EstateGuru OÜ
Annual Report 2018

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Management report

EstateGuru was founded on 24.10.2013 and active platform operations started in autumn 2014. EstateGuru is the leading cross-border marketplace for short-term property-backed business loans in Continental Europe. The marketplace offers capital on flexible terms to its borrowers and enables the engaged investors to earn premium interest. All loans facilitated on the platform are secured against property with a maximum loan-to-value ratio 75%.

EstateGuru's mission is to break down the barriers which ensured that investing in secured property loans was a luxury only available to the wealthy and well-connected. Today, the firm helps entrepreneurs and visionaries in the property development business who struggle with the one-size-fits-all solutions offered by traditional financial institutions.

To date EstateGuru has been growing more than twice a year and has established itself in Estonia, Latvia, Lithuania, Finland and Spain with more than 700 loans issued amounting to 125 million euros. EstateGuru has nearly 25,000 investors of different profiles from 109 countries.

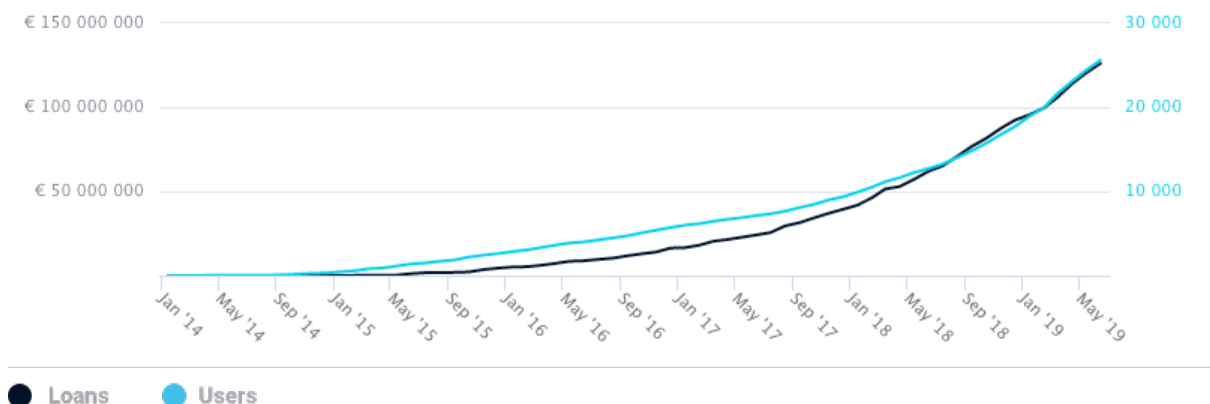

Figure 1. EstateGuru growth volume (€) 2014-01.07.2019

EstateGuru main product is short-term property-backed loan to small and medium sized enterprises. Loan types vary from bridge loans to development loans, including loans that are used to increase the operating capital of the borrower.

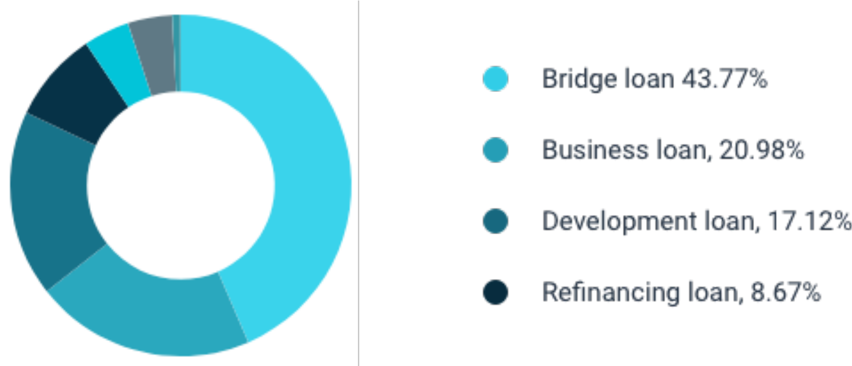

Figure 2. EstateGuru loan types as at 01.07.2019

In 2018, the most significant development for the platform was signing a credit line with a German bank, as a result of which €10 million will be invested into loans facilitated via the marketplace. The firm continued establishing operations in Finland and Spain, while maintaining a great level of service in the Baltic countries.

Figure 3. EstateGuru's number of loans in different countries as at 01.07.2019

The overall market of digital financing platforms for real estate in Europe is increasing, thereby increasing the potential market share of EstateGuru and other alternative lenders in Europe. One of the main focus point during EstateGuru's European expansion will always be the quality of the loans facilitated via the platform. In 2018, the marketplace experienced first default cases and was able to resolve them successfully, while loss of invested capital on the platform remains at 0%. To maintain the level of standard in EstateGuru's product and operations during the firm's expansion, several key hirings were concluded in 2018.

