GRÜNFIN

ANNUAL REPORT

beginning of financial year:	22 January 2021
end of financial year:	31 December 2021
business name:	Grünfin AS
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Management report

Business activities

Grünfin AS was founded in January 2021 and hereby submits its first annual report for the period from 22 January 2021 to 31 December 2021.

The objective of Grünfin AS ("Grünfin") is to make sustainable investing easy so that everyone could
invest based on their values. The objective of Grünfin is to remove current barriers and create a technically simple
and easily accessible investment solution with an incentive scheme fostering long-term investing and to contribute
to making value-based investing understandable for a wide group of stakeholders.

The Company was founded as a (100%) subsidiary of Grünfin Group OÜ in order to start providing portfolio management and ancillary investment services (safekeeping and administration of securities) in the European Economic Area (EEA).

Grünfin AS received an authorisation of an investment firm from the Financial Supervision Authority in October 2021 and thereafter started to provide customers with the service. After receiving the authorisation, the Company started gradual takeover of the intra-Group business activities, including the technological platform and staff, from the parent company.

Grünfin Group OÜ, the parent company of Grünfin AS, has raised 255,250 euros from its shareholders and during 2021 also 1,920,000 euros from its investors. These investments have covered the contribution to the share capital of Grünfin AS and the share premium, no direct external investments have been raised into the share capital of Grünfin AS. The purpose of the investments is to extend the economic activities of the Group and enter new foreign markets next year.

The average number of employees of the Group during the 2021 financial year was six. By the end of 2021, the contracts of all employees had been transferred to Grünfin AS.

The objective of Grünfin is to provide a wider circle of customers with a value-based portfolio management that does not require the existence of an ordinary larger start-up capital but is rather aimed at regular and long-term saving. Product pricing is transparent, consisting of a monthly fixed fee that does not depend on the amount of the investment (a portfolio of up to 1,000 euros is free of charge) and the performance fee if upon achieving the ultimate goal the portfolio has yielded a larger gain than that which was initially estimated. Value-based investing provides customers with an opportunity to invest in three categories – climate, healthcare and equal treatment.

The average* return of the portfolios as of the commencement of activities (14 October 2021) until the end of the accounting period (31 December 2021) was as follows:

- Return of the combined climate, healthcare and equal opportunities portfolios +1.7%
- Average return of the climate portfolios +2.7%
- Average return of the equal opportunities portfolios +2.2%
- Average return of the healthcare portfolios +0.2%

**The aforementioned portfolios can be chosen of high, low as well as medium risk level.*

As this is just the first year of activity, it is not possible to compare the return of the portfolios against previous periods.

As of the end of the year, the volume of assets invested in securities amounted to 213 thousand euros, of which equity funds (ETFs) accounted for 77% and bond funds for 23%. As of the end of the year, Grünfin had 303 active customers who had, in total, 345 portfolios.

The fees and commissions received as of the commencement of activities in October amounted to 943 euros. The balance sheet total of the Company at end of the year amounted to 820,486 euros. The return on assets (ROA) was -33.9%, return on equity (ROE) was -50.5%, and current ratio was 2.53x*. The total loss of Grünfin AS for the financial year amounted to 278,759 euros.

Major development projects in the financial year were the development of an integral and automated service platform that allows for a convenient online use of the service in full. In the coming years, the focus will continue to be on improving customer experience and automating internal processes.

The objective for 2022 is to significantly extend the activities, increase both the number of customers and the volume of assets, and to bring various target groups into focus. The objective is to focus on German customers, to provide them with easy and smooth access to the service, and to create communication that is inherent and understandable to them. In addition, the Company engages in further development of the investment platform software and improves the customer experience in its entirety.

No significant events took place during the period of preparation of the financial statements that are not disclosed in the financial statements but that have or could have a significant impact on the results of the following financial years. Due to the small size and nature of activities of the Company, the activities involve no substantial environmental and social impacts.

**Formulas used for calculation of ratios:*
Current ratio (in times) = current assets / current liabilities
*ROA (%) = net profit / total assets * 100*
*ROE (%) = net profit / total equity * 100*

External environment

In 2021, the external environment continued to be affected by the COVID-19 pandemic and the restrictions arising therefrom. Thanks to the web-based service model of Grünfin, the restrictions had no significant impact.

The Russian invasion into Ukraine, which began in February 2022, has an adverse impact on the activities of the Company due to the macroeconomic changes (increase in interest rates, instability of equity markets, increase in the prices of raw materials, and inflation). High uncertainty about investing and at the same time also fear of inflation make people search for more stable asset classes. As for its nature, the product of Grünfin is long-term, oriented at stable capital growth and is thus a suitable product in changing economic conditions.

