REDGATE
CAPITAL

AS Redgate Capital

2018 Consolidated annual report

(Translation of the Estonian original)

Consolidated annual report	01.01.2018-31.12.2018
Business name	AS Redgate Capital
Registry number	11532616
Address	Pärnu mnt 10, Tallinn 10148
Telephone	+372 666 8200
E-mail	redgate@redgatecapital.eu

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

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

Auditor

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

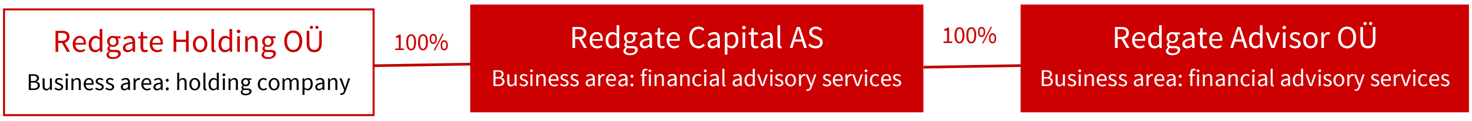
Management report

Redgate Capital (the Company) is an independent partnership-based investment bank, offering a wide range of financial advisory services tailored to meet the needs of Baltic SMEs. Our main services cover corporate mergers and acquisitions (M&A), capital raising advisory and commercial real estate advisory.

The Company's headquarter is located in Estonia. Entity has representative in all three Baltic countries. There was 11 employees in the company at the end of the reporting year. The number of employees increased by two employees during the year.

Redgate Capital is operating under license 4.1-1/32 issued by the Estonian Financial Supervision Authority. The license grants Redgate Capital right to arrange share and bond issues, accept and transfer client orders and advise companies on capital structure, mergers and acquisitions.

AS Redgate Capital consolidated group consists of Redgate Capital AS and Redgate Advisory Services OÜ, a 100% subsidiary of Redgate Capital AS. Redgate Holding OÜ has 5 shareholders, who own the company's shares through holding companies - Aare Tammemäe, Mart Altvee, Andrei Zaborski, Valeria Kiisk and Mairo Kaseväli.



Business environment

During the financial year business environment was favourable for the Company.

- Economy grew moderately in all three Baltic countries and in the European Union as a whole.
- Monetary policy of central banks continued to undergo major changes and continued to support low interest rates.
- On global financial markets was still a favourable environment, nevertheless this year the market was more turbulent.
- Consolidation of the Baltic banking market has prompted companies to look even more for alternative financing from the capital markets.
- On the Baltic capital markets emerged a number of new large issuers, including minority shareholding in Port of Tallinn and Magnetic MRO bonds. Growing activity on local capital markets increases the attractiveness of the region for both local and foreign investors.
- M&A market was the most active this year compared to the last years, both in terms of number of transactions and volume.

Key events in 2018

- In February 2018, the Company received an investment firm license from the Estonian Financial Supervision Authority.
- Redgate Capital celebrated its ten years of operation.
- In addition to Estonia and Latvia the Company started providing services in Lithuania. As at the end of the reporting year the Company had one employee in Lithuania.
- In cooperation with the Nordic investment bank Carnegie Redgate Capital advised on the public initial issue of shares of Port of Tallinn.

- During the year Redgate Capital advised 12 capital raising transactions and helped its' clients to raise their capital in amount of ca 70 million euros in the form of equity, loans or bonds (the amount does not include the volume of the share issue of Port of Tallinn).
- The company participated as a consultant in advising four completed companies sales and purchase transactions and several commercial real estate transactions including the sale of Estonia's largest industrial real estate to the international institutional investor.