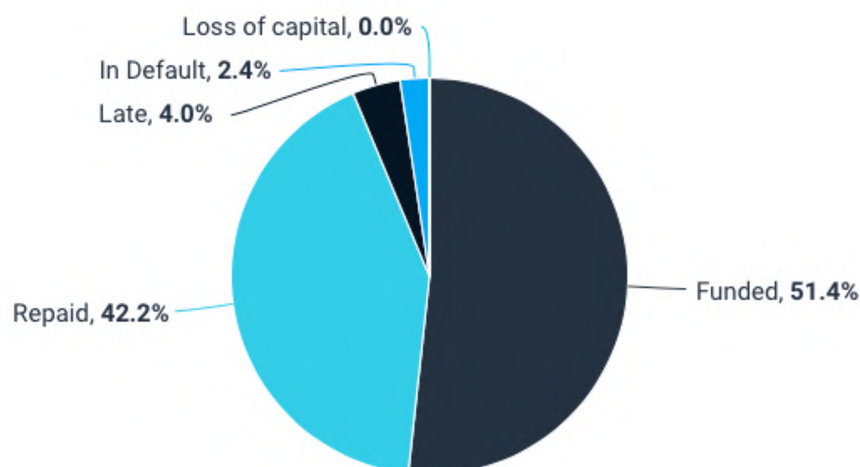

Figure 4. Investment portfolio statistics as at 01.07.2019

Volume of capital under management as at 01.07.2019 is €72.8 million. As all loans are secured with mortgage, then it is relevant to illustrate the change of average loan-to-value (LTV) ratio over time. Figure 3 illustrates how the average LTV ratio has historically decreased to current 57.55%. Given the volatile nature of the real estate market and recent developments, EstateGuru's goal is to keep the steady level of the LTV ratio to ensure the good health of the portfolio and maintain €0 loss of capital.

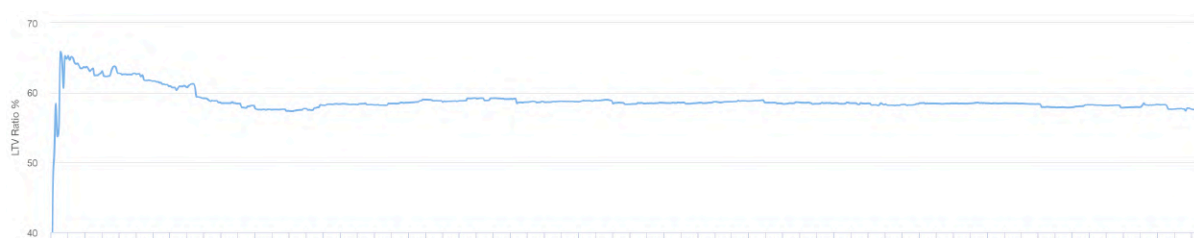

Figure 5. Change of LTV ratio of EstateGuru operations in 2014-01.07.2019

Financial ratios as at 31.12.2018

	2018	**2017**
Debt-to-equity ratio (total liabilities / equity):	1,40	4,03
Current ratio (current assets / current liabilities):	1,04	1,65
Return on equity (net income / equity):	0,74	-0,34
Net profit margin (net profit / net sales):	0,07	-0,02

Financial Statements

Statement of comprehensive income

EUR

	Note	2018	2017
Revenue from contracts with customers	6	1 650 904	0
Sales	6	0	746 941
Cost of sales	7	-241 364	-69 168
Gross profit		**1 409 540**	**677 773**
Selling and distribution expenses	8	-127 082	-53 274
Administrative expenses	9	-1 124 409	-695 463
Other operating expenses		-2 743	-3 766
Operating profit		**155 306**	**-74 730**
Finance costs		-36 047	-1 229
Profit before tax		**119 259**	**-75 959**
Income tax expense		0	0
Profit for the year		**119 259**	**-75 959**
Other comprehensive income		0	0
Total comprehensive income for the year		**119 259**	**-75 959**

The notes on pages 11 to 32 are an integral part of these financial statements.

