



AS Redgate Capital

2019 Consolidated annual report
*(Translation of the Estonian original)**

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



Consolidated annual report	01.01.2019-31.12.2019
Business name	AS Redgate Capital
Registry number	11532616
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Telephone	666 8200
E-mail	redgate@redgatecapital.eu

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

Board of Directors	Valeria Kiisk Aare Tammemäe
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Supervisory Board	Mart Altvee Mairo Kaseväli Andrei Zaborski Kristjan Petjärv
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Auditor	AS PricewaterhouseCoopers
Business name	10142876
Registry number	Pärnu maantee 15, 10141 Tallinn
Address	

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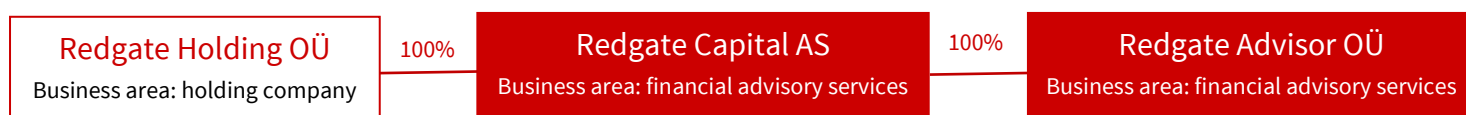
Management report

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

The Company's headquarter is located in Estonia. Entity has representatives in all three Baltic countries. There was 16 employees in the company at the end of the reporting year. The number of employees increased by five employees during the year.

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

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



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.
- There was a busy year for the Baltic capital markets with the addition of several new issuers listed on the Nasdaq Baltic bond market. Growing activity on local capital markets increases the attractiveness of the region for both local and foreign investors.
- The Baltic mergers and acquisitions market was at the highest level of the last ten years in terms of both number and volume of transactions, falling short of only 2018.





Key events during the financial year

- Redgate Capital advised on 7 capital raising transactions during the year and helped its clients raise capital in the amount of almost 109 million euros in the form of equity, loans and bonds. The historical transaction was the bond issue of Nortal AS, the volume of which was 50 million euros and was one of the largest in the history of Estonian private non-financial companies.
- The company participated as an advisor in one completed company purchase and sale transaction and several commercial real estate transactions, including the sale of the main buildings of Danske Bank A / S and Microsoft Skype in Tallinn.








- The company's team grew by five professionals.

The biggest advised transactions:

M&A and commercial property sale transactions

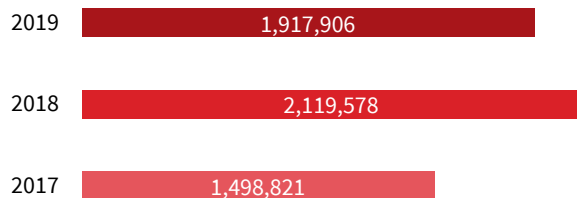
 <p>Prategli Invest OÜ vähemusaluse müük</p> <p>Family Buntsel Investments OÜ nõustaja</p> <p>2019</p>	 <p>Danske Bank Tallinna peahoone müük</p> <p>Danske Bank A/S nõustaja</p> <p>2019</p>	 <p>Microsoft Skype Tallinn peahoone müük</p> <p>Arealis AS nõustaja</p> <p>2019</p>	 <p>Arenduskinnistu müük, Peetri tn 7, Tallinn</p> <p>BLRT Group AS nõustaja</p> <p>2019</p>
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Capital raising transactions