The biggest advised transactions:

M&A and commercial property sale transactions

AS Wris müük
Holostovi Kinnisvara AS nõustaja
2018

OÜ Valmos müük
Kaamos Group OÜ nõustaja
2018

Ostueelne finantsanalüüs Mokilizingas UAB
Inbank AS nõustaja
2018

AS Largo müük
Svensky Kaubanduse AS nõustaja
2018

Tööstuskinnisvara müük , Puusepa tee 4, Harjumaa, renditud Harmet OÜ-le
ITT Capital OÜ nõustaja
2018

Capital raising transactions

Võlakirjaemission 3 mln €
UAB Medicinos Bankas regionaalne nõustaja
2018

Laen summas 1,2 mln €
4Kliinik nõustaja
2018

Aktsiate avalik esmaemissioon summas 147 mln €
Koostöös korraldajaga
2018

Võlakirjaemissioon 7,5 mln €
Fabrik arendusprojekti finantseerimiseks
OÜ Endover KVB nõustaja
Juriidiline nõustaja Ellex Raidla
2018

2 võlakirjaemissiooni summas 15 mln €
MTF First North'il noteerimine
Mainor Ülemiste AS nõustaja
Juriidiline nõustaja Ellex Raidla
2015-2018

19 võlakirjaemissiooni summas 60+ mln €
Creditstar Group AS nõustaja
Juriidiline nõustaja SORAINEN
2009-2018

Kapitali kaasamine, summa ei kuulu avalikustamisele
Rademar OÜ nõustaja
Juriidiline nõustaja LEXTAL
2018

Laen summas 2,4 mln €
Brave Capital OÜ nõustaja
Juriidiline nõustaja TGS Baltic
2018

Võlakirjaemissioon 12 mln €
Balti investorid 1,4 mln €
Nortal AS Distributsioon Balti riikides
Korraldaja EVLI bank plc
2018

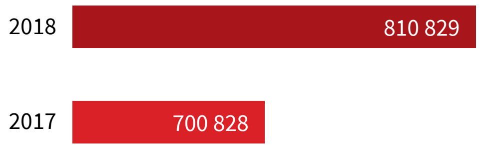
5 võlakirjaemissiooni summas 12 mln €
PlusPlus Capital AS nõustaja
Juriidiline nõustaja SORAINEN
2016-2018

Financial figures

Revenue, EUR

EBITDA, EUR

Net profit, EUR

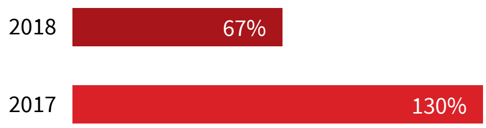


EBITDA margin, %

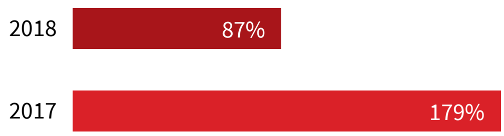
Net profit margin, %

Income and expenses ratio, %

Return on assets, %



Return on equity, %



EBITDA margin = EBITDA / revenue

Net profit margin = annual year profit / revenue

Income-expenses ratio = (payroll costs + operating expenses) / (revenue – subcontract costs)

Return on assets (ROA) = annual year profit / average assets

Return on equity (ROE) = annual year profit / average equity

Capital adequacy

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

The Company monitors capitalization on two levels:

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

The capital held by the Company must account for at least 8.0% of risk-weighted assets. The highest quality capital must account for at least 4.5% of risk-weighted assets.

The company uses the standardized method to assess credit risk and basic method for assessing operational risk.

Own funds

(EUR)	31.12.2018	31.12.2017	1.01.2017
Tier 1 capital			
Paid-in share capital	125 052	125 052	114 509
Retained earnings	989 832	615 224	-71 384
Intangible assets (less)	-20 473	-1 300	0
Total Tier 1 capital	**1 094 411**	**738 976**	**43 125**
Net own funds for capital adequacy	**1 094 411**	**738 976**	**43 125**

Risk exposure

(EUR)	31.12.2018	31.12.2017
Credit risk under standardised approach	889 119	385 268
Market risk	0	0
Operational risk under basic indicator approach	2 945 123	2 560 669
Total risk exposure	**3 834 242**	**2 945 937**