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Statement of financial position

EUR

	Notes	31.12.2018	31.12.2017
Assets			
Non-current assets			
Intangible assets	10	218 004	93 489
Total non-current assets		**218 004**	**93 489**
Current assets			
Trade and other receivables	11	29 430	34 323
Cash and cash equivalents	12	136 583	121 489
Total current assets		**166 013**	**155 812**
Total assets		**384 017**	**249 301**
Equity and liabilities			
Equity			
Issued capital	13	2 600	2 500
Unregistered capital		0	100
Share premium		200 000	200 000
Reserve		58 981	58 981
Accumulated losses		-101 273	-212 044
Total equity		**160 308**	**49 537**
Non-current liabilities			
Interest-bearing loans and borrowings	14	63 580	105 281
Total non-current liabilities			
Current liabilities			
Interest-bearing loans and borrowings	14	5 469	5 678
Trade and other payables	15	154 660	88 805
Total current liabilities		**160 129**	**94 483**
Total liabilities		**223 709**	**199 764**
Total equity and liabilities		**384 017**	**249 301**

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Statement of changes in equity

EUR

	Notes	Attributable to equity holders of the parent					
	Notes	Issued capital	Unregistered capital	Share premium	Reserve	Accumulated losses	Total equity
As at 1 January 2017		**2 500**	**0**	**0**	**0**	**-136 086**	**-133 586**
Profit for the year		0	0	0	0	-75 958	-75 958
Other comprehensive income							
Total comprehensive income		0	0	0	0	-75 958	-75 958
Reserve		0	0	0	58 981	0	58 981
Issue of share capital	13		100	200 000	0	0	200 100
As at 31 December 2017	**13**	**2 500**	**100**	**200 000**	**58 981**	**-212 044**	**49 537**
As at 1 January 2018		**2 500**	**100**	**200 000**	**58 981**	**-212 044**	**49 537**
Other changes		0	0	0	0	-8 487	-8 487
Registration of share capital		100	-100	0	0	0	0
Profit for the year		0	0	0	0	119 259	119 259
Other comprehensive income							
Total comprehensive income		0	0	0	0	119 259	119 259
As at 31 December 2018	**13**	**2 600**	**0**	**200 000**	**58 981**	**-101 273**	**160 308**

The notes on pages 11 to 32 are an integral part of these financial statements.

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Statement of cash flows

for the year ended 31 December 2017

	Notes	2018	2017
Operating activities			
Profit/(loss) before tax		119 259	-75 958
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows		0	
Amortisation and impairment of intangible assets	10	43 866	22 736
Finance cost		35 968	919
Working capital adjustments:		-8 487	0
Increase in trade and other receivables and prepayments	11	4 893	-19 786
Increase in trade and other payables	15	71 169	36 673
Net cash flows used in operating activities		**266 667**	**-35 416**
Investing activities			
Purchase of intangible assets	10	-173 694	-57 020
Net cash flows used in investing activities		**-173 694**	**-57 020**
Financing activities			
Proceeds from borrowings	14	25 000	175 500
Repayment of borrowings	14	-100 409	-5 045
Net cash flows from financing activities		**-75 409**	**170 455**
Net increase in cash and cash equivalents		17 564	78 019
Net foreign exchange difference		-2 470	-867
Cash and cash equivalents at 1 January	12	121 489	44 337
Cash and cash equivalents at 31 December	**12**	**136 583**	**121 489**

The notes on pages 11 to 32 are an integral part of these financial statements.

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Notes to the financial statements

Note 1 Reporting entity

EstateGuru OÜ (the Company) is a limited company incorporated and domiciled in Estonia. The registered office is located at Kohtu 10-15, Tallinn, Estonia. The primary activity of the Company is facilitating investors and borrowers through an online peer-to-peer lending platform. Financial year of the Company starts on 1 January and ends on 31 December.

The financial statements were prepared and authorized for issue by the management board on 4 July 2019. The general meeting of shareholders has the right to reject the report and demand the preparation of a new one.

Note 2 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The financial statements have been prepared on a historical cost basis. Main accounting policies applied have been described below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except where indicated otherwise.

The financial statements have been prepared on the basis of going concern.

The functional and presentation currency of the Company is the euro. Numbers in the statements and notes are rounded to nearest euro.

Note 3 Significant accounting policies

Revenue recognition until 01.01.2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account

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contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must be met before revenue is recognised:

Revenue from facilitation of loans

The Company's main revenue stream is success fee, which is recognised once services have been rendered to the client, which is when the full funding for a project has been collected.

Administration fee

Administration fee is for servicing the loan and it is recognised over time when the investment objects are made available to the client.

Other revenue

Other revenue includes one-off fees related to miscellaneous projects and is recognised at the time the service has been rendered.

Finance income

Finance income mainly consist of interest income. Interest income is recorded on accrual basis using the effective interest rate method. Effective interest rate is the rate that exactly discounts estimated future cash flows of the financial asset or liability to the net carrying amount of the financial asset or liability.

Revenue recognition from 01.01.2018

Revenue from contracts with customers is revenue which arises from contracts with customers during the regular business operations of the company. Revenue is recorded at transaction price. Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties. Revenue is recorded when the service has been rendered to the client. For success fee the service has been rendered when the full funding for a project has been collected as at that moment company is contractually entitled to the success fee and the performance obligation is fulfilled.