The most important changes in the regulatory landscape were Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms (IFR) which established independent capital management requirements for investment firms. Investment firms had earlier been governed by banking regulations. Grünfin will also implement new capital requirements in 2022 when Estonia will transpose the Directive that covers the new framework and when new disclosure requirements enter into force.

Another important field that affects the activities of Grünfin is the pan-European regulatory framework of sustainable investments. Above all Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR) and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation). These regulations ensure that sustainable investments undergo uniform treatment and obligate, among other things, fund managers and portfolio managers to disclose information about the services that they provide. Market participants are required to disclose to which extent environmental, social or governance criteria have been taken into consideration.

Grünfin has adopted the position that, upon compiling investment portfolios, it prefers funds that meet the requirements of Articles 8 and 9 of the SFDR and promote environmental or social characteristics or have set the objective of providing transparent information about their activities upon following sustainable criteria.

Financial statements

Statement of financial position
(euros)

ASSETS	Note	31.12.2021	22.01.2021
Cash	7	673,191	125,000
Receivables and prepayments	8	6,761	0
Total current assets		**679,952**	**125,000**
Intangible assets	10	140,534	0
Total non-current assets		**140,534**	**0**
TOTAL ASSETS		**820,486**	**125,000**
LIABILITIES AND EQUITY			
LIABILITIES Current liabilities			
Payables and prepayments	11	268,359	0
Total current liabilities		**268,359**	**0**
Total liabilities		**268,359**	**0**
EQUITY			
Share capital at nominal value	13	150,000	125,000
Share premium		675,000	0
Other reserves	17; 18	5,886	0
Profit (loss) for reporting period		-278,759	0
Total equity		**552,127**	**125,000**
TOTAL LIABILITIES AND EQUITY		**820,486**	**125,000**

Statement of comprehensive income
(euros)

	Note	22.01.2021-31.12.2021
Fee and commission income	14	944
Fee and commission expenses	16	-3,210
Interest income		43
Net operating income		**-2,223**
Personnel expenses	17	-192,077
Other operating expenses	15	-84,459
Profit (-loss) before income tax		**-278,759**
Profit (-loss) for reporting period		**-278,759**
Comprehensive income (-loss) for reporting period		**-278,759**

Statement of cash flows
(euros)

	Note	22.01.2021-31.12.2021
Cash flows from operating activities:		
Loss for reporting period		-278,759
Adjustments:		
Formation of reserves	17; 18	5,886
Change in receivables and prepayments related to operating activities	8	-6,761
Change in payables and prepayments related to operating activities	11	268,359
Total cash flows from operating activities		**-11,275**
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	10	-140,534
Total cash flows from investing activities		**-140,534**
Cash flows from financing activities:		
Proceeds from issue of shares		700,000
Total cash flows from financing activities		**700,000**
Total cash flows		**548,191**
Cash and cash equivalents at beginning of period	7	**125,000**
Change in cash and cash equivalents		548,191
Cash and cash equivalents at end of period	7	**673,191**

Statement of changes in equity
(euros)

	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance 22.01.2021	**125,000**	**-**	**-**	**-**	**125,000**
Loss for financial year	-	-	-	-278,759	-278,759
Share capital issued	25,000	675,000	-	-	700,000
Formation of reserve	-	-	5,886	-	5,886
Balance 31.12.2021	**150,000**	**675,000**	**5,886**	**-278,759**	**552,127**

Further information on the share capital is set out in Note 13.

Further information on the equity reserve formed is set out in Note 18.

Note 1. General information

Grünfin AS is an investment firm licensed as of 4 October 2021. According to the authorisation, the Company provides securities portfolio management service. As at 31 December 2021, the address of the Company was Võistluse 1, Tallinn, Estonia. In April 2022, the Company moves to the new address of Volta 1, Tallinn, Estonia.

The financial statements of Grünfin AS for 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements for the year ended 31 December 2021 were approved by the management board on 20 April 2022. The financial statements approved by the management board will be approved by the supervisory board and shareholders. The shareholders have the right to approve or reject the financial statements and demand that the management prepare new statements. The supervisory board has no such right.

Note 2. Accounting methods and measurement bases used in the preparation of the financial statements

The financial statements of Grünfin AS have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In addition to the information required pursuant to the International Financial Reporting Standards, the financial statements include information concerning risk management, own funds and capital adequacy subject to disclosure, which is set out in Note 5.

The financial statements have been prepared on a historical cost basis unless otherwise described in the accounting policies below.