Capital adequacy

(EUR)	31.12.2018	31.12.2017
Tier 1 capital ratio	28,5%	25,1%
Capital adequacy	**28,5%**	**25,1%**

Consolidated financial statements

Consolidated Statement of Financial Position

EUR	Note	31.12.2018	31.12.2017	01.01.2017
ASSETS				
Current assets				
Cash and cash equivalents	4	885,717	536,296	388
Receivables and prepayments	6, 7	645,889	234,811	248,467
Total current assets		**1,531,606**	**771,107**	**248,855**
Non-current assets				
Non-current receivables and prepayments		0	208	0
Financial investments	5	45,912	30,905	0
Property, plant and equipment	8	20,175	12,085	12,621
Intangible assets		20,473	1,300	0
Total non-current assets		**86,560**	**44,498**	**12,621**
Total assets		**1,618,166**	**815,605**	**261,476**
LIABILITIES				
Borrowings		0	0	56,752
Payables and prepayments	7, 9	503,282	75,329	111,599
Provisions		0	0	50,000
Total liabilities		**503,282**	**75,329**	**218,351**
EQUITY				
Share capital	10	125,052	125,052	114,509
Retained earnings		989,832	615,224	-71,384
Total equity		**1,114,884**	**740,276**	**43,125**
Total equity and liabilities		**1,618,166**	**815,605**	**261,476**

The notes on pages 9-25 form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

EUR	Note	2018	2017
Revenue	11	2,199,578	1,498,821
Subcontracting services		-432,164	-133,754
Other operating expenses	13	-400,652	-266,933
Payroll costs	12	-446,392	-389,184
Depreciation, amortisation and impairment	8	-8,659	-6,184
Other expenses		-133	-423
Interest income		8,360	2,113
Operating profit		**919,938**	**704,456**
Interest expenses		0	-1,490
Other financial income and expenses		-53	1,417
Profit before income tax		**919,884**	**704,383**
Income tax		-109,055	-3,555
Total profit for the period		**810,829**	**700,828**
Total comprehensive profit for the period		**810,829**	**700,828**

The notes on pages 9-25 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

EUR	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		919,884	704,383
Adjustments			
Depreciation, amortisation and impairment of non-current assets	8	8,659	6,184
Interest income		-8,360	-2,113
Interest expense		0	-1,490
Other financial income and expenses		-53	1,417
Other adjustments		-171	-672
Total adjustments		182	3,472
Change in receivables and prepayments related to operating activities	6	-411,078	13,656
Change in payables and prepayments related to operating activities	9	427,897	-36,270
Net cash generated from operating activities		**936,885**	**685,241**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	-35,923	-6,948
Purchases of other financial investments		-20,029	-30,905
Proceeds from sale of other financial investments		5,000	0
Loans granted		-80,000	-200
Repayments of loans granted		80,200	0
Received interests		5,643	2,104
Other proceeds from investing activities		2,925	1,419
Net cash used in investing activities		**-42,183**	**-34,530**
Cash flows from financing activities			
Repayments of borrowings		0	-56,752
Interest paid		-4	-819
Proceeds from issue of shares	10	0	10,543
Dividends paid		-436,221	-14,220
Income tax paid		-109,055	-3,555
Other payments related to financing activities		0	-50,000
Net cash used in financing activities		**-545,280**	**-114,803**
TOTAL CASH FLOWS		**349,421**	**535,908**
Cash and cash equivalents at the beginning of period	**4**	**536,296**	**388**
Net increase in cash and cash equivalents		349,421	535,908
Cash and cash equivalents at the end of period	**4**	**885,717**	**536,296**

The notes on pages 9-25 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

EUR	Share capital	Retained earnings	Total
Balance as of 01.01.2017	**114,509**	**-71,384**	**43,125**
Announced dividends	0	-14,220	-14,220
Issue of share capital	10,543	0	10,543
Total transactions with shareholders	**10,543**	**-14,220**	**-3,677**
Profit for the period	0	700,828	700,828
Comprehensive profit for the period	**0**	**700,828**	**700,828**
Balance as of 31.12.2017	**125,052**	**615,224**	**740,276**
Balance as of 01.01.2018	**125,052**	**615,224**	**740,276**
Announced dividends	0	-436,221	-436,221
Total transactions with shareholders	**0**	**-436,221**	**-436,221**
Profit for the period	0	810,829	810,829
Comprehensive profit for the period	**0**	**810,829**	**810,829**
Balance as of 31.12.2018	**125,052**	**989,832**	**1,114,884**

More detailed information on share capital is presented in Note 10.