Administration fee is recognised similarly to success fee – at the moment when company has rendered the service and in case of administration fee the moment of rendering the service is the moment when the investment objects are made available to the client.

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In case of other revenues the fulfilment of performance obligation is assessed based on the specifics of a certain fee.

Company does not hold agreements where the period between transferring the service to the client and receipt of consideration is over a year. Due to that the company does not adjust the transaction price for time value of money.

Foreign currencies

Transactions in foreign currencies are initially recorded at the Company's functional currency spot rates at the date the transaction first qualifies for recognition.

Differences arising on settlement or translation of monetary items are recognised as finance income or finance expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Intangible assets

The Company recognises payments to third parties for development of a platform as intangible assets. Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit of 5 years using the straight-line method. Amortisation is recorded in cost of sales. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

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Impairment of assets

At each reporting date intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

Financial instruments until 01.01.2018

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

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The Company's principal financial assets comprise accounts receivable and other receivables, and cash and short-term deposits that derive directly from its operations.

Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. As at 31 December 2017 the Company did not have any financial instruments that would classify under financial assets at fair value through profit or loss, available-for-sale financial assets or held-to-maturity investments.

Financial instruments from 01.01.2018

From 01.01.2018 the company classifies its financial assets according to the following:
- financial assets at fair value for which changes in fair value are recognised in other comprehensive income;
- financial assets at fair value for which changes in the fair value are recognised in profit or loss;
- financial assets recognised at amortised cost.

The classification is dependent on the company's business model for managing the financial assets and conditions of the contractual cash-flows. As at 01.01.2018 and 31.12.2018 the company only has financial assets recognised at amortised cost.

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At initial recognition financial assets are recognised at fair value, including transaction costs which are directly related to acquisition of the financial asset, except for the financial assets recognised at fair value through profit or loss. Transaction costs for financial assets at fair value through profit or loss are recognised as expense in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Until 01.01.2018 the company recorded loans and receivables initially at the fair value of the consideration given and are subsequently carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are repaid or impaired.

For financial assets carried at amortised cost, the Company assesses whether impairment exists individually. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss._The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

From 01 January 2018 the subsequent recognition of financial asset is dependent on the company's business model for managing the financial assets and conditions of the contractual cash-flows. Assets that are hold to collect the contractual cash flows and for which cash-flows consist solely of payments of principal and interest, are recognised at amortised cost. Interest income from these assets is recognised using effective interest rate method.

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When the financial asset is derecognised, the profit or loss from the disposal of the asset is recognised under other income or expense in the statement of profit or loss. As at 1 January 2018 and 31 December 2018 all of the financial assets of the company were recognised at amortised cost.

The company determines the expected credit losses for financial instruments recognised at amortised cost based on the historical and forward-looking information. The applied method depends on the fact whether the credit risk of the asset has increased significantly or not. Company holds cash and cash equivalents in financial institutions with high credit rating and therefore are not considered as instruments with significant increase in credit risk. For cash and cash equivalents 12 months expected credit loss is recorded. If the credit risk of cash and cash equivalents increases significantly compared to initial recognition, then lifetime expected losses are recorded.

For receivables without significant financing component, the company applies simplified approach allowed by IFRS 9 and calculates the expected credit losses based on the lifetime expected credit losses on initial recognition of the receivable. For other receivables the 12 months expected losses are recognised if there has not been significant increase in credit risk since initial recognition. If the credit risk has increase significantly, then the expected credit loss equals to lifetime expected losses. The allowance is calculated individually for each receivable.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

EstateGuru OÜ holds cash on behalf of its clients and investors, which has been collected by the Company, but has not yet been invested or returned to the investors. Cash held on behalf of clients and investors is recorded off-balance sheet. These amounts are recognised off-balance sheet as the Company cannot use these amounts in its own economic activities and does not bare the risks and rewards related to these amounts.

Trade and other payables

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest, which are initially recorded at fair value. After initial recognition, trade and other payable are measured at amortised cost using the effective interest rate method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial

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instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Trade payables denominated in a foreign currency are translated into euros using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings include loans from related and other companies. Interest-bearing loans and borrowings are recognised initially at fair value. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or from selling it to another market participant that would utilise the asset in its highest and best use.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Income tax expense

According to the Estonian Income Tax Act, income tax is not levied on profits earned, but dividends distributed. Until 31.12.2018, the dividend income tax rate was 20%. As of 01.01.2018, the Income Tax Act was changed. The change allows companies to use lower income tax rate 14% on regularly paid dividends. 14% rate can be used for dividends payable from 01.01.2019 to the part equalling 1/3 of dividends paid in previous financial year and tax rate of 20% is applied to the remaining part of dividends payable. The rate 14% applies to dividends paid in last three financial years.