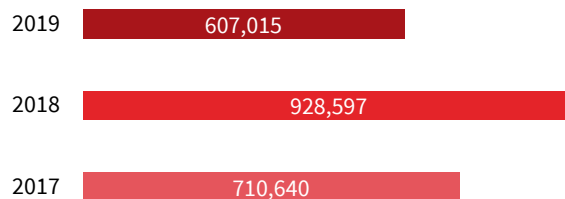
 <p>Võlakirjaemissioon 2,5 mln €</p> <p>Yaico AS nõustaja</p> <p>Juriidiline nõustaja Ellex Raidla</p> <p>2019</p>	 <p>Võlakirjaemissioon 3,3 mln € arendusprojekti Veskimöldre finantseerimiseks</p> <p>BC Arenduse OU nõustaja</p> <p>Juriidiline nõustaja Ellex Raidla OÜ</p> <p>2019</p>	 <p>Võlakirjaemissioon 4 mln € Ambassador arendusprojekti finantseerimiseks</p> <p>OÜ EndoverKVB</p> <p>Juriidiline nõustaja Ellex Raidla OÜ</p> <p>2019</p>	 <p>Võlakirjaemissioon summas 40 mln €</p> <p>luteCredit Finance S.a r.l. regionaalne müügiagent Juhtiv korraldaja KNG Securities LLP</p> <p>2019</p>
 <p>Võlakirjaemissioon 1,5 mln €</p> <p>UAB Kauno FEZ infrastruktuura Nõustaja</p> <p>Juriidiline nõustaja SORAINEN AS</p> <p>2019</p>	 <p>Võlakirjaemissioon 50 mln €</p> <p>Nortal AS kohalik kaaskorraldaja</p> <p>Globaalne peakorraldaja Pareto Securities AB</p> <p>2019</p>	 <p>Võlakirjaemissioon 8 mln € First North'il kauplemisele võtmine</p> <p>Magnetic MRO AS nõustaja</p> <p>Juriidiline nõustaja</p> <p>2019</p>	

Financial figures

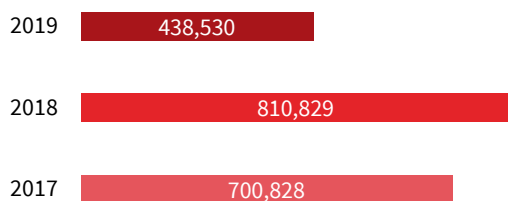
Revenue, EUR



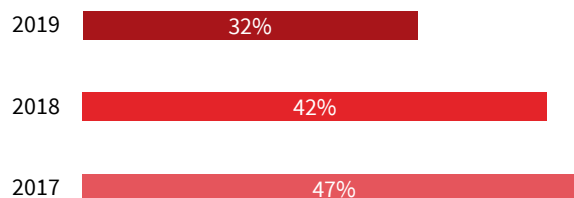
EBITDA, EUR



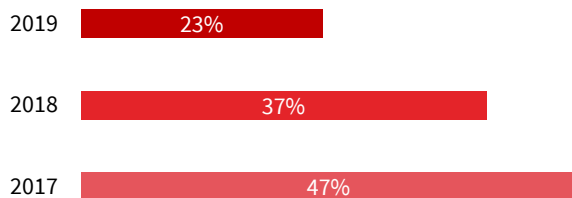
Net profit, EUR



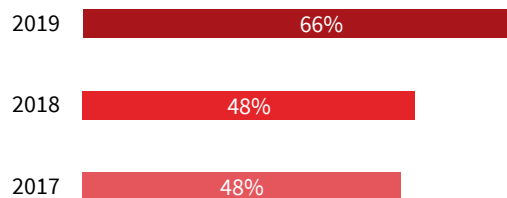
EBITDA margin, %



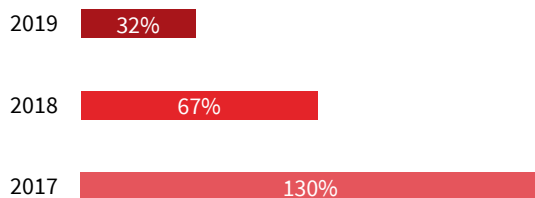
% Net profit margin, %



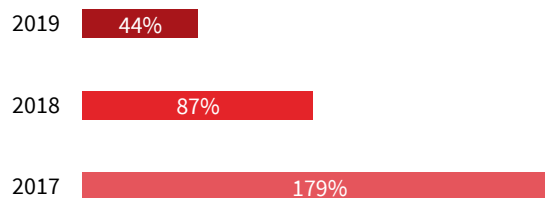
Income and expenses ratio, %



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 equity (ROE) = annual year profit / average equity