The notes on pages 9-25 form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1: General information

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

These consolidated financial statements for the year ended 31 December 2018 were approved and authorized for issue by the Management Board on 30 April 2019. Pursuant to the Commercial Code of the Republic of Estonia, the annual report (that includes the financial statements) is prepared by the Management Board and approved by the Supervisory Board and authorised for issue by the General Meeting of Shareholders.

In addition to the information complying with International Financial Reporting Standards, as adopted by the European Union, financial statements include the parent company's separate financial statements, as required by the Estonian Accounting Act (Note 15).

NOTE 2: Summary of significant accounting policies

The 2018 consolidated financial statements of AS Redgate Capital and its subsidiary OÜ Redgate Advisory Services have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, which are issued by the International Accounting Standards Board (IFRS).

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

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

The financial year started on 1 January 2018 and ended on 31 December 2018. The Company's functional currency is the euro. The consolidated financial statements are presented in full units, unless otherwise stated.

IFRS first-time adoption

These are the Company's first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. The Company's consolidated financial statements for previous periods were prepared in accordance with the Estonian Financial Reporting Standard. 1 January 2017 is the starting date of transition from the Estonian Financial Reporting Standard to IFRS.

With certain mandatory exceptions and optional exemptions, IFRS 1 requires retrospective application of standards and interpretations that are effective for the year ended 31 December 2018. The Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2017 throughout all periods presented, as if these policies had always been in effect.

There was no material impact of the transition to IFRS on the Company's reported financial statements and management's estimates. The Company's estimates in accordance with IFRS at the date of transition to IFRS are consistent with estimates at 31 December 2016 made in accordance with Estonian Financial Reporting Standard.

Consolidation

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

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

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

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

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

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

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

Cash and cash equivalents

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

Financial assets

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss) (as at 31 December 2018 and 31 December 2017, the Company had no financial assets measured FVOCI or FVPL),
- those to be measured at amortised cost

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

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

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

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. As at 31 December 2018 and 31 December 2017, all the Company's debt instruments are classified in amortised cost measurement category.

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

As at 31 December 2017 and 31 December 2018, the following financial assets of the Company were classified in this category:

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

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

As at 31 December 2018 and 31 December 2017, the Company had no financial assets measured FVPL.

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

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

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

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

Financial liabilities

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

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

Payables to employees

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

Provisions and contingent liabilities

A provision is recognised before the reporting date when the Company has a present legal or constructive obligation contingent on its activity, the realisation of the provision in the form of outflow of resources is likely (over 50%) and the amount of the provision can be reliably determined.

Other obligations whose settlement is not probable or the amount of accompanying expenditure of which cannot be measured with sufficient reliability, but that in certain circumstances may become obligations, are disclosed as contingent liabilities.

Share capital

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

Dividends

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

Taxation

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

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

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount up to the average dividend payment during the three preceding years that were taxed with the rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Related parties

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

Revenue

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

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

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

New or Revised Standards and Interpretations

Certain new or revised standards and interpretations have been issued that are mandatory for the Company's annual periods beginning on or after 1 January 2019, and which the Company has not early adopted.

<u>Amendments to the Conceptual Framework for Financial Reporting</u> (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Company assesses the impact of application of the amendments to its financial statements.

<u>Definition of materiality</u> – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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.

