ESTATEGURU

Bridging the Gap in Property Finance

ANNUAL REPORT 2019

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Dear investor,

While building and developing EstateGuru, all the years have been equally special and remarkable as they each have brought their own set of challenges and rewards. Yet 2019 still feels somehow uniquely significant in the history of EstateGuru’s development in terms of technological solutions, team-building, and entering new markets.

We launched our cooperation with one of the biggest banks in Estonia, LHV, who integrated our solution into their internet bank. We received our crowdfunding license in Lithuania and opened an office in Finland. Our team grew by 18 people during the year, with some top talent from the banking industry joining us to lead our expansion plans and pan-group risk management, as well as set up our corporate communications and public affairs functions. 2019 also saw the launch of our first-ever data science roadmap and we started to build a data science team. Two experienced and talented fintech product managers also joined our team during the year, strengthening our tech team even more.

The long-awaited preparations for our A-round also got underway towards the end of 2019. The process was extremely thorough, and I am really proud of our team and all the efforts that went into this. We are all on the same page and have everyone’s commitment to each aspect of the plan.

Now, as we look ahead to the next year, our priorities for 2020 are very clear: geographical expansion, technological advancement and institutional investors. At EstateGuru we remain focused on cost-efficient growth and the stable quality of our credit portfolio.

Marek Pärtel Co-Founder/CEO

“I genuinely believe that alternative financing and the business model of EstateGuru is designed for the next wave of economic success and to withstand turbulent times. Entrepreneurs always need attractive solutions on how to realise their business plans and investors need stable and safe investment products to grow their capital”.

Marek Pärtel Co-Founder/CEO

Who we are

EstateGuru is the leading Pan-European marketplace facilitating property-backed loans for SMEs and carefully selected investment opportunities for our global investor base.

We are developing a digital and borderless ecosystem for real estate financing and investing in Europe and beyond. By connecting different service providers, SMEs and investors into one single marketplace, we can offer something unique that other financial institutions cannot – a seamless, cross-border and digital service for borrowers and investors.

Vision

EstateGuru's vision is to make property financing and investing attainable for anyone, anywhere in the world.

Mission

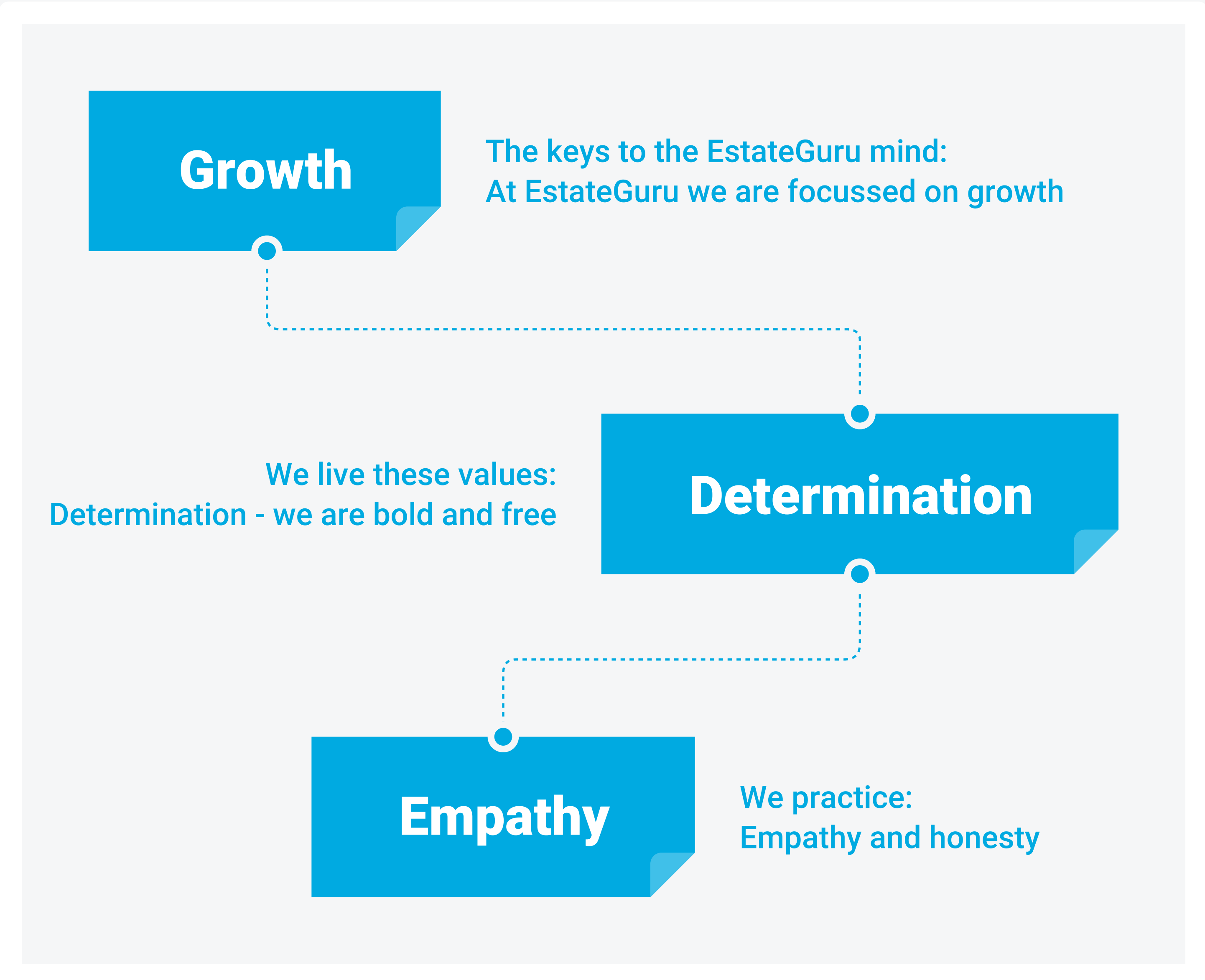
EstateGuru's mission is to offer property financing and investing solutions through a single marketplace for both individuals and businesses globally.