The financial year began on 21 January 2021 upon foundation of the Company and ended on 31 December 2021.

The estimates in the financial statements are presented in euros and in full units unless otherwise stated.
As the Company presents its first financial statements, nothing has changed in the accounting policies compared to previous periods.

Financial assets

Accounting policies as of the foundation of the Company (21 January 2021)

Classification

The Company classifies its financial assets in the following measurement categories:
- those to be measured at fair value with changes through profit or loss
- those to be measured at amortised cost.

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, financial assets are measured at fair value. Transaction fees of financial assets are expensed in profit or loss.

Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. The Company uses expert-based individual assessments for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), life-time ECL applies.

On each balance sheet date the Company performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant increase in credit risk is based on quantitative and qualitative indicators. Indicators include payments that are past due >30 days and <90 days and financial assets whose contractual terms have been revised due to the customer's financial difficulties. In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial asset is transferred to Stage 2. The approach is symmetrical, meaning that in subsequent balance sheet dates, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial asset moves back to Stage 1.

For trade receivables without a significant financing component the Company applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Fair value measurement

The Company measures the fair value of financial instruments, such as derivatives, at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent 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; or
• in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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) 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 directly or indirectly unobservable.
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

Cash

Cash and cash equivalents include cash at bank and short-term bank deposits (with a redemption term of less than 3 months) that do not bear any significant risk of changes in their market value.

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

The functional currency of the Company is the euro. Foreign currency transactions are recognised using the official exchange rates quoted by the European Central Bank on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are restated in euros using the official exchange rates quoted by the European Central Bank on the reporting date. Gains and losses on foreign currency transactions are recognised in profit or loss as revenue and expenses of the period.

Financial investments

Financial investments are initially registered at their cost which is equal to the fair value paid for the financial asset in question and the investments are registered on the date of the transaction.

Transaction costs associated with financial investments are recognised in profit or loss. Investments made into equity instruments must always be recognised at fair value.

Financial instruments recognised at fair value are restated on each working day according to their current fair value without deducting potential transaction costs associated with the realisation of the financial instrument. The basis for the fair value is the quoted market price of the financial instrument.

Property, plant and equipment and intangible assets

Based on the materiality concept, only such asset items are recognised as non-current assets that have, separately or as a set, a cost of more than 10,000 euros and useful life of more than one year.

Property, plant and equipment have been recognised in the statement of financial position at their cost, less accumulated depreciation and any write-downs resulting from impairment of assets. The Company uses the straight-line method upon depreciation of property, plant and equipment.

Depreciation rates are established separately for each item of non-current assets on the basis of its useful life.

The depreciation rates established for property, plant and equipment are reviewed if circumstances have emerged that may significantly change the useful life of the non-current assets or the group of non-current assets. The effect of changes in evaluations is recognised within the reporting period and in subsequent periods.

Property, plant and equipment are derecognised upon transfer of the assets or when the Company no longer expects an economic benefit from the use or sale of the assets. Expenses related to current maintenance and repairs are recorded in expenses of the reporting period.

Threshold for recognition of non-current assets 10,000, the useful life is determined separately in the event of each asset item.

Leases

As a result of all leases, the lessor receives the right to use the asset as of the commencement of the lease and – if the lease payments are made over a period of time – they receive financing as well.

The lessee must (a) register the assets and liabilities of all leases with a term of more than 12 months unless the value of the leased asset is low; and (b) recognise depreciation on leased assets and interest expenses on lease liabilities in profit or loss.

The Company leases office premises. At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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 determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option. The lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

Initial measurement

At the commencement date, a lessee measures the right-of-use asset at cost.
The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent measurement

After the commencement date, the Company measures the right-of-use asset and the corresponding liability on the date that the cost model can be applied to the leased asset. To apply a cost model, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

After the commencement date, the Company measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the lessee recognises interest on the lease liability in profit or loss. If there are changes in lease payments, there may be a need to remeasure the lease liability. A lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the lessee recognises any remaining amount of the remeasurement in profit or loss.

A lessee accounts for a lease modification as a separate lease if both:
a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration of the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Each lease payment is apportioned between the finance charge (interest expense) and the principal repayments of the lease liability to reduce the carrying amount of the liability. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability at any given time.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Financial liabilities

Financial liabilities consisting of trade creditors, taxes payable and payables to employees are initially registered at their cost, which is the fair value of the consideration payable or receivable for the particular financial liabilities.

Payables to employees include calculated but unpaid salaries and holiday pay liability as at the reporting date. Holiday pay liability is recognised together with social taxes and unemployment insurance premiums in the balance sheet under payables and prepayments and in profit or loss under personnel expenses.

