3,700,810	2,424,086
Estonia	3,045,733	2,083,341
Latvia	92,777	146,271
Lithuania	319,995	163,500
Finland	0	30,974
Luxembourg	242,305	0
Total revenue	**3,700,810**	**2,424,086**
Net sales by operating activities		
Financial advisory services	3,700,810	2,424,086
Total revenue	**3,700,810**	**2,424,086**

NOTE 13: Payroll costs

(EUR)	2021	2020
Wages and salaries	-713,564	-696,900
Social security taxes	-198,284	-198,310
Total payroll costs	**-911,847**	**-895,210**
Average number of employees working under an employment contract	16	18
Average number of employees working under member of the Management Board contract	2	2
Total number of employees reduced to full-time equivalents	**18**	**20**

NOTE 14: Operating expenses

(EUR)	2021	2020
Rent	-67,730	-60,281
Miscellaneous office expenses	-26,260	-31,305
Travel expenses	-5,110	-7,314
Communications	-5,956	-5,465
Training costs	-9,785	-3,710
National and local taxes	-9,053	-4,042
IT, data and homepage	-26,090	-25,884
Information costs	-26,993	-9,042
Transportation costs	-39,358	-45,608
Insurance	-25,345	-19,587
Marketing and advertising	-70,170	-51,306
Accounting, auditing and consulting	-126,452	-109,119
Legal expenses	-91,896	-102,518
Proportionate non-refundable VAT	-59,867	-11,165
Other operating expenses	-32,301	-11,461
Total operating expenses	**-622,306**	**-497,807**

NOTE 15: Other operating income

(EUR)	2021	2020
Gain on the sale of property, plant and equipment	0	0
Income from government grants	0	34,553
Fines, interest and penalties	145	4,939
Total other operating income	**145**	**39,492**

NOTE 16: Related party transactions

The sole shareholder of AS Redgate Capital is Redgate Holding OÜ. Shareholders of Redgate Holding OÜ are six partners, holding their shares through personal holding enterprises - Aare Tammemäe (Brandeis Grupp OÜ), Mart Altvee (Vahikalda Investeeringud OÜ), Andrei Zaborski (SoSo OÜ), Valeria Kiisk (Montmorency OÜ) and Mairo Kaseväli (Narvik OÜ). The company's sixth partner, Kristjan Petjärv, is a shareholder of Redgate Holding OÜ as a private individual.

Purchases and sales

	2021		2020	
(EUR)	Purchases	Sales	Purchases	Sales
Owners with significant ownership and the entities under their control or significant influence	22 653	0	13 750	846

Remuneration and other significant benefits calculated for members of the management and the supervisory board

(EUR)	2021	2020
Remuneration	53,684	66,530

There are no potential obligations for the Company upon the ending of contracts with members of the management board.

As of 31 December 2021 there were no liabilities to related parties (31 December 2020: 0 euros) and there were also no receivables from related parties (31 December 2020: 0 euros).

Services have been purchased and sold to related parties. No discount has been granted to related parties in 2021 and 2020.

NOTE 17: Parent company's unconsolidated financial statements

Parent company's unconsolidated statement of financial position

(EUR)	31 December 2021	31 December 2020
ASSETS		
Current assets		
Cash and cash equivalents	908,982	419,966
Receivables and prepayments	1,293,117	660,634
Total current assets	**2,202,099**	**1,080,600**
Non-current assets		
Investments in subsidiaries and associates	392,311	539,096
Financial assets at fair value with changes through profit or loss	34,668	30,015
Property, plant and equipment	7,305	9,125
Intangible assets	29,216	36,115
Right-of-use assets	118,531	0
Total non-current assets	**582,031**	**614,351**
Total assets	**2,784,130**	**1,694,951**
LIABILITIES		
Current liabilities		
Borrowings	0	200,000
Lease liabilities	68,252	0
Payables and prepayments	1,298,871	237,792
Total current liabilities	**1,367,123**	**437,792**
Non-current liabilities		
Lease liabilities	50,279	0
Total non-current liabilities	**50,279**	**0**
Total liabilities	**1,417,402**	**437,792**
EQUITY		
Share capital	125,052	125,052
Retained earnings	1,241,675	1,132,106
Total equity	**1,366,728**	**1,257,159**
Total liabilities and equity	**2,784,130**	**1,694,951**