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

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 (Common Equity Tier 1) 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)	31.12.2019	31.12.2018
Tier 1 capital			
Paid-in share capital		125,052	125,052
Retained earnings		770,362	989,832
Intangible assets (less)		-31,765	-20,473
Total Tier 1 capital		863,649	1,094,411
Net own funds for capital adequacy		863,649	1,094,411

Risk exposure

	(EUR)	31.12.2019	31.12.2018
Credit risk under standardised approach		448,751	889,101
Market risk		0	0
Operational risk under basic indicator approach		2,945,123	2,560,669
Total risk exposure		3,393,874	3,449,769

Capital adequacy

	(EUR)	31.12.2019	31.12.2018
Tier 1 capital ratio		25.4%	31.7%
Capital adequacy		25.4%	31.7%

Consolidated financial statements

Consolidated Statement of Financial Position

	(EUR)	Note	31.12.2019	31.12.2018
ASSETS				
Current assets				
Cash and cash equivalents		4	760,457	885,717
Receivables and prepayments		6, 7	228,536	645,889
Total current assets			988,993	1,531,606
Non-current assets				
Financial investments		5	44,544	45,912
Property, plant and equipment		8	23,585	20,175
Intangible assets			31,765	20,473
Total non-current assets			99,894	86,560
Total assets			1,088,887	1,618,166
LIABILITIES				
Payables and prepayments		7, 9	193,473	503,282
Total liabilities			193,473	503,282
EQUITY				
Share capital		10	125,052	125,052
Retained earnings			770,362	989,832
Total equity			895,414	1,114,884
Total equity and liabilities			1,088,887	1,618,166

The notes on pages 12-27 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

	(EUR)	Note	2019	2018
Revenue		11	1,917,906	2,199,578
Subcontracting services			-171,091	-432,164
Other operating expenses		13	-521,725	-400,652
Payroll costs		12	-627,161	-446,392
Depreciation, amortisation and impairment		8	-16,601	-8,659
Other income			4,175	0
Other expenses			-507	-133
Interest income			5,418	8,360
Operating profit			590,414	919,938
Other financial income and expenses			0	-53
Profit before income tax			590,414	919,884
Income tax			-151,884	-109,055
Total profit for the period			438,530	810,829
Total comprehensive profit for the period			438,530	810,829

The notes on pages 12-27 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

	(EUR)	Note	2019	2018
Cash flows from operating activities				
Profit before income tax			590,414	919,884
Adjustments				
Depreciation, amortisation and impairment of non-current assets		8	16,601	8,659
Interest income			-5,168	-8,360
Other financial income and expenses			-250	-53
Other adjustments			262	-171
Total adjustments			11,445	182
Change in receivables and prepayments related to operating activities		6	417,353	-411,078
Change in payables and prepayments related to operating activities		9	-309,809	427,897
Total cash flow from operating activities			709,403	936,885
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		8	-31,564	-35,923
Purchases of other financial investments			-12,418	-20,029
Proceeds from sale of other financial investments			13,786	5,000
Loans granted			0	-80,000
Repayments of loans granted			0	80,200
Received interests			685	5,643
Other proceeds from investing activities			4,732	2,925
Total cash flow from investing activities			-24,779	-42,183
Cash flows from financing activities				
Interest paid			0	-4
Dividends paid			-658,000	-436,221
Income tax paid			-151,884	-109,055
Total cash flow from financing activities			-809,884	-545,280
TOTAL CASH FLOWS			-125,260	349,421
Cash and cash equivalents at the beginning of period		4	885,717	536,296
Net increase in cash and cash equivalents			-125,260	349,421
Cash and cash equivalents at the end of period		4	760,457	885,717