Statutory reserve capital

Pursuant to the Commercial Code of the Republic of Estonia, the Company transfers each financial year at least 5% of the net profit of the current year to the statutory reserve capital until the reserve capital accounts for at least 10% of the share capital.

The statutory reserve capital may not be distributed as dividends, but it may be used to cover losses if the losses cannot be covered from the available equity. The statutory reserve capital may also be used to increase the share capital of the Company.

Off-balance sheet accounting

Off-balance sheet accounts consist of customers' funds safekept by Grünfin. Off-balance sheet assets may be recognised in cash or securities. Grünfin invests cash deposited by customers in securities once a week.

Customers' assets are also recognised as off-balance sheet liabilities. Customers' assets are recognised as liabilities on a cash basis at the moment when cash is received from the customer.

Grünfin keeps off-balance sheet accounting in the accounting programme as a separate module (Customer Ledger) which includes all the accounts used in the accounting of customers' assets.

The Customer Ledger receives input information from the Grünfin system and from customers' bank accounts, incl. securities accounts. It also serves as an output for the accounting of Grünfin in order to keep accounts of revenue and expenses.

Revenue

Revenue is recognised in terms of the following main revenue types: fee and commission income, other operating revenue and financial income.
Fee and commission income is recorded in the accounting on an accrual basis at the moment of executing the respective transaction. Revenue earned in the Company's ordinary course of business is recognised at the fair value of the consideration received or receivable.

Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other one-off service revenues and other revenues are recognised on an accrual basis at the moment of executing the respective transaction.

The sales revenue of the Company consists of fixed monthly fees for the management of portfolios. In 2021, the monthly fee for a portfolio was 3.90 euros; no fee is charged for a portfolio volume of up to 1,000 euros.

The customer base only includes retail customers, the service is not provided to companies.

Taxation

Corporate income tax

Pursuant to the Income Tax Act in force in Estonia, corporate earnings are not subject to tax in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, disbursements not related to business and adjustments of transfer prices.

There are no differences between the carrying amounts and tax bases of the assets of companies registered in Estonia that could result in deferred tax receivables and deferred tax liabilities. The contingent income tax liability which would arise on the distribution of retained earnings as dividends is not recognised in the balance sheet. The maximum income tax liability which would arise on the distribution of retained earnings as dividends is presented in the notes to the financial statements.

The corporate income tax associated with the distribution of dividends is recognised as a liability and an income tax expense in profit or loss at the time the dividends are declared, regardless of the period for which the dividends are declared or the time of their actual payment.

The income tax liability emerges on the 10^{th} day of the month following the month when the dividends were distributed. The income tax is withheld by the entity that distributed the dividends.

Related parties

For the purposes of the financial statements, related parties include:

Executive and senior management, and major shareholders who are private persons, unless these persons are unable to exercise significant influence over the business decisions of the Company;

Close family members of the persons described above (i.e. the family members who can be presumed to have significant influence, such as spouses and children) and companies under their control or significant influence.

Recognition of events after the balance sheet date

Events after the balance sheet date include events of impact on the business activities of the Company, which had not yet occurred on the balance sheet date, but which have an influence on business activities in subsequent periods. A distinction is made between adjusting and non-adjusting events. Adjusting events have an impact on the financial results of the period that has ended. Non-adjusting events have no impact on financial results.

Note 3. Adoption and interpretation of new revised standards and new accounting policies

Certain new International Financial Reporting Standards, amendments to existing standards and the interpretations of the standards have been issued by the time of compiling these financial statements, which became mandatory for the Company's financial years beginning on or after 1 January 2021. An overview of these standards and the impact of their interpretations on the Company's financial statements are stated below.

Adoption of new or revised standards and interpretations

There are no new or revised standards or interpretations thereof that are effective for the first time for the financial year beginning on or after 1 January 2021 that have a material impact on the Company.

New standards, interpretations and amendments thereto

Certain new or revised standards and interpretations have been issued that are mandatory for the Company's annual periods beginning on or after 1 January 2022, and which the Company has not early adopted.

A list of the new or revised standards or interpretations is set out below:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- IFRS 17 Insurance Contracts
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, reference to the conceptual framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3 and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Amendments to IFRS 17 and IFRS 4

The management believes that the new or revised standards or interpretations are not expected to have a material impact on the Company.

Note 4. Significant management judgments and estimates

The preparation of financial statements in conformity with IFRS as adopted in the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual outcomes may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change, if the change affects that period only, or in that period and in future periods if the change affects both the current period and future periods.