As the subject of an income tax are the distributed dividends instead of Company`s profit, there are no differences in assets and liabilities between the tax bases and the carrying amounts that would give rise to a deferred tax asset or deferred tax liability. The potential income tax liability on the entity's distributable equity as dividends is not recognized in the balance sheet of the Company. Income tax liability on dividend payments is recognized as an expense in the income statement at the time of the announcement of dividends.

Subsequent events

No subsequent events have taken place after the financial year that should be disclosed in the annual report or which would have an adjusting effect on the financial statements.

Changes in the accounting policies and disclosures

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The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2018:

- **IFRS 9 Financial Instruments**

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and concluded that adoption of IFRS 9 did not have a significant impact on the financial statements as at 01 January 2018. The standard was applied without restating the comparative information. In the following table the classification of financial assets based on IAS 39 and IFRS 9 has been brought out.

	Classification in accordance with IAS 39	**Carrying value as at 31 December 2017 in accordance with IAS 39**	**Classification in accordance with IFRS 9**	**Carrying value as at 1 January 2018 in accordance with IFRS 9**
Accounts receivable and other receivables	Loans and receivables	34 323	Amortised cost	34 323
Cash and cash equivalents	Loans and receivables	121 489	Amortised cost	121 489

All the financial assets pass the business model test and solely payments of principal and interest (SPPI) test and are recorded at amortized cost in accordance with IFRS 9.

IFRS 9 did not have significant impact on impairment recognition as the historically the allowances have not been material. The receivables of the company are short-term and cash and cash equivalents are held in credit institutions which have high rating, therefore there is also no significant impact from forward looking information on expected credit losses of financial assets.

Adoption of IFRS 9 did not have impact on classification and measurement of company’s financial liabilities.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset

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and liability account balances between periods and key judgments and estimates. Company has adopted this standard using modified retrospective approach. Management has assessed the impact of IFRS 15 implementation on different revenue streams and concluded that there is no material impact. Majority of the revenues of the company are related to success fees and based on the analysis there were no changes from IFRS 15 adoption on recognising success fees.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the impact of this change and concluded that there was no significant impact on company's financial statements from adoption of this standard.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed that adoption of this standard did not have effect on company's financial statements.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Management has assessed that adoption of this standard did not have effect on company's financial statements.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions

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when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Management has assessed that adoption of this standard did not have effect on company's financial statements.

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. Management has assessed that adoption of this standard did not have effect on company's financial statements.
  - ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Standards issued but not yet effective and not early adopted

- **IFRS 16: Leases**

  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The company plans to apply IFRS 16 using modified retrospective approach. According to management's assessment total assets and liabilities of the company as at 01 January 2019 will increase by approximately 162 000 euros. There is no impact on retained earnings as at 01 January 2019.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been

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endorsed by the EU. Management has assessed that the standard will not have impact on the financial statements of the company.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed that the standard will not have impact on the financial statements of the company.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management has assessed that the standard will not have impact on the financial statements of the company.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that the standard will not have impact on the financial statements of the company.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management has assessed that the standard will not have impact on the financial statements of the company.

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- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed that the standard will not have impact on the financial statements of the company.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management has assessed that the standard will not have material impact on the financial statements of the company.

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU.

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Management has assessed that the standard will not have material impact on the financial statements of the company.

- ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements***: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- ***IAS 12 Income Taxes***: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- ***IAS 23 Borrowing Costs***: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Note 4 Management judgements and estimates

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- Recoverability of accounts receivable. At each reporting date management assesses if accounts receivable are recoverable and whether any allowance is needed. From 01.01.2018 company determines the allowance for financial assets recognised at amortised cost based on 12 months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in the credit risk of the financial instrument compared to initial recognition. Individual assessment is made for each receivable to determine if the credit

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risk has increased significantly or not and in which amount the credit loss should be recognised. If the client is bankrupt or liquidated, the accounts receivable will be written-off.

- Recognition of clients' money - EstateGuru OÜ holds cash on behalf of its clients and investors, which has been collected by the Company, but has not yet been invested or returned to the investors. Cash held on behalf of clients and investors is recorded off-balance sheet, as the Company cannot use these amounts in its own economic activities and does not bare the risks and rewards related to these amounts.
- Recoverability of intangible assets. Management estimates the recoverable amount of intangible assets if there is indication that an intangible asset has been impaired. Management's judgment and estimates are required to assess the future cash flows and to use proper discount rate in calculating the net present value of the cash flows.
- Capitalization of development costs. The Company capitalises costs for platform development purchased from third parties. Management judgment is required in determining whether a service purchased is research, development or maintenance cost. Management capitalizes costs that satisfy the following conditions: the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and use the intangible asset; its ability to use the intangible asset; that the asset will generate future economic benefits and the expenditure can be reliably measured.

