ANNUAL REPORT

beginning of financial year: 01.01.2020
end of the financial year: 31.12.2020

business name: EstateGuru OÜ

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Management report

EstateGuru is a leading European platform offering short-term loans secured by real estate to small and medium-sized enterprises and carefully selected investment opportunities for the international investor community. EstateGuru was founded in 2013 and already operates today on eight markets. In 2020, offices were opened in Finland and Germany. In addition, the first project in Sweden was funded.

2020 was a special year for EstateGuru, as for the first time in its history, the global economy was hit by the Corona crisis and economic consequences. The company responded to the crisis very quickly and vigorously, and in just a few months it was able to restore loan volumes as before Corona. In both August and September, EstateGuru's monthly loan volumes exceeded 10 million euros, in December loans reached a record high when financed € 18 million. In April, the figure was € 4.1M.

Alternative financing is growing rapidly across Europe and EstateGuru's business volumes are doing the same. In 2020, EstateGuru financed loans 120.2 million, which represents an increase of 50% compared to 2019 (€ 80.3 million).

In 2020, 31,198 new investors joined the EstateGuru platform, which means that by the end of the year, the company had a total of 70,000 users. In the middle of the deepest corona crisis we launched a capital raising campaign on the international co-financing platform Seedrs where we raised one million euros of additional capital.This exceeded our original campaign goal of € 350K by 261%.

All in all, 2020 paved the way for the new 2021. EstateGurul has an extremely ambitious development plan on how to move forward with this to become the largest real estate financing platform in Europe by 2025. We also shared this plan with Seedrs last spring during a successful capital raising campaign on the platform. We have fulfilled our promises - we successfully launched operations both in Finland and In Germany, we have vigorously developed our technological solutions, integrated international payment service with our platform platform Lemonway, and we hired a capital markets manager to lead the development of the industry and promote institutional investment.

Financial ratios	**2020**	**2019**
Debt-to-equity ratio (total liabilities / equity):	1,00	1,47
Current ratio (current assets / current liabilities):	0,91	0,55
Return on equity (net profit / equity):	0,24	-1,97
Net profit margin (net profit / net sales):	0,03	-0,22

The annual accounts

Statement of financial position

(In Euros)

	31.12.2020	31.12.2019	Note
Assets			
Current assets			
Cash and cash equivalents	348 242	170 238	2
Receivables and prepayments	34 888	9 242	3
Total current assets	**383 130**	**179 480**	
Non-current assets			
Property, plant and equipment	69 154	115 255	4,6
Intangible assets	548 891	376 370	5
Total non-current assets	**618 045**	**491 625**	
Total assets	**1 001 175**	**671 105**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	47 135	45 913	6,7
Payables and prepayments	374 501	282 535	8
Total current liabilities	**421 636**	**328 448**	
Non-current liabilities			
Loan liablities	79 063	71 171	6,7,14
Total non-current liabilities	**79 063**	**71 171**	
Total liabilities	**500 699**	**399 619**	
Equity			
Issued capital	2 600	2 600	9
Share premium	200 000	200 000	19
Other reserves	811 082	704 082	9
Retained earnings (loss)	-635 196	-101 273	
Annual period profit (loss)	121 990	-533 923	
Total equity	**500 476**	**271 486**	
Total liabilities and equity	**1 001 175**	**671 105**	

Income statement
(In Euros)

	2020	2019	Note
Revenue	3 667 417	2 386 831	10
Cost of sales	-556 058	-343 547	11
Gross profit (loss)	**3 111 359**	**2 043 284**	
Distribution costs	-485 019	-373 962	12
Administrative expense	-2 552 544	-2 157 712	13
Other income	65 436	0	
Other expense	-8 449	-37 857	
Operating profit (loss)	**130 783**	**-526 247**	
Other financial income and expense	-8 793	-7 676	
Profit (loss) before tax	**121 990**	**-533 923**	
Annual period profit (loss)	**121 990**	**-533 923**	

Notes

Note 1 Accounting policies

General information

The financial statements have been compiled in accordance with the Estonian financial reporting standard. The financial reporting standard is based on internationally recognised accounting and reporting principles and its main requirements are laid down in the Accounting Act, which is supplemented by guidelines issued by the Accounting Standards Board. The statements have been compiled as the condensed statements of a small undertaking.