The following are key management estimates that may have an impact on the financial statements:

Trade receivables (assessment of recoverability) – the management assesses accounts receivable on the basis of its experience and best knowledge, and the management assesses all the receivables individually, the expected credit losses are calculated in respect of accounts receivable, and the management tests, above all, impairment of the value of outstanding receivables and writes off the estimated sum of doubtful and uncollectible receivables.

Value of assets – on each balance sheet date the management estimates whether there are any indications that the value of assets may have fallen below their carrying amount and whether there are any objective indications to an impairment of the value of assets, including intangible assets; an impairment of the value is recognised if it is highly likely that the assets in their entirety or a significant portion thereof do(es) not bring the expected economic benefit, e.g. expiration or termination of use of licences.

Assessment of useful lives of property, plant and equipment – the management has assessed the useful lives of property, plant and equipment proceeding from the forecast useful life of the assets and relying on its experience. The useful lives and residual values of items of property, plant and equipment are reviewed at the end of each financial year and, if necessary, the depreciation methods or rates are adjusted.

Recognition of assets held by customers – the management has analysed the recognition of assets held by customers and determined that pursuant to the IFRS principles all asset classes of customers must be recognised in off-balance sheet accounts and the revenue and expenses generated by the assets of customers belong to the customer in full.

Going concern – the management board of Grünfin AS has assessed the ability of Grünfin AS to continue as a going concern and believes that Grünfin AS has sufficient funds in order to continue its activities. Therefore, the financial statements are prepared on the basis of the going concern principle.

Contingent liabilities – the tax authority is entitled to inspect the Company’s accounting for taxation purposes within five years of the due date for filing a tax return and, upon identifying errors, determine an additional amount of tax, interest or penalty. The Company’s management believes that in 2021 there are no circumstances that could result in tax authorities imposing any significant additional tax amounts on the Company.

Note 5. Risk management, principles of calculating capital requirements and capital adequacy

Grünfin AS has applied, on a Group basis, a set of risk management rules, the principles and policies of which have been approved by the management board and supervisory board. In order to manage possible business risks, the Company applies corresponding processes for identifying, mitigating and monitoring risks. Risk management consists in consistent activities in which the organisation as a whole has been involved and the purpose of which is to ensure the sustainability of the Company through the existence of sufficient capital should the risks materialise as well as to ensure transparency and high quality of management decisions.

The most significant risks for Grünfin AS are the following:

Liquidity risk – the risk that the Company is unable to meet its liabilities on time. To manage this risk, a regular capital and liquidity adequacy process is carried out and the cash flows arising from assets and liabilities and having an impact on liquidity also undergo monitoring. The revenue of Grünfin consists of the fees and commissions collected from customers; in the case of arrears, Grünfin has the right to sell the securities held by customers in order to cover the arrears.

As at 31 December 2021, Grünfin had no overdue arrears.

Assets and liabilities held for managing liquidity risk by contractual maturity dates (31 December 2021)

	Note	On demand	Up to 1 year	Over 1 year	Total
Assets held for managing liquidity risk					
Cash and cash equivalents	Note 7	673,191	0	0	673,191
Trade receivables	Note 8		6,761	0	6,761
Total assets held for managing liquidity risk		**673,191**	**6,761**	**0**	**679,952**
Liabilities by contractual maturity dates					
Payables and prepayments	Note 11	0	268,359	0	268,359
Total liabilities		**0**	**268,359**	**0**	**268,359**

Operational risk – the risk resulting from the inadequacy of internal processes, the activities of people or systems, or their failure to function as expected, or external events. To manage the aforementioned risk, the Group has applied various methods starting from processes for identification of risks and ending with employee training. The risk is monitored regularly and assessed additionally as part of the capital and liquidity adequacy process.

Earnings risk – the risk that revenue from principal activities will reduce. This risk increases when revenue increases, at the moment we cannot see a substantial impact as we are at the launching stage. However, in the first year of activity we assess our risks more often and make adjustments, if necessary.

Economic cycle risk – the risk resulting from changes in the phase of an economic cycle. This risk may have an impact on the activity of customers and, in turn, reveal itself in the form of another risk, e.g. business risk, for the Company. The service provided by Grünfin is generally aimed at regular savings, which should level the fluctuation of financial markets for the customer during a longer savings period. Grünfin monitors the risk and reports to the management regularly.

Business risk – the risk that inadequate business decisions or insufficient implementation thereof or inadequate response to changes in the operating environment and customer behaviour or technological development results in loss or reduces revenue. For example, changes in the operating environment and customer behaviour that may, among other things, be caused by the materialisation of the risks listed above. Business risk is mitigated, among other things, through the recruitment policy, regular reporting on implementation of the business plan and operational regular risk and financial reporting which ensures that the management board and supervisory board have sufficient information for making necessary decisions and producing adequate responses.