The notes on pages 12-27 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	(EUR)	Share capital	Retained earnings	Total
Balance as of 01.01.2018		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
Balance as of 01.01.2019		125,052	989,832	1,114,884
Announced dividends		0	-658,000	-658,000
Total transactions with shareholders		0	-658,000	-658,000
Profit for the period		0	438,530	438,530
Comprehensive profit for the period		0	438,530	438,530
Balance as of 31.12.2019		125,052	770,362	895,414

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

The notes on pages 12-27 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

NOTE 1: General information

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

These consolidated financial statements were approved and authorized for issue by the Management Board on 30 April 2020. 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

AS Redgate Capital's and its subsidiary's OÜ Redgate Advisory Services consolidated financial report, which has been compiled 31.12.2019, has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, which are issued by the International Accounting Standards Board (IASB).

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

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

The financial year started on 1 January 2019 and ended on 31 December 2019. The Company's functional currency is the euro. The consolidated financial statements are presented in full units, unless otherwise stated.

New standards, interpretations and their amendments

Changes in significant accounting policies from 1.01.2019

The accounting policies applied in the preparation of these financial statements are the same as those used in the consolidated financial statements of the Company for the year ended 31 December 2018, except as described below. From 1 January 2019, the company has applied IFRS 16 "Leases" for the first time. The application of the standard did not have a significant impact on the Company's financial statements. Several other new standards have been applied since 1 January 2019, but they do not have a material impact on the Company's financial statements.

IFRS 16 Leases. The Company applied IFRS 16 "Leases" retrospectively as of 1 January 2019, but has not restated the comparative information for 2018, as permitted by certain transitional provisions in the standard. Therefore, the comparative information for 2018 is presented in accordance with the previously valid IAS 17 and related interpretations. The cumulative effect of the initial application of this standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application.

In first-time adoption of IFRS 16, the Company has applied the following simplifications permitted by the standard to leases previously classified as operating leases and has not applied the requirements of IFRS 16 to leases that expire within 12 months from the date of initial application.

From the lessee's point of view, the company did not have any significant lease agreements with a term of more than 12 months and significant value, which were recorded on the operating lease principles. Therefore, the implementation of the standard did not have a significant impact on the company.

Implementation of new or amended standards and interpretations from 1.01.2020

New or amended standards or interpretations have been issued that become mandatory for the Company from 1 January 2020 or later periods and which the Company has not early adopted:

Changes in the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised conceptual framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance (eg the definition of a liability) and clarifications on the role of key areas in financial reporting, such as diligence, conservatism, measurement uncertainty in the management.

The implementation of the new standard from 1.01.2020 will not have a significant impact on the Company.

“Definition of Materiality” - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the concept of materiality and how to apply the concept by incorporating the guidance that was previously included in other standards. The explanations accompanying the definition have also been supplemented. As a result of the amendments, the concept of materiality is consistent across all IFRSs. Information is material if its non-disclosure, misstatement or concealment could reasonably be expected to influence the decisions made by major users of the entity's general purpose financial statements based on those statements.

The implementation of the new standard from 1.01.2020 will not have a significant impact on the Company.

Other new or amended standards or interpretations that are not yet effective are not expected to have a material impact on the Company.

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 have 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 2019 and 31 December 2018, 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 2019 and 31 December 2018, 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 2019 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 2019 and 31 December 2018, 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. Depreciation 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.

Depreciation is calculated on the straight-line method. The Company recognises 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.

Significant accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments by management, which impact the amounts reported in the financial statements. It also requires management to exercise its judgment and make estimates in the process of applying the Company's accounting policies and measurement bases. Although these estimates have been made to the best

knowledge of management, they may not coincide with subsequent actual results. Estimates and related assumptions are reviewed periodically. Changes in management estimates are included in the income statement of the period in which the change occurred.

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

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 2019 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 2019 and 31 December 2018.

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 2019 and 31 December 2018.