An EstateGuru mind always strives to improve and work towards being the best. We are all passionate about growth, both of the business and on a personal level. At

EstateGuru you will meet people who are eager to learn something new every day. We celebrate our personal values with the same passion as our business achievements. Our success lies in our people and by working together we know that there are no limits to what we can achieve.

We always keep pushing for excellence. Celebrating challenges and embracing setbacks is our credo. Changing the financial world is not easy, but like the quest for any great achievement, success will be the ultimate reward.

We're not afraid of standing up - for ourselves, for our colleagues, for the company, for our investors and borrowers and for the values we believe in. To effect great change one needs to be brave and willing to take risks. We are bold.



Yes, together we are EstateGuru. But we all are also individual personalities and have our own creative freedom and autonomy. We are all free to choose where we belong and what we believe. It is always OK to challenge each other in a respectful manner and to be totally candid about everything. We do everything with utmost respect for each other. Together we are stronger.

We are all human beings and share a common journey on this planet. So, let's make our working environment the best place to be besides home. Our team spirit and client experience matter. It's our second family. One for all and all for one.

We are honest and transparent. With our families. With our colleagues. With our clients. With our partners. To be trusted and respected one has to be honest. This is the cornerstone of the EstateGuru ethos.

Business areas

Sales

2019 was a year of unprecedented success for EstateGuru in terms of sales and loan origination. We managed to grow 52% on the previous year by funding a total of €80.5m worth of property-backed loans. Looking as far back as 2015, when we had only €4.5m worth of loans issued, this is a tremendous 1685% increase! In addition to that, we also set a record by issuing loans to the amount of €9.6m in September, our biggest month ever.

HIGHLIGHTS OF THE YEAR

We have achieved a solid foothold in the Baltics over the years, and we managed to grow our business in this region significantly. Additionally, we also kicked off more aggressively in new markets like Finland, financing close to €7m worth of loans and hiring a country manager and one loan manager in Helsinki. We also financed our first projects in Spain and Portugal, ensuring that our legal preparation was done properly and we are now fully ready to issue more deals in those markets. There has been an increase in loan requests from new markets, and we have been preparing heavily to start serving these clients in 2020.

50% of our total loan volume for 2019 came from repeat borrowers, showing that these clients underwent a positive experience with our financing solution and keep coming back with new projects.

MAJOR DEVELOPMENTS

We are boldly moving forwards with the automation of our sales processes, and almost 80% of our sales origination, risk assessment and underwriting processes are already fully automated. We are also on the verge of fully automating our lead origination channels so that the sales departments in every country feel confident to work with the system. The loan uploading and managing processes are already 100% automated.

The sales team has grown to five full-time sales representatives in Estonia, three in Latvia, two in Lithuania, two in Finland. This team is working hard to generate even higher loan volumes. In 2019, we hired five new sales employees to support our growth.

"Strong growth and belief from our ongoing customers in 2019 gives us positive signals that we have managed to successfully finance the underserved market of SME's looking for fast, flexible, and bureaucracy free financing solutions"

Daniil Aal
Head of Group Sales

Risk

2019 was a very successful year for the risk department, and we saw the volume of recovered loans increase significantly compared to the previous years. In total €2,96m worth of defaulted loans were recovered in 2019.

HIGHLIGHTS OF THE YEAR

The most important highlight of 2019 was the formation of a strong and experienced team. We added both a credit risk manager with long-term banking experience and an experienced debt collection manager to our team, bolstering key areas with vital skills. In addition, the risk department in Latvia and Lithuania, as well as in Finland, selected its debt collection partners. These are the agencies which help us deal with debt collection and also with local legal and enforcement procedures.

A data scientist also joined the team, tasked with analyzing the credit portfolio and further developing automated credit models and risk systems.

MAJOR DEVELOPMENTS

We successfully developed a new risk system called Credit Application & Scoring 2.0. This new system integrates third-party APIs making it possible to automatically analyze borrowers' backgrounds and credit information, as well as information of the real estate collateral. The aim of developing the new system was to further improve the quality of the loan portfolio and make EstateGuru’s lending processes even faster and more efficient.

In addition, the creation of an automatic reporting system for institutional investors was a major milestone for the team.