Note 5. Risk management

General risk management

The Company defines risk as a potential negative deviation from expected result. The Company is exposed to risks in relations to its financial instruments, namely market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. There are also risks that are more business specific (operational, compliance, reputational, strategic, country).

The aim of Company's risk management is to increase the value of the Company by developing stronger risk culture, efficient risk procedures and policies to minimise the losses. Risk management procedures comply with existing legislative regulations and standards if necessary. The Company's risk management system is centralized and robust – policies and principles are established by the Company's management and apply to all related parties.

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Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises mainly interest rate risk. Financial instruments affected by market risk include loans and borrowings.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing liabilities carry interest at fixed rate.

As at 31.12.2018 and 31.12.2017 the Company had no interest-bearing loan obligations with variable interest rates and therefore no sensitivity analysis is presented.

The Company's receivables comprise mainly trade receivables, which do not carry interest and therefore are not subject to interest rate risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company is exposed to credit risk from its operating activities, primarily from debt receivables and also from cash and deposits with banks and financial institutions and other financial instruments.

Trade receivables credit risk is managed by not providing any credit to entities that might not be able to meet their obligations. The Company also uses credit ratings to assess the client's solvency. Company hold cash and cash equivalents in banks and credit institutions that hold at least rating Baa1. There is no significant credit risk from accounts receivables as mostly the success fee is withhold before the loan is paid out to the borrower.

The carrying amount of trade and other receivables and cash balances represents the maximum credit exposure at the reporting date.

	Note	31.12.2018	31.12.2017
Accounts receivables	13	25 410	24 909
Short term loans	13	600	600
Other receivables	13	3 420	1 795
		29 430	**27 304**

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	31.12.2018	31.12.2017
Accounts receivable past due but not impaired:		
Overdue less than 90 days	3 420	1 795
Overdue more than 90 days	26 010	25 509

Management assesses that the overdue receivables are recoverable and therefore the receivables have not been allowanced. The Company does not hold any collaterals for accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. To avoid liquidity risk, management concludes detailed cash flow prognoses and plans the timing of investments according to the availability of funds. The Company is constantly looking for new funding opportunities to diversify the sources of funding.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on settlement terms. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at	Liability	Note	Less than	From	Over	TOTAL
			1 year	1 to 5 years	5 years	
31.12.2018	Borrowings	14	4 218	80 391	0	**84 609**
	Interest payable	14	1 229	8 671	0	**9 900**
	Trade payable	15	95 096	0	0	**95 096**
31.12.2017	Borrowings	14	4 218	155 591	0	**159 809**
	Interest payable	14	1 229	8 671	0	**9 900**
	Trade payable	15	39 278	0	0	**39 278**

All liabilities due within less than 1 year are either due on demand or up to 1 month after the reporting date.

The Company has also an unused amount of credit limit with the parent company, which amounted to 485 377 euros as at 31.12.2018 (31.12.2017: 403 390 euros). The unused credit limit can be used to fulfil the short-term liabilities of the Company.

Capital management

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The primary objective of the Company's capital management is to ensure that the Company maintains equity ratios in order to support the Company's business activities and maximize shareholder value. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Company monitors the equity ratio, which is calculated by dividing equity by total assets. The Company's equity includes issued share capital, share premium and retained earnings.

	31.12.2018	31.12.2017
Total equity	160 308	49 537
Total assets	384 017	249 301
Capital ratio	**41,75%**	**20,36%**

Business specific risks

a) Operational risk is defined as potential loss which is caused by information system, process and/or human flaws and mistakes. Operational risk includes personnel risk, legal risk, procedural risk, security systems risk, informational technology risk and discovery risk.

The Company mainly minimises operational risk by using four eyes principle and segregation of duties in carrying out transactions and procedures where potential losses could be higher. All of the group's credit decisions of loans that are being issued through lending platform are only being made by independent credit committee which is based in Estonia. Company's management board has delegated lending platform's credit risk taking only to credit committee which carries out the approved credit policy.

The information which is received from monitoring operational risk is used to improve business processes, avoid mistakes in the future and mitigate the risks. Company's chief risk officer is responsible for collecting information and the work out of operational risk framework. The assessment of operational risk is carried out qualitatively because the organization is transparent and simple which leads to infrequent loss events. All employees of the Company should acknowledge the essence, impact and the need to control the operational risk.

b) Compliance risk is the risk that the Company is not complying with guidelines, laws, ethical principles and standards. Company's legal department is responsible in mitigating and managing the risk. goal is to prevent claims, loss in reputation, termination of contracts, fines and revocation of license. Currently the implementation of anti-money laundering due diligence measures is priority of the Company.