The Company assesses the impact of application of the amendments to its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Critical accounting estimates and judgements

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

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

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

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

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

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

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

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

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

For AS Redgate Capital the most significant risks are:

- Credit risk
- Liquidity risk
- Operational risk

Credit risk

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

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

To measure expected credit losses, receivables are grouped according to common attributes of credit risk and due dates. Expected credit losses are based on the payment discipline of past 36 months up to 31 December 2018 and historical credit losses occurred in respective periods. Historical losses are adjusted to reflect current and future information on macroeconomic factors and buyers' ability to pay claims. The Company has estimated that GDP and unemployment rates in the countries where its' goods and services are sold are the most relevant indicators and the Company adjusts the historical losses rate based on the expected change of these indicators.

The impairment of receivables based on principles described above was not material as at 31 December 2018, 31 December 2017 and 1 January 2017 (the date of application of IFRS 9).

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

Although cash and cash equivalents and bank deposits with the maturity of over 3 months are also included in the IFRS 9 expected credit loss model, the impairment recognized was not material as at 31 December 2018, 31 December 2017 and 1 January 2017.

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

(EUR)	Moody's rating	31.12.2018	31.12.2017	01.01.2017
Swedbank	Aa2 (group)	250,276	2,300	10
SEB	Aa2 (group)	251,485	2,560	184
Luminor	Baa1	383,863	531,243	0
Total cash on bank accounts		**885,623**	**536,102**	**194**

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

Liquidity risk

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

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

As of 31.12.2018 and 31.12.2017, the Company had no overdue payables.

Assets and liabilities held for managing liquidity risk by contractual maturity dates (31.12.2018)

(EUR)	Note	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Totak	Carrying amount
Assets held for managing liquidity risk								
Cash and cash equivalents	4	885,717	0	0	0	0	**885,717**	**885,717**
Trade receivables	6	0	620,167	0	0	0	**620,167**	**620,167**
Financial investments	5	0	0	0	45,912	0	**45,912**	**45,912**
Total assets		**885,717**	**620,167**	**0**	**45,912**	**0**	**1,551,796**	**1,551,796**
Liabilities by contractual maturity dates								
Payables and prepayments	9	0	336,249	0	0	0	**336,249**	**336,249**
Total liabilities		**0**	**336,249**	**0**	**0**	**0**	**336,249**	**336,249**

Assets and liabilities held for managing liquidity risk by contractual maturity dates (31.12.2017)

(EUR)	Note	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Totak	Carrying amount
Assets held for managing liquidity risk								
Cash and cash equivalents	4	536,296	0	0	0	0	**536,296**	**536,296**
Trade receivables	6	0	226,614	0	0	0	**226,614**	**226,614**
Financial investments	5	0	0	0	30,905	0	**30,905**	**30,905**
Total assets		**536,296**	**226,614**	**0**	**30,905**	**0**	**793,815**	**793,815**
Liabilities by contractual maturity dates								
Payables and prepayments	9	0	12,695	0	0	0	**12,695**	**12,695**
Total liabilities		**0**	**12,695**	**0**	**0**	**0**	**12,695**	**12,695**

Operational risk

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

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

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

Capital management

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

The Company monitors capitalization on two levels:

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

The capital held by the Company must account for at least 8.0% of risk-weighted assets. The highest quality capital must account for at least 4.5% of risk-weighted assets.

Own funds

(EUR)	31.12.2018	31.12.2017	1.01.2017
Tier 1 capital			
Paid-in share capital	125,052	125,052	114,509
Retained earnings	989,832	615,224	-71,384
Intangible assets (less)	-20,473	-1,300	0
Total Tier 1 capital	**1,094,411**	**738,976**	**43,125**
Total own funds	**1,094,411**	**738,976**	**43,125**

Note 4: Cash and cash equivalents

(EUR)	31.12.2018	31.12.2017	01.01.2017
Cash on hand	94	194	194
Bank accounts	885,623	536,102	194
Total cash and cash equivalents	**885,717**	**536,296**	**388**