> *“The sign of a successful company is a strong team and EstateGuru's risk department typifies this ideal. In 2019, we took significant steps and made great investments for the future, which will ensure a strong foundation for the credit portfolio quality in the coming years as well as prepare us for the rapid growth that the company is expecting.”*
>
> **Kaspar Kaljuvee**
> Chief Risk Officer

Investors

2019 was a strong year in terms of investor growth as we reached €170m in cumulative investments and our investor community expanded to almost 38 000 members, having begun the year with 17 670. While there was a strong focus on growing the investor pool we also prioritised serving the existing investor base by launching new features and improving existing ones.

HIGHLIGHTS OF THE YEAR

2019 saw total investor growth of 114% (2,1x) compared to 2018. One of the key numbers from the year was reaching a referred investor level of 41%. This shows the faith our investors have in EstateGuru and their enthusiasm for our platform. Launching the Secondary Market was also a game-changer on so many levels. By adding an extra level of liquidity by allowing investors to sell their claims to their peers at any time, we delivered on one of the main requests from investors. Moving away from the retail sector, we managed to establish cooperation with several large institutional investors, and initiate negotiations and due diligence to cooperate with many more institutions, which will hopefully show results during 2020. This will allow us to significantly increase the size of projects we are able to offer on the platform.

MAJOR DEVELOPMENTS

In 2019, we set out to improve the overall experience for investors by continually refining and advancing our Auto Invest feature. As a tool to help investors easily establish a diversified portfolio while saving them time, we feel it now fully serves their needs.

The expansion to new countries also gave investors a wider choice of opportunities than ever before, and their willingness to enthusiastically back projects in these new geographical locations was an affirmation that we chose the right path.

"The combination of an active and rapidly-growing retail investor base and our successful integration of institutional investors means that we will come to see 2019 as the year we laid the solid foundations from which to launch our ambitious growth plans."

Triin Jõeleht
Head of Investor Relations

Expansion and Business Development

2019 was another fantastic year for EstateGuru.co and we doubled all key metrics in year-on-year terms, making it the fifth year in a row where we doubled our results. Added to this achievement, we also recorded 1,5 times growth in loan volume compared to 2018. At the same time, our team swelled from 25 to 43 people, with many talented and experienced individuals joining EstateGuru to add their skills and expertise.

HIGHLIGHTS OF THE YEAR

The undoubted highlight of the year was the fact that we managed to do the first deals in Finland to the amount of €6,8 million. An additional €0,7 million came from Portugal and Spain, which means that, all together, Estateguru made €80 million worth of sales in the previous year.

While we also planned to be operational in one more country (Germany, Spain or the

UK), we, unfortunately, had to postpone those plans. However, a lot of preparation work has already been done in these territories, and we aim to launch these new markets in 2020. This planned expansion will be a game-changer in forthcoming years (for our volumes) and the key strategy to deliver future growth.

MAJOR DEVELOPMENTS

Efficiency and cost reduction technologies were the key areas where we continued investing our time and effort during 2019. To remain nimble and cost-efficient we invested smartly and focussed on not bringing our recurring cost too high. It's not easy to do everything in a centralised way, but if done correctly, this makes us more flexible, less complex and enables us to scale more quickly. During 2019, we already saw the benefits of this approach. Even though we increased the number of transactions, verifications and investors two-fold, we managed this without the need to also double our employee numbers in those areas.

Also, combining our online platform with digital marketing helped us to generate leads and close investors exponentially. Using digital marketing, viral growth principles and automated processes for our community building allowed us to scale faster than the traditional business.

> *"Our success in 2019 shows the importance of executing and delivering daily, always being open to learning, keeping our thinking fast, and maintaining a super-sharp focus. The rewards will always be worth all the hard work."*
>
> **Mihkel Stamm**
> Chief Operations Officer

Group Leadership Team

Marek Pärtel Co-Founder/CEO

Marek is an experienced entrepreneur with a passion for proptech & fintech. Marek has been in the property business for 20 years as both a developer and investor. He's witnessed many occasions where banks are unwilling to lend money or very slow in doing so, even though there is a solid business plan and mitigated risks. To combat these inefficiencies in the financial world, an alternative marketplace for property loans was born in 2013. In addition to his role at EstateGuru, he is also an investor and adviser at Startupwiseguys, a co-founder and partner at Invego, an in-demand public speaker and an Angel Investor.

Mihkel Stamm Chief Operating Officer

Mihkel joined EstateGuru from Bigbank AS, where his duties included leading the Estonian sales network, being responsible for Bigbank Group's business processes and leading the development process for the new banking platform.

Marko Arro Partner/CFO

Marko has over 15 years of experience working as CFO in various property development and investment companies. Marko has a degree in financial management. Marko is also the CFO of a property development group Invego.

Kaspar Kaljuvee Partner/CRO

Kaspar has more than 15 years of experience in the real estate industry. He started as a real estate valuator and was entrusted with the most challenging and unique real estate objects before launching his personal real estate business by buying different properties from auctions and selling them at a profit. Kaspar believes that we have to look at the projects at EstateGuru as banks do but at the same time as potential investors would when buying these projects.