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c) Reputational risk is a risk that the loss of reputation can now or in the future negatively affect Company's performance and results. Risk mitigation comes from strong risk culture and risk management framework which both are being constantly developed by the Company.

d) Strategic risk is a risk that arises from insufficient strategy or weak implementation of the strategy. Mitigation is achieved through strong analysis of business plans. The owners and management of the Company have long-term experience in the real estate sector and when entering new countries inhouse or external expertise is used to carry out full due diligence.

e) Country risk arises due to the fact, that loans are being issued through Company's lending platform besides Estonia in other countries (Latvia, Lithuania, Finland, Spain). Full legal risk analysis is carried out when entering new countries.

Note 6. Revenue from contracts with customers/sales

for the year ended 31 December 2018

	2018	**2017**
Rendering of services	0	15 600
Loan success fee	1 525 089	647 827
Administration fees	22 597	31 831
Other revenue	103 219	51 683
Total	**1 650 904**	**746 941**

Note 7. Cost of sales

for the year ended 31 December 2018

	2018	**2017**
Referral fees	-163 613	-41 577
Broker, valuation expenses	-39 796	-7 543
Transactions expenses	-37 955	-20 048
Total	**-241 364**	**-69 168**

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Note 8. Selling and distribution expenses

for the year ended 31 December 2018

	2018	2017
Advertising expenses	-124 437	-47 411
Marketing expenses	-2 646	-5 863
Total	**-127 082**	**-53 274**

Note 9. Administrative expenses

for the year ended 31 December 2018

	2018	2017
Rental expenses	-80 582	-57 479
IT and communication expenses	-75 454	-22 499
General administrative expenses	-26 022	-42 404
Travel expenses	-37 020	-30 595
Training expenses	-13 349	-7 465
Purchased services*, including*	-495 931	-234 270
consultancy fees	-303 983	-160 642
legal service fees	-177 129	-66 525
accounting fees	-9 986	-3 948
translation fees	-4 834	-3 155
Other expenses and services	-18 458	-6 423
Personnel expenses, *including*	-333 727	-271 592
salary expenses	*-247 943*	*-193 988*
social tax expenses	*-83 753*	*-65 668*
other expenses	*-2 031*	*-11 936*
Amortisation of intangible assets	-43 866	-22 736
Total	**-1 124 409**	**-695 463**

Average number of employees in 2018 was 10 (2017: 8).

Rental expenses include office rent and utility fees. There are no non-cancellable operating leases.

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Note 10. Intangible assets

for the year ended 31 December 2018

	Platform development	Total
Cost		
At 1 January 2017	**85 541**	**85 541**
Additions	57 020	57 020
At 31 December 2017	**142 561**	**142 561**
Additions	168 381	168 381
At 31 December 2018	**310 942**	**310 942**
Amortisation and impairment		
At 1 January 2017	**26 336**	**26 336**
Amortisation	22 736	22 736
At 31 December 2017	**49 072**	**49 072**
Amortisation	43 866	43 866
At 31 December 2018	**92 938**	**92 938**
Net book value		
At 31 December 2018	218 004	218 004
At 31 December 2017	93 489	93 489
At 1 January 2017	59 205	59 205

Note 11. Trade and other receivables

for the year ended 31 December 2018

	31.12.2018	31.12.2017
Accounts receivables	25 410	24 909
Short term loans	600	600
Other receivables	3 420	1 795
Prepayments to suppliers	0	7 019
Total	**29 430**	**34 323**

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The recoverability of accounts receivables is assessed based on the probability of payment. Every receivable is assessed individually based on the customer's solvency. If there are indications for impairment then an allowance is recorded. As at 31.12.2018 and 31.12.2017 there were no allowances recorded.

Maturity date of the short-term loans is 31 December 2018. Interest rate of short-term loans is 0%. Loans are denominated in euros.

Note 12. Cash and cash equivalents

for the year ended 31 December 2018

	31.12.2018	31.12.2017
Cash at banks and on hand	136 583	121 489
Total	**136 583**	**121 489**

The Company holds investors' cash that relates to funds deposited and not yet invested and funds that have been returned from a project not yet transferred to the investor and records this cash off-balance sheet.

As at 31.12.2018 cash held on behalf of investors amounted to 4 764 882 euros (31.12.2016: 1 941 254 euros).