Note 5: Financial investments

(EUR)	31.12.2018	31.12.2017	01.01.2017
Other shares and securities	45,912	30,905	0
Total other shares and securities	**45,912**	**30,905**	**0**
Financial assets and liabilities at fair value			
Other shares and securities	46,375	31,298	0
Total other shares and securities	**46,375**	**31,298**	**0**

Note 6: Receivables and prepayments

(EUR)	Lisa	31.12.2018	31.12.2017	01.01.2017
Trade receivables		620,167	226,614	178,643
Doubtful accounts		0	0	0
Total trade receivables		**620,167**	**226,614**	**178,643**
Accrued income		1,968	44	66,795
Tax prepayments	7	10,518	3,881	439
Prepaid expenses		13,206	4,272	2,590
Other prepayments		30	0	0
Other short-term receivables and prepayments		**25,722**	**8,197**	**69,824**
Total receivables and prepayments		**645,889**	**234,811**	**248,467**

Note 7: Prepaid taxes and tax liabilities

	31.12.2018		31.12.2017		01.01.2017	
(EUR)	Ettemaks	Maksuvõlg	Ettemaks	Maksuvõlg	Ettemaks	Maksuvõlg
Value added tax	0	90,427	0	2,710	0	1,553
Personal income tax	0	8,226	0	7,929	0	7,483
Tax on fringe benefiits	0	2,448	0	2,612	0	832
Social security tax	0	14,451	0	14,462	0	13,789
Conribution to mandatory funded pension	0	868	0	978	0	1,034
Unemployment insurance tax	0	859	0	869	0	657
Other tax liabilities	0	1,246	0	0	0	0
Prepayment account balane	10,518		3,881		439	
Total prepaid taxes and tax liabilities	**10,518**	**118,525**	**3,881**	**29,560**	**439**	**25,348**

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

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

Note 8: Property, plant and equipment

(EUR)	Other fixed assets	Total property, plant and equipment
1.01.2017		
Acquisition cost	53,044	53,044
Accumulated depreciation	-40,423	-40,423
Carrying amount	**12,621**	**12,621**
Additions	5,648	5,648
Depreciation for the year	-6,184	-6,184
31.12.2017		
Acquisition cost	58,692	58,692
Accumulated depreciation	-46,607	-46,607
Carrying amount	**12,085**	**12,085**
Additions	16,123	16,123
Depreciation for the year	-8,032	-8,032
31.12.2018		
Acquisition cost	70,491	70,491
Accumulated depreciation	-50,316	-50,316
Carrying amount	**20,175**	**20,175**

Note 9: Payables and prepayments

(EUR)	Note	31.12.2018	31.12.2017	01.01.2017
Trade payables		333,311	8,458	56,460
Payables to employees		48,491	33,055	23,863
Tax liabilities	4	118,525	29,560	25,348
Other payables		2,938	4,237	1,928
Prepayments received		17	19	4,000
Total short-term payables and prepayments received		**503,282**	**75,329**	**111,599**

Note 10: Share capital

(EUR)	31.12.2018	31.12.2017	01.01.2017
Share capital	125,052	125,052	125,052
Number of issued shares	1,957	1,957	1,957
Nominal value of shares	63.90	63.90	63.90

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

On 1 August 2017 the sole shareholder of AS Redgate Capital resolved to increase the Company's share capital by EUR 10,543.50. The share capital was increased by issue of 165 new shares with the nominal value of EUR 63.90.

Retained earnings of the Company amounted to EUR 990,352 as of 31 December 2018 (31.12.2017: EUR 615,224). From the year 2019, it is possible to apply 14/86 tax rate on dividend payments. This more favourable tax rate can be used for dividend payments up to an average dividend payout of up to three previous tax years, taxed at 20/80. In calculating the average dividend payment for the three preceding financial years, 2018 is the first year to be considered. Therefore, as of 31 December 2018 the Company can pay out to the shareholders net dividends in amount of EUR 802,426 (31.12.2017: EUR 492,179). The corresponding income tax would amount to EUR 187,926 (31.12.2017: EUR 123,045).