Daniil Aal Head of Group Sales

Daniil is responsible for sales activities across the entire platform and in all seven operating countries. He graduated from Aarhus University in Denmark and also studied finance at Hong Kong Polytechnic University. Previously he worked at Danske Bank and Transiidikeskuse AS.

Triin Jõeleht Head of Investor Relations

Triin oversees all aspects of investor relations at EstateGuru, both retail and institutional. She graduated from Tallinn University of Technology with a Bachelor’s degree in Applied Economics and also earned an M.sc. in International Business Economics from Aalborg University in Denmark.

Financial ratios as at 31.12.2019

	2019	2018
Debt-to-equity ratio (total liabilities / equity):	1,47	1,40
Current ratio (current assets / current liabilities):	0,55	1,04
Return on equity (net profit / equity):	-1,97	0,74
Net profit margin (net profit / net sales):	-0,22	0,07

Financial statements

Statement of comprehensive income

EUR

	Note	2019	2018
Revenue from contracts with customers	6	2 386 831	1 650 904
Cost of sales	7	-343 547	-241 364
Gross profit		**2 043 284**	**1 409 540**
Selling and distribution expenses	8	-373 962	-127 082
Administrative expenses	9	-2 157 712	-1 124 409
Other operating expenses		-37 857	-2 743
Operating profit		**-526 247**	**155 306**
Finance costs		-7 676	-36 047
Profit before tax		**-533 923**	**119 259**
Income tax expense		0	0
Profit for the year		**-533 923**	**119 259**
Other comprehensive income		0	0
Total comprehensive income for the year		**-533 923**	**119 259**

The notes on pages 26 to 52 are an integral part of these financial statements.

Statement of financial position

EUR

	Notes	31.12.2019	31.12.2018
Assets			
Non-current assets			
Tangible assets	10, 11	115 255	0
Intangible assets	12	376 370	218 004
Total non-current assets		**491 625**	**218 004**
Current assets			
Trade and other receivables	13	9 242	29 430
Cash and cash equivalents	14	170 238	136 583
Total current assets		**179 480**	**166 013**
Total assets		**671 105**	**384 017**
Equity and liabilities			
Equity			
Issued capital	15	2 600	2 600
Share premium		200 000	200 000
Reserve	15	704 082	58 981
Accumulated losses		-635 196	-101 273
Total equity		**271 486**	**160 308**
Non-current liabilities			
Interest-bearing loans and borrowings	16	71 171	63 580
Total non-current liabilities		**71 171**	**63 580**
Current liabilities			
Interest-bearing loans and borrowings	16	45 913	5 469
Trade and other payables	17	282 535	154 660
Total current liabilities		**328 448**	**160 129**
Total liabilities		**399 619**	**223 709**
Total equity and liabilities		**671 105**	**384 017**

The notes on pages 26 to 52 are an integral part of these financial statements.

Statement of changes in equity

EUR

		Attributable to equity holders of the parent					
	Notes	Issued capital	Unregistered capital	Share premium	Reserve	Accumulated losses	Total equity
As at 1 January 2018		**2 500**	**100**	**200 000**	**58 981**	**-212 044**	**49 537**
Other changes		0	0	0	0	-8 487	-8 487
Registration of share capital		100	-100	0	0	0	-100
Profit for the year		0	0	0	0	119 259	119 259
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income		0	0	0	0	119 259	119 259
As at 31 December 2018	**15**	**2 600**	**0**	**200 000**	**58 981**	**-101 273**	**160 308**
As at 1 January 2019		**2 600**		**200 000**	**58 981**	**-101 273**	**160 308**
Profit for the year						-533 923	-533 923
Other comprehensive income		0	0	0	0		
Total comprehensive income						-533 923	-533 923
Reserve					**645 101**		645 101
As at 31 December 2019	**15**	**2 600**	**0**	**200 000**	**704 082**	**-635 196**	**271 486**

* The company has recorded a reserve in total amount of 704 082 euros. In 2019 the parent company made payments to the reserve and all previous given loans were settled at fair value. The fair value of the loan is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument.

Statement of cash flows

for the year ended 31 December 2019

	Notes	2019	2018
Operating activities			
Profit/(loss) before tax		-533 923	119 259
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows			
Amortisation and impairment of intangible/tangible assets	11, 12	115 314	43 866
Finance cost		9 236	35 968
Working capital adjustments:		0	-8 487
Increase in trade and other receivables and prepayments	13	20 188	4 893
Increase in trade and other payables	17	127 874	71 169
Other changes	15	85 031	0
Net cash flows used in operating activities		**-176 280**	**266 667**
Investing activities			
Purchase of intangible assets	12	-242 945	-173 694
Net cash flows used in investing activities		**-242 945**	**-173 694**
Financing activities			
Proceeds from borrowings	16	0	25 000
Repayment of borrowings	10,16	-34 375	-100 409
Payments to other reserves	15	491 000	0
Net cash flows from financing activities		**456 625**	**-75 409**
Net increase in cash and cash equivalents		37 400	17 564
Net foreign exchange difference		-3 745	-2 470
Cash and cash equivalents at 1 January	14	136 583	121 489
Cash and cash equivalents at 31 December	**14**	**170 238**	**136 583**

The notes on pages 26 to 52 are an integral part of these financial statements.