The Company has also assessed the market risk, price risk, currency risk, credit risk and other risks, but the impact thereof on the Group is not significant. However, we assess the risks regularly and, when our business grows and/or the environment changes, we will adjust the assessment results.

Own funds

The own funds of Grünfin AS only consist of Tier 1 (i.e. the strongest and most liquid) funds, which are the paid-up share capital and the share premium. In the calculations of own funds, the numbers have been rounded to the nearest thousand.

Own funds	405,000
Tier 1 capital	405,000
Additional Tier 1 capital requirement	405,000
Share capital	150,000
Share premium	675,000
Deductions from own funds (incl. loss, intangible assets)	-420,000

The purpose of capital management is to ensure the existence of sufficient own funds in order to cover the risks assumed and therethrough ensure the sustainability of economic activities. Grünfin adheres to the two-pillar principle. Pillar 1 ensures the minimum regulatory capital requirement and Pillar 2 ensures the additional capital reserve which is formed as a result of the self-assessment of capital and liquidity risks or as a result of an additional supervisory assessment and that is not covered by Pillar 1.

The own funds requirement is calculated on the basis of Regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms, which entered into force in summer 2021. The own funds requirement, i.e. Pillar 1 own funds, of Grünfin AS amounted to the forecast fixed overhead of the Group for three months (the own funds requirement is the higher of the three, either the minimum capital requirement or fixed overhead requirement or K-factor). Pillar 2, i.e. the additional capital requirement, is assessed regularly according to the capital and liquidity adequacy process. According to the assessment made in 2021, Pillar 2 additional capital requirement of the Group amounted to 13,800 euros. The capital requirement of Pillar 1 and Pillar 2 in total amounted to 283,800 euros.

Own funds requirement	270,000
Minimum capital requirement	150,000
Fixed overhead requirement	270,000
K-factor	0
Total own funds requirement	270,000

Grünfin AS met all the regulatory capital requirements, the own funds requirement is set out in the table below. The liquidity requirements were also met to the necessary extent, covering the forecast expenses of more than 7 months.

	2021	Regulatory minimum requirement
Additional Tier 1 capital requirement	150%	56%
Tier 1 capital requirement	150%	75%
Own funds requirement	150%	100%

Note 6. Fair value measurement of financial assets and liabilities
(euros)

	Level 1	Level 2	Level 3	Total
31.12.2021				
Financial assets				
Cash	0	673,191	0	**673,191**
Receivables and prepayments	0	0	6,761	**6,761**
Total	**0**	**673,191**	**6,761**	**679,952**
Financial liabilities				
Payables and prepayments	0	0	268,359	**268,359**
Total	**0**	**0**	**268,359**	**268,359**
22.01.2021				
Financial assets				
Cash	0	125,000	0	**125,000**
Receivables and prepayments	0	0	0	**0**
Total	**0**	**125,000**	**0**	**125,000**
Financial liabilities				
Payables and prepayments	0	0	0	**0**
Total	**0**	**0**	**0**	**0**

LEVELS USED IN THE MEASUREMENT:

Level 1
Quoted prices in active markets

Level 2
Financial instruments are measured based on market information.

Level 3
Financial instruments are measured using other measurement methods.

Note 7. Cash
(euros)

	31.12.2021	22.01.2021
Cash at bank	673,191	125,000
Total cash	**673,191**	**125,000**

Note 8. Receivables and prepayments
(euros)

	31.12.2021	Within 12 months
Prepayment for right-of-use assets	6,761	6,761
Total receivables and prepayments	**6,761**	**6,761**

Due to the specific nature of the business activities of the Company, the impact of credit losses has not been assessed as it is highly unlikely that the Company will sustain such losses. The Company does not grant credit and does not sell services on the basis of invoices. Fees and commissions are received from customers on a monthly basis and are deducted at the moment the monthly payments are received.