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

	(EUR)	Note	Moody's rating	31.12.2019	31.12.2018
Swedbank			Aa2 (group)	177,044	250,276
SEB			Aa2 (group)	250,640	251,485
Luminor			Baa1	44,661	383,863
LHV			Baa1	288,087	0
Total cash on bank accounts		4		760,431	885,623

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 31.12.2019 and 31.12.2018, the Company had no overdue payables.

Assets and liabilities held for managing liquidity risk by contractual maturity dates (31.12.2019)

	(EUR)	Note	On demand	0-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Assets held for managing liquidity risk									
Cash and cash equivalents		4	760,457	0	0	0	0	760,457	760,457
Trade receivables		6	0	183,899	0	0	0	183,899	183,899
Financial investments		5	0	0	0	44,544	0	44,544	44,544
Total assets			760,457	183,899	0	44,544	0	988,900	988,900
Liabilities by contractual maturity dates									
Payables and prepayments		9	0	56,092	0	0	0	56,092	56,092
Total liabilities			0	56,092	0	0	0	56,092	56,092

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	Total	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

Borrowings			0	0	0	0	0	0	0
Payables and prepayments		9	0	336,249	0	0	0	336,249	336,249
Provisions			0	0	0	0	0	0	0
Total liabilities			0	336,249	0	0	0	336,249	336,249

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.

Note 4: Cash and cash equivalents

	(EUR)	Note	31.12.2019	31.12.2018
Cash on hand			26	94
Bank accounts		3	760,431	885,623
Total cash and cash equivalents			760,457	885,717

Note 5: Financial investments

	(EUR)	Note	31.12.2019	31.12.2018
Other shares and securities		3	44,544	45,912
Total other shares and securities			44,544	45,912
Financial assets and liabilities at fair value				
Other shares and securities		3	45,238	46,375
Total other shares and securities			45,238	46,375

Note 6: Receivables and prepayments

	(EUR)	Note	31.12.2019	31.12.2018
Trade receivables		3	183,899	620,167
Doubtful accounts			0	0
Total trade receivables			183,899	620,167
Accrued income			1,817	1,968
Tax prepayments		7	22,085	10,518
Prepaid expenses			20,040	13,206
Other prepayments			696	30
Other short-term receivables and prepayments			44,638	25,722
Total receivables and prepayments			228,537	645,889

Note 7: Prepaid taxes and tax liabilities

	31.12.2019		31.12.2018	
(EUR)	Prepayment	Tax liability	Prepayment	Tax liability
Value added tax	0	15,062	0	90,427
Personal income tax	0	14,738	0	8,226
Tax on fringe benefits	0	2,581	0	2,448
Social security tax	0	24,575	0	14,451
Contribution to mandatory funded pension	0	1,567	0	868
Unemployment insurance tax	0	1,619	0	859
Other tax liabilities	0	1,583	0	1,246
Prepayment account balane	22,085		10,518	
Total prepaid taxes and tax liabilities	22,085	61,725	10,518	118,525

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

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

Note 8: Property, plant and equipment

	(EUR)	Other fixed assets	Total property, plant and equipment
31.12.2018			
Acquisition cost		70,491	70,491
Accumulated depreciation		-50,316	-50,316
Carrying amount		20,175	20,175
Additions and improvements		16,220	16,220
Depreciation for the year		-11,759	-11,759
Sales (at residual value)		-1,050	-1,050
31.12.2019			
Acquisition cost		85,661	85,661
Accumulated depreciation		-62,075	-62,075
Carrying amount		23,585	23,585

Note 9: Payables and prepayments

	(EUR)	Note	31.12.2019	31.12.2018
Trade payables			52,873	333,311
Payables to employees			75,656	48,491
Tax liabilities		7	61,725	118,525
Other payables			2,962	2,938
Prepayments received			257	17
Total short-term payables and prepayments received			193,473	503,282

Note 10: Share capital

	(EUR)	31.12.2019	31.12.2018
Share capital		125,052	125,052
Number of issued shares		1,957	1,957
Nominal value of shares		63.90	63.90

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

Retained earnings of the Company amounted to EUR 770,362 as of 31 December 2019 (31.12.2018: EUR 989,832). From year 2019 it is possible to apply 14/86 tax rate on dividend payments. This more favourable tax rate can be used for dividend payments up to an average dividend 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 at the 31 December 2019 the Company can paid out to the shareholders net dividends in amount of EUR 641,713 (31.12.2018: EUR 802,426) and the corresponding income tax would amount to EUR 128,620 (31.12.2018: EUR 187,926).