Notes to the financial statements

NOTE 1 REPORTING ENTITY

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

The financial statements were prepared and authorized for issue by the management board on 30 June 2020. The general meeting of shareholders has the right to reject the report and demand the preparation of a new one.

NOTE 2 BASIS OF PREPARATION

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

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition from 01.01.2018

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

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

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

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

Foreign currencies

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

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

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

Intangible assets

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

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

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

Impairment of assets

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

Financial instruments from 01.01.2018

From 01.01.2018 the company classifies its financial assets according to the following:

- financial assets at fair value for which changes in fair value are recognised in other comprehensive income;
- financial assets at fair value for which changes in the fair value are recognised in profit or loss;
- financial assets recognised at amortised cost.

The classification is dependent on the company's business model for managing the financial assets and conditions of the contractual cash-flows. As at 31.12.2018 and 31.12.2019 the company only has financial assets recognised at amortised cost.

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

Loans and receivables

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

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

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

When the financial asset is derecognised, the profit or loss from the disposal of the asset is recognised under other income or expense in the statement of profit or loss. As at 1 January 2019 and 31 December 2019 all the financial assets of the company were recognised at amortised cost.

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

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

Cash and cash equivalents

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

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

Trade and other payables

Trade and other payables are obligations based on normal credit terms and do not bear interest, which are initially recorded at fair value. After initial recognition, trade and other payable are measured at amortised cost using the effective interest rate method. Effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Trade payables denominated in a foreign currency are translated into euros using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

Interest-bearing loans and borrowings

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

Fair value measurement

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

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

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

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

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

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

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

Income tax expense

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

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

Leases

Policy applicable from 1 January 2019

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

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 5 years
- Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. See accounting policies in section Impairment of assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings (see Note 16).

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

In the comparative period, the Company as a lessee classified leases that transfer substantially all of the risks and rewards of ownership as finance leases and all other leases as operating leases. In case of finance leases, upon initial recognition the leased assets were measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under operating leases were not recognized in the Company's statement of financial position. Instead, payments made under such leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Subsequent events

Note 1 – Significant judgements and estimates

The Company assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced in Estonia on 12th March, on the financial statements, including going concern assumption. The management has assessed that this matter will not affect the Company's ability to continue as a going concern as 2021.

In addition, the management has concluded that this event is a non-adjusting subsequent event and therefore it's potential impact was not considered when making estimates and assumptions about the recoverable values of the investments into subsidiaries, impairment of loans granted to subsidiaries and expected credit losses on trade receivables and contract assets that are mentioned above. This matter might have a significant impact on these estimates in the next financial period, which cannot be reasonably quantified at this stage by the management due to great level of uncertainty associated with further development of COVID-19 pandemic situation in the countries of operation of the Company and the economy as the whole due to general business disruption caused by this matter.

Note 2 – Subsequent events

The outbreak of the coronavirus (COVID-19) at the beginning of 2020 will have an impact on the Company's future business operations both globally and in Estonia. As disclosed in Note 1, this non-adjusting subsequent event was not reflected in the significant estimates and assumptions as of 31 December 2019 and might result in significant change in these estimates in the next upcoming financial statements. However, it has not yet been possible to assess its possible effect due to the uncertainty of the situation at the date of issue of these financial statements.

After the end of the financial year and up until the date these financial statements were approved, no other significant subsequent events occurred.

Changes in the accounting policies and disclosures

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

• IFRS 9: Financial Instruments

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed the effect of the standard and concluded that adoption of IFRS 9 did not have a significant impact on the financial statements as at 01 January 2019. The standard was applied without restating the comparative information. In the following table the classification of financial assets based on IAS 39 and IFRS 9 has been brought out.

	Classification in accordance with IAS 39	Carrying value as at 31 December 2018 in accordance with IAS 39	Classification in accordance with IFRS 9	Carrying value as at 1 January 2019 in accordance with IFRS 9
Accounts receivable and other receivables	Loans and receivables	29 430	Amortised cost	29 430
Cash and cash equivalents	Loans and receivables	136 583	Amortised cost	136 583

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

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

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

• IFRS 9: Prepayment features with negative compensation (Amendment)

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

• IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Company has adopted this standard using modified retrospective approach. Management has assessed the impact of IFRS 15 implementation on different revenue streams and concluded that there is no material impact. Majority of the revenues of the company are related to success fees and based on the analysis there were no changes from IFRS 15 adoption on recognising success fees.

• IFRS 15: Revenue from Contracts with Customers (Clarifications)

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

• IFRS 16: Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company has adopted IFRS 16 using the modified retrospective approach of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard is recognized in retained earnings at the date of initial application and comparative information is not restated.

The effect on 1 January was 0 because the lease liabilities as at 1 January 2019 were commitments to short-term leases and were not classified under IFRS 16 regulations.

The Company has lease contracts for office premises. Lease terms mostly fall between 1 and 3 years. Leases of office premises can be cancelled by leasing provider giving 10 business days notice and by the Company giving 30 business days notice. Fixed-term lease contracts can be extended on market terms. The Group also has certain leases of office premises with terms of 12 months or less and leases of office equipment of low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions to these leases. Expenses on short-term leases included in Administrative expenses were 53 423 euros in 2019. For the rental expenses see Note 9.