The financial year of the private limited company is from 1 January to 31 December.

The income statement is compiled based on income statement format no. 2 prepared by the Accounting Standards Board of the Republic of Estonia.

The financial statements have been compiled in euros rounded to whole numbers.

Changes in accounting policies or presentation of information

In previous periods, the Company's financial statements were compiled in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS EU). In 2020, the Company replaced the IFRS with the guidelines of the Accounting Standards Board.

This change in accounting policies did not affect previous periods or the results of these statements.

Financial assets

The Company classifies financial assets as follows:

- Financial assets recognised at fair value with changes through the comprehensive income statement
- Financial assets recognised at fair value with changes through the income statement
- Financial assets recorded at adjusted acquisition cost

The classification depends on the Company's business model in the management of financial assets and the contractual terms and conditions of cash flows. As of 1 January 2020 and 31 December 2020, the Company only had financial assets recorded at adjusted acquisition cost.

When first recognised, financial assets are recognised at fair value, to which the transaction costs directly related to the acquisition are added, except for financial assets which are recognised at fair value with changes through the income statement. The transaction fees of financial assets recognised at fair value with changes through the income statement are recognised as an expense in the income statement.

Loans and receivables

Further recognition of financial assets depends on the Company's business model in the management of financial assets and the contractual terms and conditions of cash flow.

Assets which are held for the collection of contractual cash flow and whose cash flow only represents payments of principal and interest calculated on the outstanding principal are recorded at acquisition cost. The interest income earned on these assets is recognised in financial income by the effective interest rate method. Upon derecognition, the profit or loss earned is recognised in the income statement under other income/expenses. As of 31 December 2019 and 31 December 2020, all of the Company's receivables are recorded at adjusted acquisition cost.

The Company assesses the expected credit loss of the financial assets recognised at adjusted acquisition cost on the basis of past and future information. The implemented impairment methodology depends on whether the credit risk has increased significantly. The Group's cash and cash equivalents are in banks with a high credit rating and are thus not high risk instruments. Therefore, the 12-month expected credit loss is recognised in the case of cash and cash equivalents. If the credit risk of cash and cash equivalents rises in comparison with their initial recognition, the expected lifetime credit loss is recorded.

The Company applies the simplified approach to trade receivables with no significant component of financing and calculates write-downs of receivables upon the initial recognition of the receivables as the expected credit loss of the lifetime of receivables. The 12-month expected credit loss is recognised in the case of other receivables if the credit risk of receivables has not increased significantly after their initial recognition. If the credit risk has increased significantly, credit loss is measured at an amount that equals the credit loss of a lifetime. Write-downs are calculated individually for every receivable.

Cash and cash equivalents

In the financial status report, cash and cash equivalents comprise cash at bank, cash in hand and cash in short-term deposits which have a maximum term of three months and no risk of changes in value.

Estateguru OÜ also keeps customers' and investors' cash that has been transferred to their account but has not yet been invested or returned to investors. The cash of customers and investors is recorded off-balance-sheet. The cash of customers and investors is recorded off-balance-sheet because the company cannot use customers' or investors' cash to finance its own activities and therefore does not bear any potential risks or receive income in connection with these amounts.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

Transactions made in foreign currencies are converted to euros at the exchange rate of the transaction date. Profit or loss arising from the difference in foreign currency exchange rates is recorded as financial income or expense.

Non-monetary assets recognised in foreign currencies have been converted to euros at the exchange rate of the date of recognition.

Plant, property and equipment and intangible assets

The Company recognises the platform development service purchased from third parties as an intangible asset. The costs of development activities in individual projects are recognised as intangible assets if the Company can prove that:

- the development has been carried out in such a manner that it can be used in business activities or sold;
- the Company intends to finish the development and use or sell it;
- the asset will generate economic returns in the future;
- the Company has the resources to finish the development; and
- the Company can adequately assess the costs of the development activities.