Note 9. Prepaid taxes and taxes payable
(euros)

	Note no.	Taxes payable
		31.12.2021
Corporate income tax		7,558
Income tax on fringe benefits		260
Social tax		17,165
Mandatory funded pension		512
Unemployment insurance premiums		446
Other taxes payable		21,305
Total taxes payable	11	**47,246**

Note 10. Intangible assets
(euros)

22.01.2021	Computer software	Total
Cost	0	0
Accumulated depreciation	0	0
Residual cost	**0**	**0**
Purchases and improvements	39,605	39,605
Additions through business combinations	100,929	100,929
31.12.2021		
Cost	140,534	140,534
Accumulated depreciation	0	0
Residual cost	**140,534**	**140,534**
Incl. development in progress	20,465	20,465

Incl. ready for use 31.12.2021 (depreciated as of 01.01.2022)	120,069	120,069

Intangible assets with the cost of 140,534 euros as at 31 December 2021 consists of the following groups:

1) capitalised development costs – the software of Grünfin:	131,944
2) capitalised accounting software:	8,590

Note 11. Payables and prepayments
(euros)

	Note no.	31.12.2021	Within 12 months
Payables to employees	12	55,992	55,992
Payables to related parties	19	165,000	165,000
Taxes payable	9	47,246	47,246
Other accrued expenses		121	121
Total payables and prepayments		**268,359**	**268,359**

Note 12. Payables to employees
(euros)

	31.12.2021
Wages and salaries	32,546
Holiday pay liability	23,446
Total payables to employees	**55,992**

Note 13. Share capital
(euros)

	31.12.2021	22.01.2021
Share capital	150,000	125,000
Number of shares (pcs.)	150,000	125,000
Nominal value of shares	1	1

During the financial year, the Company issued 25,000 shares with the nominal value of 1 euro.

The issue of the shares resulted in the share premium of 675,000 euros (22 January 2021: 0 euros).

On the basis of the Articles of Association, the minimum amount of the share capital is 125,000 euros and the maximum amount is 500,000 euros.

Note 14. Fee and commission income
(euros)

Sales revenue by geographical regions	**22.01.2021-31.12.2021**
Sales to European Union Member States:	
Estonia	885
Germany	23
France	4
Slovakia	20
Austria	12
Total:	**944**
Sales revenue by areas of activity:	**22.01.2021-31.12.2021**
Securities portfolio management	944
Total:	**944**

Note 15. Other operating expenses
(euros)

	22.01.2021-31.12.2021
Lease and rent	3,147
Miscellaneous office expenses	5,208
Travel expenses	1,834
State and local taxes	1,792
Costs for legal assistance	31,808
Marketing expenses	5,556
Expenses on services	6,673
Other expenses	28,441
Total other operating expenses	**84,459**

Note 16. Fee and commission expenses
(euros)

	22.01.2021-31.12.2021
Securities account fees	3,210
Total fee and commission expenses	**3,210**

Note 17. Personnel expenses
(euros)

	Note no.	22.01.2021-31.12.2021
Salaries and wages		137,602
Social taxes		48,186
Pension costs		403
Option reserve	18	5,886
Total personnel expenses		**192,077**
Average number of employees reduced to full-time equivalents		3
Average number of employees by types of employment:		
Person working under an employment contract		1
Member of management or supervisory body of legal entity		2

Note 18. Employee option programme
(euros)

The employee option programme was adopted by a resolution of shareholders on 30 October 2020. The purpose of the option programme is to offer a long-term motivation programme to all employees of the Group and also meet the expectations of the labour market in the technology company.

The management board decides on the option packages of the Company in the case of each employee and position separately. On the basis of the option programme, an employee has no right to expect guaranteed return or financial compensation. Every employee earns options during an individual vesting period while working in the Company within four years. Thereby, the first 25% of the options are vested after one year has passed from the commencement of the employment relationship and thereafter in monthly portions until the end of the vesting period.

Upon termination of the employment relationship, the Company has no obligation to offer any financial compensation for options. Owning options does not grant the employee the right to vote or the right to dividends.

Summary of options issued	2021	
	Average option value	Number of options
1 January	0.01	76,400
Issued within the year	0.72*	20,100
Exercised within the year	0	0
Withdrawn within the year	0	0
31 December	7.69	96,500
Vested 31.12.2021**		6,250

** weighted average value*
***considering the requirement for 1-year length of employment*

No options expired, were exercised or withdrawn during the period.
The weighted average vesting period of unvested options as at the end of the period was 2.96 years.

Fair value of options

The fair value of options was measured proceeding from the value of the Company measured on the basis of the transaction for sale of shares that was concluded in October 2021. The fair value of options issued before that event was measured proceeding from the value of the paid-up equity of the Company.
In addition, the fair value of options was also measured using the Black Scholes option pricing simulation model in which the following inputs were used:

1. Strike price of the option – 0.01 euros
2. Date of issue
3. Term – 4 years after issue
4. Price volatility – 15% *(S&P 500 historical average volatility)*
5. Expected dividend yield – 0%
6. Risk-free interest rate – 3%

As at 31 December 2021, the fair value of the equity reserve recognised within the framework of the option programme amounted to 5,886 euros (Note 17).