The effect of adopting IFRS 16 as at 9 May 2019 (increase/ (decrease)) is, as follows:

	EUR, thousands
Assets	
Right-of-use assets	145 990
Total assets	**145 990**
Liabilities	
Interest-bearing loans and borrowings	145 990
Total liabilities	**145 990**

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application, i.e. 1 January 2019. The right-of-use assets were measured either at:

- their carrying amount as if IFRS 16 had always been applied, using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to most of its property leases, or
- an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized – the Company applied this approach to all other leases.

At 1 January 2019 the effect was 0 because leases were short-term leases and leases of low-value assets. The Company signed a long-term lease contract at 9 May 2019 and for this IFRS 16 regulations were applied:

- Right-of -use assets of EUR 145 990 were recognized and presented separately in the statement of financial position.
- Additional lease liabilities of EUR 145 990 (included in Interest bearing loans and borrowings) were recognized.

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

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

• IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

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

• IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that adoption of this standard did not have effect on company's financial statements.

• **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management has assessed that adoption of this standard did not have effect on company's financial statements.

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

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

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

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

• **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. Management has assessed that adoption of this standard did not have effect on company's financial statements.

- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

• **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after

1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that adoption of this standard did not have effect on company's financial statements.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Standards issued but not yet effective and not early adopted

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

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

• Conceptual Framework in IFRS standards

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

• IFRS 3: Business Combinations (Amendments)

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

• IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

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

NOTE 4 MANAGEMENT JUDGEMENTS AND ESTIMATES

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

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

- Recoverability of accounts receivable. At each reporting date management assesses if accounts receivables are recoverable and whether any allowance is needed. From 01.01.2018 company determines the allowance for financial assets recognised at amortised cost based on 12 months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in the credit risk of the financial instrument compared to initial recognition. Individual assessment is made for each receivable to determine if the credit risk has increased significantly or not and in which amount the credit loss should be recognised. If the client is bankrupt or liquidated, the accounts receivable will be written-off.

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

- Recoverability of intangible assets. Management estimates the recoverable amount of intangible assets if there is indication that an intangible asset has been impaired. Management's judgment and estimates are required to assess the future cash flows and to use proper discount rate in calculating the net present value of the cash flows.

- Capitalization of development costs. The Company capitalises costs for platform development purchased from third parties. Management judgment is required in determining whether a service purchased is research, development, or maintenance cost. Management capitalizes costs that satisfy the following conditions: the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and use the intangible asset; its ability to use the intangible asset; that the asset will generate future economic benefits and the expenditure can be reliably measured.

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates and assumptions

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

Leases - Estimating the incremental borrowing rate

> The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

NOTE 5. RISK MANAGEMENT

General risk management

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

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

Market risk

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

Interest rate risk

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

As at 31.12.2019 and 31.12.2018 the Company had no interest-bearing loan obligations with variable interest rates and therefore no sensitivity analysis is presented.

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

Credit risk

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

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

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

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

	Note	31.12.2019	31.12.2018
Accounts receivables	13	0	25 410
Short term loans	13	0	600
Other receivables	13	9 242	3 420
		9 242	**29 430**

	31.12.2019	31.12.2018
Accounts receivable past due but not impaired:		
Overdue less than 90 days	9 242	3 420
Overdue more than 90 days	0	26 010

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

Liquidity risk

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

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

As at	Liability	Note	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL
31.12.2019	Borrowings	16	45 913	71 171	0	117 084
	Interest payable	16	0	0	0	0
	Trade payable	17	158 551	0	0	158 551
31.12.2018	Borrowings	16	4 218	80 391	0	84 609
	Interest payable	16	1 229	8 671	0	9 900
	Trade payable	17	95 096	0	0	95 096

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

The Company has also an unused amount of credit limit with the parent company, which amounted to 500 000 euros as at 31.12.2019 (31.12.2018: 485 377 euros). The unused credit limit can be used to fulfil the short-term liabilities of the Company.

Capital management

The primary objective of the Company's capital management is to ensure that the Company maintains equity ratios to support the Company's business activities and maximize shareholder value. No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 December 2019 and 2018.

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

	31.12.2019	**31.12.2018**
Total equity	271 486	160 308
Total assets	671 105	384 017
Capital ratio	**40,45%**	**41,75%**

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

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

Business specific risks

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

The Company mainly minimises operational risk by using four eyes principle and segregation of duties in carrying out transactions and procedures where potential losses could be higher. All of the group's credit decisions of loans that are being issued through lending platform are only being made

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

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

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

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

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

NOTE 6. REVENUE FROM CONTRACTS WITH CUSTOMERS/SALES

for the year ended 31 December 2019

	2019	2018
Loan success fee	1 733 455	1 525 089
Administration fees	107 945	22 597
Management fees to Company	370 482	0
Other revenue	174 949	103 219
Total	**2 386 831**	**1 650 904**

The earned revenue from sales divided between countries (EUR):

Estonia	**1 884 129**
Finland	**185 306**
Lativa	**139 716**
Lithuania	**158 264**
Portugal	**15 601**
Spain	**3 814**