After the initial recognition of development costs as an intangible asset, it will be amortised and written down in the event of impairment. The calculation of amortisation will start when the development is finished and in a usable condition. Intangible assets are amortised on a straight-line basis over the expected useful life of assets, which is five years. Amortisation is recognised in various operating expenses. If it becomes evident that the amortisation rate has changed significantly, it will be changed according to the actual useful life of the assets.

Impairment of assets

Intangible assets are assessed on every balance sheet date in order to identify any indication of significant impairment. If such an indication exists, the recoverable amount and book value of assets are compared. If the recoverable amount of the assets is considerably smaller than their book value, it is written down and the write-down is recognised as an expense in the income statement.

Leases

Lease contracts

Applicable to accounting periods beginning on or after 1 January 2019.
When a contract starts, the Company assesses whether it is a lease contract or includes a lease. This means that a lease contract grants the right to use assets for a fixed fee during an agreed period.

Tenants have to recognise assets and liabilities in the case of all lease contracts of more than 12 months, unless the leased assets are of low value. The Company recognises lease liabilities and right of use assets (assets in the case of which the company has the right to use them) for lease payments.

Right of use assets (ROU)

The Company starts using right of use assets on their commencement date, i.e. on the day they are ready to be used. Assets are assessed on the basis of their purchase price, depreciation and impairment and revalued upon every change in liabilities. The purchase price of right of use assets includes lease liabilities, initial expenses and payments made before the lease period from which lease benefits are deducted.

The depreciation of right of use assets has been calculated using the straight-line method and divided as follows:

• Machinery and equipment 3-5 years
• Motor vehicles and other equipment 3-5 years

If the ownership of the assets is transferred to the Company at the end of the lease period or the purchase price includes the possibility to buy the assets, the depreciation is calculated on the basis of the useful life of the assets.
Impairment principles are also applied to right of use assets.

Lease liabilities

On the commencement date of the lease, the Company recognises a lease liability, which is calculated using the present value of payments made during the lease period. Lease payments include fixed payments less lease benefits, variable lease payments, which depend on an index or rate, and amounts which are expected to be paid from the residual value of collateral. Lease payments include opportunities to buy leased assets if it is relatively certain that these opportunities are used, and payments also entail potential fines and penalties associated with cancelling the contract if termination possibilities are recorded in the contract. Variable lease payments which do not depend on an index or rate are recognised as expenses in the period when they are incurred (if these expenses are not used to produce inventory).

If the internal interest rate of the lease cannot be easily found, the Company uses an alternative loan interest rate to determine the present value of the lease liability when the contract starts. On the commencement date of the lease contract, the amount of lease liabilities is increased, recognising the interest, and lease liabilities are reduced when lease payments are made. In addition, the amount of liabilities is revalued every time changes occur in the terms and conditions of the contract, payments (e.g. changes in future payments arising from the index or rate) or the assessment of the buyout of assets.

Short-term and low-value lease contracts

The Company applies an exemption from recognition in the case of short-term lease contracts (i.e. contracts with a term of up to 12 months which do not entail opportunities to buy assets). The same exemption is also applied to the lease of low-value office supplies. The lease payments for short-term and low-value assets are recognised directly under expenses.

Financial liabilities

All financial liabilities (trade payables, loans received, accrued expenses and other short-term and long-term debt) are initially recognised at their acquisition cost, which includes all of the direct expenses relating to acquisition. They are thereafter recognised using the adjusted acquisition cost method.

The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value. Therefore, short-term financial liabilities are recorded in the amount due to be paid on the balance sheet. The adjusted acquisition cost of long-term financial liabilities is calculated using the internal interest rate method.

A financial liability is classified as short-term if its due date arrives within 12 months of the reporting date or if the Company does not have the unconditional right to postpone payment for more than 12 months after the reporting date. Loan payables which are due within 12 months of the reporting date and which are refinanced as long-term after the reporting date but before the approval of the financial statements are recognised as short-term liabilities.