Note 11: Revenue

	(EUR)	2019	2018
Net sales by geographical location			
Net sales in European Union		1,917,906	2,199,578
Estonia		1,816,864	1,944,153
Latvia		45,542	96,775
Lithuania		37,500	11,625
Finland		0	14,350
Sweden		0	132,675
Luxembourg		18,000	0
Total revenue		1,917,906	2,199,578
Net sales by operating activities			
Financial advisory services		1,917,906	2,199,578
Total revenue		1,917,906	2,199,578

Note 12: Payroll costs

	(EUR)	2019	2018
Wages and salaries		-473,986	-335,919
Social security taxes		-153,175	-110,474
Total payroll costs		-627,161	-446,392
Average number of employees working under an employment contract		13	7
Average number of employees working under member of the Management Board contract		2	2
Total number of employees reduced to full - time equivalentents		15	9

Note 13: Operating expenses

	(EUR)	2019	2018
Rent		-82,334	-62,689
Miscellaneous office expenses		-21,277	-14,132
Travel expenses		-24,437	-13,260
Communications		-5,747	-4,646
Training costs		-16,960	-15,018
National and local taxes		-75	-208
IT, data and homepage		-15,970	-11,768
Information costs		-9,774	-10,496
Transportation costs		-34,659	-28,468
Insurance		-15,845	-2,924
Marketing and advertising		-132,506	-99,012
Accounting, auditing and consulting		-80,958	-50,080
Legal services costs		-65,822	-47,924
Other		-15,361	-40,027
Total operating expenses		-521,725	-400,653

Note 14: Related party transactions

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

Purchases and sales

		2019		2018	
	(EUR)	Purchases	Sales	Purchases	Sales
Owners with significant ownership and the entities under their control or significant influence	27,562	1,622	3,060	0	

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

	(EUR)	2019	2018
Remuneration		60,057	66,738

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

As at 31 December 2019, there were no liabilities to related parties (31 December 2018: 0 euros) and there were also no receivables from related parties (31 December 2018: 0 euros). Services have been purchased and sold to related parties. No discount has been made to related parties in 2019 and 2018.

Note 15: Parent company's unconsolidated accounting reports

Parent company's unconsolidated statement of financial position

	(EUR)	31.12.2019	31.12.2018
ASSETS			
Current assets			
Cash and cash equivalents		195,897	2,014
Receivables and prepayments		129,057	639,711
Total current assets		324,955	641,726
Non-current assets			
Investments in subsidiaries and associates		809,144	1,317,898
Financial assets at fair value with changes through profit or loss		44,544	45,912
Property, plants and equipment		19,863	18,819
Intangible asstes		31,765	20,473
Total non-current assets		905,316	1,403,103
Total assets		1,230,270	2,044,828
LIABILITIES			
Borrowings		197,965	449,431
Payables and prepayments		136,891	480,513
Total liabilities		334,856	929,889
EQUITY			
Share capital		125,052	125,052
Retained earnings		770,362	989,832
Total equity		895,414	1,114,884
Total liabilities and equity		1,230,270	2,044,828

Parent company's unconsolidated statement of comprehensive income

	(EUR)	2019	2018
Revenue		1,055,819	1,414,605
Subcontract expenses		-100,550	-431,229
Operating expenses		-430,020	-373,586
Payroll costs		-221,698	-237,669
Depreciation and impairment loss		-15,418	-8,536
Other income		138	0
Other expenses		-506	-123
Interest income		5,394	8,356
Operating profit (loss)		293,158	371,818
Profit from subsidiaries		149,246	460,432
Interest expenses		-3,874	-21,367
Other financial income and expenses		0	-53
Profit before income tax		438,530	810,829
Total profit for the period		438,530	810,829
Total comprehensive profit for the period		438,530	810,829