Note 13. Share capital

for the year ended 31 December 2018

	Ordinary shares	
	31.12.2018	**31.12.2018**
Share capital	2 600	2 500
Number of ordinary shares	1	1
Nominal value per share	2 600	2 500

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Under equity the company has recorded a reserve in amount 58 981 euros. The reserve relates to the interest free loan received from parent company and the recorded amount reflects the difference between the loan amount the fair value of the loan. The fair value of the loan is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The fair value differential is treated as additional capital introduced by the shareholders in the form of the present value of future forgiven cash flows.

Note 14. Interest-bearing loans and borrowings

for the year ended 31 December 2017

	31.12.2018	31.12.2017
Borrowings (current and non-current)	59 126	100 828
Interest payable	9 900	9 900
Other payables	22	231
Total	**69 049**	**110 959**

As at	Liability	Less than	From	Over	TOTAL	Effective interest rate	Currency	Due date
		1 year	1 to 5 years	5 years				
31.12.2017	Borrowings	4 218	54 908	0	**59 126**	**10%**	**EUR**	**2021**
	Interest payable	1 229	8 671	0	**9 900**			
31.12.2017	Borrowings	4 218	96 610	0	**100 828**	**10%**	**EUR**	**2021**
	Interest payable	1 229	8 671	0	**9 900**			

There are no collaterals for the borrowings.

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Note 15. Trade and other payables

for the year ended 31 December 2018

	31.12.2018	31.12.2017
Debts to suppliers	95 096	44 592
Current tax liabilities	28 853	19 402
Payables to employees	30 711	24 811
Total	**154 660**	**88 805**

Service agreements concluded give rise to a contingent liability for which it is not probable that an outflow of resources embodying economic benefits will occur and the amount of the potential obligation cannot be estimated reliably. Management considers that it is not probable that this contingent liability will be realised.

Note 16. Related party disclosures

for the year ended 31 December 2018

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

The parent company

The parent company and the ultimate parent of EstateGuru OÜ is EstateGuru Holding OÜ. EstateGuru Holding OÜ owns 100% of EstateGuru OÜ.

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The following table provides the total amount of balances and transactions between related parties for the relevant financial year:

	Receivables	Borrowings	Interest payable
Parent company: Estateguru Holding OÜ			
31.12.2018	0	59 126	8 671
31.12.2017	0	96 610	8 671
Amounts received in 2018	0	25 000	0
Amounts payed back in 2018	0	-100 200	0
Total change in 2018		**-75 200**	**0**

The terms of the borrowings from the parent company have been presented in note 16 and unused credit limit presented in note 7.

Other companies related to key management personnel

		Receivables	Borrowings	Interest payable
Companies related to key management personnel:				
	31.12.2018	0	4 218	1 229
	31.12.2017	2 395	4 218	1 229

Companies which are managed or owned by EstateGuru OÜ's key personnel are considered as related companies.

		Purchased services
Companies related to key management personnel:		
	2018	176 152
	2017	128 627

Purchased services include consultancy fees.

Key management personnel compensation in 2018 was 91 411 euros (2017: 94 922 euros).

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Note 17. Fair value measurement

	As at	Notes	Carrying value	Total	Level 1	Level 2	Level 3
Assets for which fair values are disclosed							
Trade and other receivables	31.12.2018	11	29 430	29 430	0	0	29 430
Trade and other receivables	31.12.2017	11	34 323	34 323	0	0	34 323
Liabilities for which fair values are disclosed							
Trade and other payables	31.12.2018	15	154 660	154 660	0	0	154 660
Trade and other payables	31.12.2017	15	88 805	88 805	0	0	88 805
Interest-bearing loans and borrowings	31.12.2018	14	69 049	69 049	0	0	69 049
Interest-bearing loans and borrowings	31.12.2017	14	110 959	110 959	0	0	110 959

Accounts written above are recorded at amortized cost.

The carrying amounts of trade and other receivables and trade and other payables are deemed to be equal to their fair value because they can be realized within one year and therefore their fair values do not differ significantly from their carrying amounts. The fair values of interest-bearing loans and borrowings are determined by using DCF method using the prevailing market interest rate as at the end of the reporting period.

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Signatures of the management board to the annual report

Management has approved the 2018 Annual Report on 04.07.2019.

Marko Arro

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of EstateGuru OÜ

Opinion

We have audited the financial statements of EstateGuru OÜ, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 EstateGuru OÜ as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). 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), and we have fulfilled our other ethical responsibilities in accordance with the requirements of code of ethics.

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

Other information

Management is responsible for the other information. Other information consists of management report, but does not consist of 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.

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 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 the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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.

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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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism 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.

Tallinn, 04 July 2019

Stan Nahkor
Authorised Auditor's number 508
Ernst & Young Baltic AS
Audit Company's Registration number 58

Liisi Semjonov
Authorised Auditor's number 682