Note 19. Related parties
(euros)

Related parties of the Company are deemed to be the following persons:

1. Executive and senior management and close family members of such persons (spouse, cohabiting partner, child) and companies under their control or significant influence [1].
2. Parent company (and persons controlling or having significant influence over the parent company)
3. Private owners with majority holding (unless the persons cannot exercise significant influence over the business decisions of the Company) and close family members of the persons listed above, and companies under their control or significant influence
4. Subsidiaries
5. Other companies belonging in the same consolidation group (e.g. the remaining subsidiaries of the parent company)
6. Associates

[1] Control or significant influence generally arises either from a holding in the Company's capital or membership in its managing bodies

The parent company Grünfin Group OÜ, who is a reporting entity and holds 100% of the shares of the Company, is a company registered in Estonia.

Balances with related parties by groups

Current liabilities	**Note no.**	**31.12.2021**
Payables and prepayments		
Parent company	11	165,000
Total payables and prepayments		**165,000**

Purchased	**22.01.21-31.12.21**
Services from the parent company	64,071
Non-current assets from the parent company	100,929

Remuneration and other significant benefits calculated for executive and senior management	
Remuneration calculated	80,000
Option cost related to executive and senior management	415

Note 20. Events after the reporting date
(euros)

The following significant events occurred after the reporting date of 31 December 2021:

1. As of 31 January 2022, Grünfin has the right to provide its services cross-border in 26 Member States of the European Economic Area.
2. On 15 March 2022, the Company started the provision of cross-border services in Germany.
3. In March 2022, the share capital of Grünfin AS was increased by 1 euro, issuing one ordinary share at a share premium of one million (1,000,000) euros. For this transaction, the Company received 1,000,001 euros. The share was issued to the parent company Grünfin Group OÜ.
4. The transfer of the installation of the investment firm from Grünfin Group OÜ to Grünfin AS was completed and the latter paid for that on 31 March 2022.
5. On 1 April 2022, the Company moved to a new and larger leased area in Tallinn for which a lease agreement for a term of five years was entered into.

Events after the balance sheet date have no adjusting impact on the financial results of the financial year of the Company that has just ended.

Note 21. Off-balance-sheet assets and liabilities
(euros)

In 2021, the Company started the provision of the securities portfolio management service. Customers' assets and liabilities are accounted for off the balance sheet.

Customers' assets are separated from the assets of the Company in full at any moment in time and guaranteed by the Guarantee Fund to the extent of 20,000 euros per customer.

Customers' assets are safekept in Swedbank whose long-term credit ratings based on rating agencies are:
- Standard & Poor's: A+
- Moody's: Aa3
- Fitch: A+

As at 31 December 2021, the balances of assets and liabilities of customers of Grünfin AS were as follows:

Assets	**31.12.2021**
Securities	212,494
Customers' current account	6,033
Interim account for customer settlements	23
Total	**218,550**

Liabilities	**31.12.2021**
Liabilities to customers	218,550
Total	**218,550**

Signatures of members of management board to annual report 2021

The management board has prepared the management report and the financial statements of Grünfin AS for the financial year ended 31 December 2021.

The management board declares that the management report of Grünfin AS set out on pages 3-4 gives a true and fair view of the development and results of the business activities, and financial position of the Company.

The management board declares that, to the best of their knowledge, the financial statements set out on pages 5 to 21 give a true and fair view of the assets, liabilities, financial position and results of the Company in accordance with the International Financial Reporting Standards as adopted by the European Union and include a description of the main risks and doubts.

____________________ 20 April 2022
Karin Nemec
Member of Management Board

____________________ 20 April 2022
Triin Hertmann
Member of Management Board

____________________ 20 April 2022
Alvar Lumberg
Member of Management Board

____________________ 20 April 2022
Jürgen Valter
Member of Management Board

Proposal for covering loss for financial year
(euros)

The loss of Grünfin AS as at 31 December 2021 was as follows:

Loss for reporting period	- 278,759
Total retained earnings (loss)	**- 278,759**

The management board of Grünfin AS makes a proposal to the general meeting of shareholders to cover the loss for the financial year on the account of the profit of future periods.

20 April 2022

____
Karin Nemec
Member of Management Board

____
Triin Hertmann
Member of Management Board

____
Alvar Lumberg
Member of Management Board

____
Jürgen Valter
Member of Management Board

Division of revenue of Grünfin AS pursuant to Estonian Classification of Economic Activities (*EMTAK*)

EMTAK code	**2021**
64301 Trusts, funds and similar financial entities	944