Parent company's unconsolidated statement of cash flows

	(EUR)	2019	2018
Cash flows from operating activities			
Profit before income tax		438,530	810,829
Adjustments:			
Depreciation, amortisation and impairment of non-current assets		15,418	8,536
Interest income		-5,145	-8,360
Interest expense		3,874	-21,367
Other financial income and expenses		-250	-53
Profit from subsidiaries		-149,246	-460,432
Other adjustments		-9	-167
Total adjustments		-135,357	8,308
Changes in receivables and prepayments related to operating activities		514,092	-592,073
Changes in payables and prepayments related to operating activities		-346,789	414,122
Total cash flow from operating activities		470,476	193,875
Cash flows from investing activities			
Purchase of property, plant and equipment		-28,015	-34,444
Purchase of other financial investments		-12,418	-20,029
Proceeds from sales of financial investments		13,786	5,000
Loans granted		0	-80,000
Repayment of loans granted		0	80,200
Interest received		662	5,639
Dividends received		658,000	436,221
Other proceeds from investing activities		4,732	2,925
Total cash flow from investing activities		636,747	395,513
Cash flows from financing activities			
Changes in overdraft balance		-251,466	-134,835
Interest paid		-3,874	-21,371
Dividends paid		-658,000	-436,221
Total cash flow from financing activities		-913,339	-592,428
TOTAL CASH FLOW		193,883	-3,040
Cash and cash equivalents at the beginning of period			
Net change of cash and cash equivalents		193,883	-3,040
Cash and cash equivalents at the end of period		195,897	2,014

Parent company's unconsolidated statement of changes in equity

	(EUR)	Share capital	Retained earnings	Total equity
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
Balance as of 01.01.2019		125,052	989,832	1,114,884
Announced dividends		0	-658,000	-658,000
Total transactions with shareholders		0	-658,000	-658,000
Profit for the period		0	438,530	438,530
Comprehensive profit for the period		0	438,530	438,530
Balance as of 31.12.2019		125,052	770,362	895,414

Note 16: Subsequent events

At the beginning of 2020, the existence of a new coronavirus (SARS-CoV-2) was confirmed and by now it has spread all over the world, including Estonia, causing problems for companies and economic activities. The Company considers this outbreak to be a non-corrective event after the balance sheet date.

The economic crisis that started as a result of the pandemic will significantly affect the Company's 2020 financial results. The economic downturn is hampering the companies' expansion and investment plans, reducing demand for the Company's financial advisory services. In addition, the downturn in the capital markets is affecting the availability of capital and complicating the successful implementation of the financing projects advised by the Company. The decline in the sales revenue of such services will be somewhat mitigated by the growing demand for various restructuring operations due to the crisis.

Due to the rapidly changing situation, it is not possible to accurately quantify the impact of these events on the Company's sales revenue and financial results. Nevertheless, the Company's Management Board has taken preventive steps and, since the beginning of March 2020, has significantly reduced costs and investments.

In addition to reducing costs, the Company's good economic condition supports the company's sustainability in the conditions of the economic crisis. The Company is loan-free, and the Company also has significant liquidity and capital buffers.

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 2019. 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.

28.04.2020

/signed/

Valeria Kiisk

Member of the Management Board

/signed/

Aare Tammemäe

Member of the Management Board

Independent auditor's report

Profit distribution proposal

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

- Retained earnings as at 31.12.2019: 770,362 EUR
- Distribution of dividends: EUR 375,000
- Retained earnings after dividends: EUR 395,362

28.04.2020

28.04.2020

/signed/

Valeria Kiisk

Member of the Management Board

/signed/

Aare Tammemäe

Member of the Management Board