Revenue recognition

Sales revenue from customer contracts is income earned from customer contracts in the course of the Company’s usual business activities. Sales revenue is recognised at the transaction price. The transaction price is the total fee which the Company has the right to charge for the promised services and from which amounts collected on behalf of third parties are deducted. The Company recognises sales revenue when the service has been provided to the customer. In the case of commissions, the moment an investment object is fully funded is regarded as the moment of provision of the service because the Company obtains the right to charge a commission at that moment according to the contract and the performance obligation is considered fulfilled. Administration fees are recognised similarly to commissions: the moment the Company has provided the service. In the case of administration fees, it is the moment the investment object is made available to the customer.

The fulfilment of the performance obligation is assessed according to the specificities of income in the case of other types of income.

The Company has no contracts where the period between the transfer of the services promised to a client and the receipt of the client’s payment is longer than a year. Therefore, the Company does not adjust the transaction price in respect of the impact of the time value of money.

Taxation

Income tax expenses

Pursuant to the Income Tax Act, corporate earnings are not subject to tax in Estonia and the dividends paid out are taxed instead. The income tax rate for dividends was 20% until 31 December 2018. The Income Tax Act was amended as of 1 January 2018, allowing companies to use a preferential tax rate of 14% on dividends that are regularly paid out. The preferential tax rate of 14% can be used for dividends paid starting from 1 January 2019, whereby the preferential tax rate of 14% is applied to one-third of the dividends disbursed in the previous financial year and a tax rate of 20% is applied to the rest. The preferential tax rate of 14% can be used within the scope of the average amount of dividends disbursed in the past three years.

Since the dividends disbursed are the object of income tax instead of the Company's profit, there are no differences between the residual taxation and book values of assets and liabilities which would give rise to a deferred income tax claim or liability. Potential income tax liabilities associated with the disbursement of the Company's available equity as dividends are not recognised on the balance sheet.

Income tax arising from the disbursement of dividends is reported under expenses in the income statement upon the declaration of the dividends.

Related parties

The Company considers parties related if one of them controls the other or has significant influence over their business decisions. The following were regarded as related parties when compiling the financial statements of the private limited company:

• The management board and supervisory board of the private limited company and private owners with qualifying holdings unless the aforementioned persons cannot have a significant impact on the Company's business decisions. Related parties also include close relatives of the persons described above and the companies connected to them.

Share premium

Equity instruments are recognised at the fair value of the fee received or receivable less expenses associated with issuing instruments. If the fair value of the fee receivable differs from the nominal value of issued equity instruments, the positive difference is recognised under the entry 'Share premium' and the negative difference as a reduction of the entry 'Share premium' if it has a positive balance, otherwise under the entry 'Retained earnings'.

Events after the reporting date

The financial statements record significant circumstances which affect the assessment of assets and liabilities and which emerged between the reporting date and the date of compilation of the statements but are connected to transactions made in the reporting period or in previous periods. Events after the reporting date which have not been taken into account in the assessment of assets and liabilities but which have a significant impact on the results of the next financial year have been disclosed in the financial statements.

Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model

That cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest because service conditions have not been met. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Note 2 Cash and cash equivalents
(In Euros)

	31.12.2020	31.12.2019
Cash on bank account	348 242	170 238
Total cash and cash equivalents	**348 242**	**170 238**

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 31.12.2020 cash held on behalf of investors amounted to 13 325 193 euros (31.12.2019: 7 217 799 euros).

Note 3 Receivables and prepayments
(In Euros)

	31.12.2020	Within 12 months
Other receivables	32 272	32 272
Loan receivables	15 000	15 000
Interest receivables	33	33
Accrued income	17 239	17 239
Prepayments	2 616	2 616
Other paid prepayments	2 616	2 616
Total receivables and prepayments	**34 888**	**34 888**
	31.12.2019	**Within 12 months**
Other receivables	0	0
Loan receivables	0	0
Interest receivables	0	0
Accrued income	0	0
Prepayments	9 242	9 242
Other paid prepayments	9 242	9 242
Total receivables and prepayments	**9 242**	**9 242**

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

Interest rate on the 2020 loan claim is 10% and the term in 2021.
Loans are denominated in euros.