Note 11: Revenue

(EUR)	2018	2017
Net sales by geographical location		
Net sales in European Union	2,199,578	1,498,821
Estonia	1,944,153	1,279,627
Latvia	96,775	198,450
Lithuania	11,625	3,744
Finland	14,350	11,000
Sweden	132,675	0
Total net sales in European Union	2,199,578	1,492,821
Net sales outside of European Union	0	6,000
Total net sales outside of European Union	0	6,000
Total revenue	**2,199,578**	**1,498 821**
Net sales by operating activities		
Financial advisory services	2,199,578	1,498,821
Total revenue	**2,199,578**	**1,498,821**

Note 12: Payroll costs

(EUR)	2018	2017
Wages and salaries	-335,919	-291,966
Social security taxes	-110,474	-97,218
Total payroll costs	**-446,392**	**-389,184**
Average number of equivalent employees working full-time	9	8

Note 13: Operating expenses

(EUR)	2018	2017
Rent	-62,689	-40,433
Various,office costs	-14,132	-17,240
Travel expenses	-13,260	-4,559
Communications	-4,646	-4,077
Training costs	-15,018	-1,012
National and local taxes	-208	-1,242
IT, data and homepage	-11,768	-10,082
Information costs	-10,496	-3,004
Transportation costs	-28,468	-25,254
Insurance	-2,924	-301
Marketing and advertising	-99,012	-50,057
Accounting, auditing and consulting	-50,080	-42,077
Legal services costs	-47,924	-42,592
Other	-40,027	-25,002
Total operating expenses	**-400,653**	**-266,933**

Note 14: Related party transactions

Redgate Holding OÜ is the sole shareholder of AS Redgate Capital. Shareholders of Redgate Holding OÜ are five partners, holding their sharers through personal holding enterprises - Aare Tammemäe (Brandeis Grupp OÜ), Mart Altvee (Vahikalda Investeeringud OÜ), Andrei Zaborski (SoSo OÜ), Valeria Kiisk (Montmorency OÜ) and Mairo Kaseväli (Narvik OÜ).

Purchases and sales

	2018	2017

(EUR)	Purchases	Sales	Purchases	Sales
The management and the supervisory board and the entities under their control or significant influence	0	0	71,109	109,300
Owners with significant ownership and the entities under their control or significant influence	3,060	0	0	0

Related party balances

	31.12.2018	31.12.2017	1.01.2017
(EUR)	Liabilities	Liabilities	Liabilities
Owners with significant ownership and the entities under their control or significant influence	0	0	90,483

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

(EUR)	2018	2017
Remuneration	66,738	45,600

There are no potential obligations for the Company upon the ending of contracts with members of the management board. No receivables from related parties have been written down in the years 2018 and 2017.

Note 15: Parent company's unconsolidated accounting reports

Parent company's unconsolidated statement of financial position

(EUR)	31.12.2018	31.12.2017	01.01.2017
ASSETS			
Current assets			
Cash and cash equivalents	2,014	5,054	388
Receivables and prepayments	639,711	47,638	73,103
Total current assets	**641,726**	**52,692**	**73,491**
Non-current assets			
Investments in subsidiaries and associates	1,317,898	1,293,688	430,458
Receivables and prepayments	0	208	0
Financial investments	45,912	30,905	0
Property, plants and equipment	18,819	12,085	12,621
Intangible asstes	20,473	1,300	0
Total non-current assets	**1,403,103**	**1,338,186**	**443,079**
Total assets	**2,044,828**	**1,390,878**	**516,570**
LIABILITIES			
Loan liabilities	449,431	584,266	342,865

Payables and prepayments	480,513	66,336	80,580
Accruals	0	0	50,000
Total liabilities	**929,889**	**650,602**	**473,445**
EQUITY			
Share capital	125,052	125,052	114,509
Retained earnings	989,832	615,224	-71,384
Total equity	**1,114,884**	**740,276**	**43,125**
Total liabilities and equity	**2,044,828**	**1,390,878**	**516,570**