Parent company’s unconsolidated statement of comprehensive income

(EUR)	2021	2020
Revenue	2,748,148	1,467,093
Subcontract expenses	-1,267,596	-76,296
Operating expenses	-525,728	-436,047
Payroll costs	-365,329	-318,950
Depreciation and impairment loss	-15,637	-14,937
Other income	0	13,499
Other expenses	-835	-2,510
Interest income	3,290	3,975
Operating profit (-loss)	**576,314**	**635,827**
Profit from subsidiaries	239,215	140,952
Interest expenses	-1,210	-4,035
Profit before income tax	**814,319**	**772,745**
Income tax	-63,750	0
Profit for the reporting year	**750,569**	**772,745**
Total profit for the reporting year	**750,569**	**772,745**

Parent company's unconsolidated statement of cash flows

(EUR)	2021	2020
Cash flows from operating activities		
Profit before income tax	814,319	772,745
Adjustments		
Depreciation, amortisation and impairment of non-current assets	15,637	14,937
Interest income	-3,290	-3,975
Interest expense	1,210	4,625
Profit from subsidiaries	-239,215	-140,952
Other adjustments	-2	2
Total adjustments	**-225,660**	**-125,363**
Changes in receivables and prepayments related to operating activities	-632,483	-531,576
Changes in payables and prepayments related to operating activities	1,061,669	100,311
Total cash flow from operating activities	**1,017,845**	**216,117**
Cash flows from investing activities		
Paid for acquisition of property, plant and equipment	-6,918	-8,550
Paid for acquisition of other financial investments	-10,227	-4,552
Proceeds from sales of financial investments	5,574	19,081
Interest received	3,290	3,975
Dividends received	386,000	411,000
Total cash flows from investing activities	**386,000**	**420,954**
Cash flows from financing activities		
Loans received	0	200,000
Repayments of loans received	-200,000	0
Change in overdraft balance	0	-19,965
Interest paid	-1,800	-4,035
Dividends paid	-641,000	-411,000
Income tax paid	-63,750	0
Total cash flows from financing activities	**-906,550**	**-413,000**
TOTAL CASH FLOW	**489,014**	**224,071**
Cash and cash equivalents at the beginning of period	**419,968**	**195,897**
Net change of cash and cash equivalents	489,014	224,071
Cash and cash equivalents at the end of period	**908,982**	**419,968**

Parent company’s unconsolidated statement of changes in equity

(EUR)	Share capital	Retained earnings	Total equity
Balance as of 01 January 2020	**125,052**	**770,362**	**895,414**
Announced dividends	0	-411,000	**-411,000**
Total transactions with shareholders	**0**	**-411,000**	**-411,000**
Profit for the reporting year	0	772,745	**772,745**
Comprehensive profit for the reporting year	**0**	**772,745**	**772,745**
Balance as of 31 December 2020	**125,052**	**1,132,107**	**1,257,159**
Balance as of 01 January 2021	**125,052**	**1,132,107**	**1,257,159**
Announced dividends	0	-641,000	**-641,000**
Total transactions with shareholders	**0**	**-641,000**	**-641,000**
Profit for the reporting year	0	750,569	**750,569**
Comprehensive profit for the reporting year	**0**	**750,569**	**750,569**
Balance as of 31 December 2021	**125,052**	**1,241,676**	**1,366,728**

Management Board's signatures to the 2021 consolidated annual Report

The management has prepared the management report and the consolidated financial statements of AS Redgate Capital for the financial year ended 31 December 2021. The management confirms that the management report and the consolidated financial statements present fairly the Company's financial position, its financial performance and its cash flows for the year ended.

29 April 2022

Valeria Kiisk	Aare Tammemäe
Member of the Management Board	Member of the Management Board

Independent Auditor's Report

To the Shareholder of AS Redgate Capital

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Redgate Capital and its subsidiary (together the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the consolidated financial statements and our auditor's report thereon).

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

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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

AS PricewaterhouseCoopers

/signed/

Lauri Past
Auditor's certificate no. 567

/signed/

Heili Ert
Auditor's certificate no. 630

29 April 2022
Tallinn, Estonia

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Profit distribution proposal

The Management Board proposes to the General Meeting of Redgate Capital AS to distribute the profit as follows (in euros):

- Retained earnings as at 31 December 2021: 1,241,675 EUR
- Distribution of dividends: 349,000 EUR
- Retained earnings after dividends: 892,675 EUR

29 April 2022

Valeria Kiisk	Aare Tammemäe
Member of the Management Board	Member of the Management Board