Note 4 Property, plant and equipment
(In Euros)

		Total
	Other property, plant and equipment	
31.12.2018		
Carried at cost	0	0
Accumulated depreciation	0	0
Residual cost	0	0
Acquisitions and additions	145 990	145 990
Other acquistions and additions	145 990	145 990
Depreciation	-30 735	-30 735
31.12.2019		
Carried at cost	145 990	145 990
Accumulated depreciation	-30 735	-30 735
Residual cost	115 255	115 255
Depreciation	-46 101	-46 101
31.12.2020		
Carried at cost	145 990	145 990
Accumulated depreciation	-76 836	-76 836
Residual cost	69 154	69 154

*Additions to Tangible assets in 2019 are from applying IFRS 16 regulations.

Note 5 Intangible assets

(In Euros)

		Total
	Development expenditures	
31.12.2018		
Carried at cost	310 942	310 942
Accumulated depreciation	-92 938	-92 938
Residual cost	218 004	218 004
Acquisitions and additions	242 945	242 945
Depreciation	-84 579	-84 579
31.12.2019		
Carried at cost	553 887	553 887
Accumulated depreciation	-177 517	-177 517
Residual cost	376 370	376 370
Acquisitions and additions	304 916	304 916
Depreciation	-132 395	-132 395
31.12.2020		
Carried at cost	858 803	858 803
Accumulated depreciation	-309 912	-309 912
Residual cost	548 891	548 891

Note 6 Finance lease

(In Euros)

Accounting entity as lessee

	31.12.2020	Allocation by remaining maturity		Interest rate	Base currency	Due date
		Within 12 months	1 - 5 years			
ROU lease	71 171	47 135	24 036	2,63%	EUR	2022
Finance lease obligations total	71 171	47 135	24 036			
	31.12.2019	**Allocation by remaining maturity**		**Interest rate**	**Base currency**	**Due date**
		Within 12 months	**1 - 5 years**			
ROU lease	117 084	45 913	71 171	2,63%	EUR	2022
Finance lease obligations total	117 084	45 913	71 171			

Residual cost of leased assets		
	31.12.2020	**31.12.2019**
Other property, plant and equipment	69 154	115 255
Total	**69 154**	**115 255**

The company records right of use (ROU) leases under financial leases.

Note 7 Loan commitments
(In Euros)

	31.12.2020	Allocation by remaining maturity			Interest rate	Base currency	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Non-current loans								
Long-term loans	52 400	0	52 400		10%	EUR	2022	15
Interest of long-term loans	2 627	0	2 627					15
Non-current loans total	55 027	0	55 027					
Finance lease obligations total	71 171	47 135	24 036					6
Loan commitments total	126 198	47 135	79 063					

	31.12.2019	Allocation by remaining maturity			Interest rate	Base currency	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Finance lease obligations total	117 084	45 913	71 171					6
Loan commitments total	117 084	45 913	71 171					

There are no collaterals for the borrowings.

Note 8 Payables and prepayments
(In Euros)

	31.12.2020	Within 12 months
Trade payables	204 128	204 128
Employee payables	95 251	95 251
Tax payables	75 122	75 122
Total payables and prepayments	**374 501**	**374 501**
	31.12.2019	**Within 12 months**
Trade payables	158 551	158 551
Employee payables	66 572	66 572
Tax payables	57 412	57 412
Total payables and prepayments	**282 535**	**282 535**

Note 9 Share capital
(In Euros)

	31.12.2020	31.12.2019
Share capital	2 600	2 600
Number of shares (pcs)	1	1

The company has recorded a reserve in amount of 811 082 euros. Addition in 2020 was 107 000 EUR (2019 addition 645 101 EUR).

Other reserves in equity include a share-based payment reserve in the amount of 107,000 EUR.