NOTE 7. COST OF SALES

for the year ended 31 December 2019

	2019	2018
Referral fees	-195 208	-163 613
Broker, valuation expenses	-84 880	-39 796
Transactions expenses	-60 387	-37 955
Insurance on loan objects	-3 072	0
Total	**-343 547**	**-241 364**

NOTE 8. SELLING AND DISTRIBUTION EXPENSES

for the year ended 31 December 2019

	2019	2018
Advertising expenses	-358 766	-124 437
Other marketing expenses	-15 196	-2 646
Total	**-373 962**	**-127 082**

NOTE 9. ADMINISTRATIVE EXPENSES

for the year ended 31 December 2019

	2019	2018
Rental expenses	-53 423	-80 582
IT and communication expenses	-216 650	-75 454
General administrative expenses	-141 473	-26 022
Travel expenses	-99 802	-37 020
Training expenses	-69 158	-13 349
Purchased services, including	-729 945	-495 931
consultancy fees	-434 737	-303 983
legal service fees	-258 620	-177 129
accounting fees	-20 685	-9 986
translation fees	-15 903	-4 834
Other expenses and services	-31 746	-18 458
Personnel expenses, including	-700 201	-333 727
salary expenses	-509 624	-247 943
social tax expenses	-171 819	-83 753
other expenses	-18 759	-2 031
Amortisation of tangible assets	-30 735	0
Amortisation of intangible assets	-84 579	-43 866
Total	**-2 157 712**	**-1 124 409**

Average number of employees in 2019 was 17 (2018: 10).

Rental expenses include office rent and utility fees. There are no non-cancellable operating leases. The rental expenses included in administrative expenses are for short-term leases and IFRS 16 was not applied to them for this reason. As at 09. May 2019 IFRS 16 standards have been applied to long-term rental costs.

NOTE 10. LEASES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Office (€)
As at 1 January 2019	0
Additions	145 990
Depreciation expense	(30 735)
As at 31 December 2019	**115 255**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2019 (€)
As at 1 January 2019	**0**
Additions	145 990
Payments	(28 906)
As at 31 December 2019	**117 084**
Current	45 913
Non-current	71 171

The following are the amounts recognized in profit or loss:

	2019 (€)
Depreciation expense of right-of-use assets	30 735
Interest expense on lease liabilities	2 347
Expenses relating to short-term leases (included in administrative expenses, Note 9)	53 423
Total amount recognized in profit or loss	**86 505**

The Company had total cash outflows for IFRS 16 leases of EUR 31 253 in 2019.

- The following provides information on the Company’s variable lease payments in 2019, including the magnitude in relation to fixed payments:

2019	Fixed payments	Variable payments	Total
	€	€	€
Fixed rent	4 037	-	4 037
	4 037	**0**	**4 037**

Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

There are no extension or termination options expected to be exercised.

NOTE 11. TANGIBLE ASSETS

For the year ended 31 December 2019

	ROU Assets	Total
Cost		
At 1 January 2018	**0**	**0**
Additions	0	0
At 31 December 2018	**0**	**0**
Additions	145 990	145 990
At 31 December 2019	**145 990**	**145 990**
Amortisation and impairment		
At 1 January 2018	**0**	**0**
Depreciation	0	0
At 31 December 2018	**0**	**0**
Depreciation	30 735	30 735
At 31 December 2019	**30 735**	**30 735**
Net book value		
At 31 December 2019	**115 255**	**115 255**
At 31 December 2018	0	0
At 1 January 2018	0	0

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

NOTE 12. INTANGIBLE ASSETS

for the year ended 31 December 2019

	Platform development	Total
Cost		
At 1 January 2018	**142 561**	**142 561**
Additions	168 381	168 381
At 31 December 2018	**310 942**	**310 942**
Additions	242 945	242 945
At 31 December 2019	**553 887**	**553 887**
Amortisation and impairment		
At 1 January 2018	**49 072**	**49 072**
Amortisation	43 866	43 866
At 31 December 2018	**92 938**	**92 938**
Amortisation	84 579	84 579
At 31 December 2019	**177 517**	**177 517**
Net book value		
At 31 December 2019	376 370	376 370
At 31 December 2018	218 004	218 004
At 1 January 2018	93 489	93 489

NOTE 13. TRADE AND OTHER RECEIVABLES

for the year ended 31 December 2019

	31.12.2019	31.12.2018
Accounts receivables	0	25 410
Short term loans	0	600
Other receivables	0	3 420
Prepayments to suppliers	9 242	0
Total	**9 242**	**29 430**

The recoverability of accounts receivables is assessed based on the probability of payment. Every receivable is assessed individually based on the customer's solvency. If there are indications for impairment, then an allowance is recorded. As at 31.12.2019 account receivables (25 410 EUR) and given loans (600 EUR) recorded at 31.12.2018 were assessed nonrecoverable.

Loans are denominated in euros.

NOTE 14. CASH AND CASH EQUIVALENTS

for the year ended 31 December 2019

	31.12.2019	31.12.2018
Cash at banks and on hand	170 238	136 583
Total	**170 238**	**136 583**

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

As at 31.12.2019 cash held on behalf of investors amounted to 7 217 799 euros (31.12.2018: 4 764 882 euros).