Parent company's unconsolidated statement of comprehensive income

(EUR)	2018	2017
Revenue	1,414,605	386,722
Subcontract expenses	-431,229	-77,871
Operating expenses	-373,586	-250,483
Payroll costs	-237,669	-206,262
Depreciation ans impairment loss	-8,536	-6,184
Other expenses	-123	-423
Interest income	8,356	1,439
Operating profit (loss)	**371,818**	**-153,062**
Profit from subsidiaries	460,432	863,230
Interest expenses	-21,367	-7,877
Other financial income and expenses	-53	2,092
Profit before income tax	**810,829**	**704,383**
Income tax	0	-3,555
Total profit for the period	**810,829**	**700,828**
Total comprehensive profit for the period	**810,829**	**700,828**

Parent company's unconsolidated statement of cash flows

(EUR)	2018	2017
Cash flows from operating activities		
Profit before income tax	810,829	704,383
Adjustments:		
Depreciation, amortisation and impairment of non-current assets	8,536	6,184
Interest income	-8,360	-2,113
Interest expense	-21,367	-7,877
Other financial income and expenses	-53	2,092
Profit from subsidiaries	-460,432	-863,230

Other adjustments	-167	165
Total adjustments	8,308	5,675
Changes in receivables and prepayments related to operating activities	-592,073	25,465
Changes in payables and prepayments related to operating activities	414,122	-14,244
Total cash floes from operating activities	**193,875**	**-137,605**
Cash flows from investing activities		
Purchase of property, plant and equipement	-34,444	-6,948
Purchase of other financial investments	-20,029	-30,905
Proceeds from sales of financial investments	5,000	0
Loans granted	-80,000	-200
Repayment of loans granted	80,200	0
Interest received	5,639	2,104
Dividends received	436,221	0
Other proceeds from investing activities	2,925	1,419
Total cash flows from investing activities	**395,513**	**-34,530**
Cash flows from financing activities		
Repayments of borrowings	0	-56,752
Changes in overdraft balance	-134,835	298,153
Interest paid	-21,371	-7,368
Proceeds from issue of shares	0	10,543
Dividends paid	-436,221	-14,220
Income tax paid	0	-3,555
Other payments related to financing activities	0	-50,000
Total cash floes form financing activities	**-592,428**	**176,801**
TOTAL CASH FLOWS	**-3,040**	**4,666**
Cash and cash equivalents at the beginning of periood	**5,054**	**388**
Net change of cash and cash equivalents	-3,040	4,666
Cash and cash equivalents at the end of period	**2,014**	**5,054**

Parent company’s unconsolidated statement of changes in equity

(EUR)	Share capital	Retained earnings	Total equity
Balance as of 01.01.2017	**114,509**	**-71,384**	**43,125**
Announced dividends	0	-14,220	-14,220
Issue of share capital	10,543	0	10,543
Total transactions with shareholders	**10,543**	**-14,220**	**-3,677**
Profit for the period	0	700,828	700,828
Comprehensive profit for the period	**0**	**700,828**	**700,828**
Balance as of 31.12.2017	**125,052**	**615,224**	**740,276**
Balance as of 01.01.2018	**125,052**	**615,224**	**740,276**
Announced dividends	0	-436,221	-436,221
Total transactions with shareholders	**0**	**-436,221**	**-436,221**
Profit for the period	0	810,829	810,829
Comprehensive profit for the period	**0**	**810,829**	**810,829**
Balance as of 31.12.2018	**125,052**	**989,832**	**1,114,884**

Management Board's signatures to the Annual Report

The management has prepared the management report and the consolidated financial statements of AS Redgate Capital for the financial year ended 31 December 2018. The management confirms that the management report and the consolidated financial statements present fairly the Company's financial position, its financial performance and its cash flows for the year ended.

30.04.2019

Management Board

/signed/	/signed/
______________________	______________________
Aare Tammemäe	Valeria Kiisk