The amount of 645 101 EUR includes payments to reserve (491 000 EUR), other settlements (85 031 EUR) and loan balance from 31.12.2018 at fair value (69 070 EUR). 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 10 Net sales

(In Euros)

	2020	2019
Net sales by geographical location		
Net sales in European Union		
Estonia	2 467 793	1 884 129
Finland	119 507	185 306
Latvia	316 046	139 716
Lithuania	557 185	158 264
Germany	54 691	0
Ireland	9 020	0
Sweden	143 175	0
Portugal	0	15 601
Spain	0	3 815
Total net sales in European Union	**3 667 417**	**2 386 831**
Total net sales	**3 667 417**	**2 386 831**
Net sales by operating activities		
Loan success fee	1 942 120	1 733 455
Administration fees	577 920	107 945
Management fees to Company	824 139	370 482
Other revenue	323 238	174 949
Total net sales	**3 667 417**	**2 386 831**

Note 11 Cost of goods sold

(In Euros)

	2020	2019
Referral fees	-250 049	-195 208
Broker, valuation expenses	-55 484	-84 880
Transactions expenses	-242 534	-60 387
Insurance on loan objects	-7 991	-3 072
Total cost of goods sold	**-556 058**	**-343 547**

Note 12 Distribution expense

(In Euros)

	2020	2019
Advertising expenses	-470 709	-358 766
Other marketing expenses	-14 310	-15 196
Total distribution expense	**-485 019**	**-373 962**

Note 13 Administrative expense

(In Euros)

	2020	2019
Leases	-12 639	-53 423
Travel expense	-29 479	-99 802
Labor expense	-960 516	-700 201
Depreciation	-178 497	-115 314
IT and communication expenses	-366 694	-216 650
General administrative expenses	-72 579	-141 473
Training expenses	-29 228	-69 158
Purchased services	-883 651	-729 945
Other expenses and services	-19 261	-31 746
Total administrative expense	**-2 552 544**	**-2 157 712**

Note 14 Labor expense

(In Euros)

	2020	2019
Wage and salary expense	615 002	509 624
Social security taxes	209 000	171 819
	136 514	18 759
Total labor expense	**960 516**	**700 202**
Average number of employees in full time equivalent units	22	17
Average number of employees by types of employment:		
Person employed under employment contract	21	16
Member of management or controlling body of legal person	1	1

Note 15 Related parties

(In Euros)

Name of accounting entity's parent company	Estateguru Holding OÜ
Country where accounting entity's parent company is registred	Estonia

Balances with related parties by categories

	31.12.2020		31.12.2019	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	0	55 027	0	0
Other entities belonging into same consolidation group	14 415	0	0	0

Loans

2020	Loans received	Repayments of loans received	Interest rate	Base currency	Due date
Parent company					
Estateguru Holding OÜ	265 100	212 700	10%	EUR	2022

Purchases and sales of goods and services

	2020	2019
	Purchases of goods and services	Purchases of goods and services
Management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence	115 980	112 506

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2020	2019
Remuneration	171 953	214 967

Note 16 Events after the reporting date

Events after the reporting date

Appendix 1 – Important decisions and assessments

The Company assessed the potential impact of the COVID-19 pandemic, including the lockdown declared in Estonia on 11 March, on the financial statements and the going concern assumption. The management is of the opinion that the aforementioned circumstances do not affect the Company's ability to continue its activities in 2021.

In addition, the management believes that these circumstances constitute a non-adjusting event after the balance sheet date and its potential impact was thus not taken into consideration when making assessments and assumptions concerning the recovery values of subsidiaries' investments, the impairment of loans given to subsidiaries, the expected credit losses of trade receivables and the aforementioned contractual assets. This can have a significant impact on assessments in the following reporting period which the management cannot reasonably measure at this stage due to the great uncertainty caused by the continuing spread of the COVID-19 pandemic in the countries where the Company operates and the general business interruption arising from this event in the economy.

Appendix 2 – Events after the balance sheet date

The outbreak of coronavirus disease (COVID-19) in early 2020 affects the Company's future business transactions in Estonia and all over the world.
According to the information disclosed in Appendix 1, this non-adjusting event was not recognised in significant assessments and assumptions as of 31 December 2020 which may change these assessments to a great extent in future financial statements. Due to the uncertainty caused by the emergency situation, its impact cannot be assessed on the date when these financial statements are issued.

There were no other significant events after the balance sheet date after the end of the financial year and until the date when the financial statements were approved.

Note 17 Negative working capital

Negative working capital will be covered by future income. The company has no liquidity risk and, if necessary, the parent company is ready to support and further invest in the company.