NOTE 15. SHARE CAPITAL

for the year ended 31 December 2019

	Ordinary shares	
	31.12.2019	**31.12.2018**
Share capital	2 600	2 600
Number of ordinary shares	1	1
Nominal value per share	2 600	2 600

The company has recorded a reserve in amount of 704 082 euros. Addition in 2019 was 645 101 EUR. The amount of 645 101 EUR included payments to reserve (491 000 EUR), other settlements (85 031 EUR) and loan balance from 31.12.2018 at fair value (69 070 EUR). The fair value of the loan is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The fair value differential is treated as additional capital introduced by the shareholders in the form of the present value of future forgiven cash flows.

NOTE 16. INTEREST-BEARING LOANS AND BORROWINGS

for the year ended 31 December 2019

	31.12.2019	31.12.2018
Borrowings (current and non-current)	117 084	59 126
Interest payable	0	9 900
Other payables	0	22
Total	**117 084**	**69 049**

As at	Liability	Less than 1 year	From 1 to 5 years	Over 5 years	TOTAL	Effective interest rate	Currency	Due date
31.12.2019	Borrowings (ROU IFRS 16)	45 913	71 171	0	**117 084**	**2.63%**	**EUR**	**2022**
31.12.2018	Borrowings	4 218	54 908	0	**59 126**	**10%**	**EUR**	**2021**
	Interest payable	1 229	8 671	0	**9 900**			

There are no collaterals for the borrowings.

NOTE 17. TRADE AND OTHER PAYABLES

for the year ended 31 December 2019

	31.12.2019	31.12.2018
Debts to suppliers	158 551	95 096
Current tax liabilities	57 412	28 853
Payables to employees	66 572	30 711
Total	**282 535**	**154 660**

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

NOTE 18. RELATED PARTY DISCLOSURES

for the year ended 31 December 2019

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

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

The parent company

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

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

	Receivables	Borrowings	Interest payable
Parent company:			
Estateguru Holding OÜ			
31.12.2019	0	0	0
31.12.2018	0	8 671	59 126
Amounts received in 2019	0	0	0
Amounts payed back in 2019	0	0	0
Total change in 2019		**0**	**0**

As at 31.12.2019 all borrowings from parent company were converted to equity under other reserves at fair value. The fair value of the loan is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The fair value differential is treated as additional capital introduced by the shareholders in the form of the present value of future forgiven cash flows. For exact numbers see Note 15 Share capital.

The terms of the borrowings from the parent company have been presented in note 16 and unused credit limit presented in note 5.

Other companies related to key management personnel

		Receivables	Borrowings	Interest payable
Companies related to key management personnel:				
	31.12.2019	0	0	0
	31.12.2018	0	4 218	1 229

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

		Purchased services
Companies related to key management personnel:		
	2019	112 506
	2018	176 152

Purchased services include consultancy fees.

Key management personnel compensation in 2019 was 214 967 euros (2018: 91 411 euros).

NOTE 19. FAIR VALUE MEASUREMENT

	As at	Notes	Carrying value	Total	Level 1	Level 2	Level 3
Assets for which fair values are disclosed							
Trade and other receivables	31.12.2019	13	9 242	9 242	0	0	9 242
Trade and other receivables	31.12.2018	13	29 430	29 430	0	0	29 430
Liabilities for which fair values are disclosed							
Trade and other payables	31.12.2019	17	282 535	282 535	0	0	282 535
Trade and other payables	31.12.2018	17	154 660	154 660	0	0	154 660
Interest-bearing loans and borrowings	31.12.2019	16	117 084	117 084	0	0	117 084
Interest-bearing loans and borrowings	31.12.2018	16	69 026	69 026	0	0	69 026

Accounts written above are recorded at amortized cost.

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

SIGNATURES OF THE MANAGEMENT BOARD TO THE ANNUAL REPORT

Management has approved the 2019 annual report on 30.06.2020.

/digitally signed/ **Marko Arro**

/digitally signed/ **Mihkel Stamm**

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Translation of the Estonian Original

INDEPENDENT AUDITOR’S REPORT

To the Shareholder of EstateGuru OÜ

Opinion

We have audited the financial statements of EstateGuru OÜ, which comprise the statement of financial position as at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EstateGuru OÜ as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (including International Independence Standards) (Estonia), and we have fulfilled our other ethical responsibilities in accordance with the requirements of code of ethics.

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

Other information

Management is responsible for the other information. Other information consists of management report, but does not consist of the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/digitally signed/ **Stan Nahkor**
Authorised Auditor’s number 508
Ernst & Young Baltic AS
Audit Company’s Registration number 58

Tallinn, 30 June 2020

ESTATEGURU

In closing, we would like to extend our heartfelt thanks to everyone who helped us make 2019 the most successful year in EstateGuru's history. The investors who trusted us with their money, the borrowers who came to us for funding, the entire team who ensured that we always delivered the very best product and service, and our management structure for their vision and drive.

We look forward to scaling even greater heights in 2020 and continue on our mission to be the largest real estate investment platform in Europe. We believe that alternative finance is the future, and we will strive every day to help shape the new economy.

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