

# ANNUAL REPORT

**beginning of financial year:** 01.01.2023

**end of the financial year:** 31.12.2023

**business name:** Northern Horizon Capital AS

**register code:** 11025345

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## Management report

Northern Horizon Capital AS, established on 24 March 2004, is a licensed fund manager operating in Estonia. It serves as the management company for Baltic Horizon Fund, a real estate fund operating in the Baltic States. The parent company of Northern Horizon Capital AS is Northern Horizon Capital A/S, registered in the Kingdom of Denmark.

Northern Horizon Capital AS is a licensed fund manager regulated by the Estonian Financial Supervision Authority. It serves as the management company for Baltic Horizon Fund, a real estate fund operating in the Baltic States. Baltic Horizon Fund is registered as a public closed-end real estate fund and is listed on the Nasdaq Tallinn stock exchange.

In a challenging economic landscape characterized by inflation, interest rate volatility, and recent geopolitical events, the Northern Horizon Capital AS has assessed various strategic options to navigate these complexities and ensure future growth of the the Baltic Horizon Fund. The effects of these external factors on the fund have consequently impacted the performance of Northern Horizon Capital AS, the management company.

In 2023, Northern Horizon Capital AS experienced a decrease in revenues compared to the previous year, amounting to EUR 1,485,270 (2022: EUR 1,583,970). However, net profit increased to EUR 182,030 (2022: EUR 41,603). The average number of employees in 2023 was 2, with salary expenses totaling EUR 187,871 (2022: 2 employees, salary expenses - EUR 183,718).

As of year-end, the Management Board consists of three members. The Management Board members were paid remuneration in the amount of EUR 24,000. The Supervisory Board consists of three members.

In 2024, Northern Horizon Capital AS plans to continue managing the investments of Baltic Horizon Fund. Due to the challenging operating environment, management expects revenues in 2024 to remain at the same level as in 2023, with a slight decrease in net profit compared to 2023.

Key financial ratios		2023	2022
Change in revenue (%)		-6,2	-9,2
Change in equity (%)		-5,5	-16,2
<b>Liquidity ratios</b>			
Current ratio	current assets / current liabilities	5,9	1,5
Quick ratio	(current assets - inventories - prepayments) / current liabilities	5,4	0,7
Cash ratio	cash / current liabilities	0,5	0,0
<b>Profitability ratios</b>			
Net profit margin (%)	net profit / revenue * 100	12,3	2,6
ROA (%)	net profit / average total assets * 100	4,4	0,9
ROE (%)	net profit / average equity * 100	4,8	1,0
<b>Leverage ratios</b>			
Debt ratio (%)	total liabilities / total liabilities and equity * 100	4,5	9,7
Debt-to-equity ratio (%)	total liabilities / equity * 100	4,7	10,7

## The annual accounts

### Statement of financial position

(In Euros)

	31.12.2023	31.12.2022	Note
Assets			
Current assets			
Cash and cash equivalents	93 971	5 257	
Receivables and prepayments	945 898	617 164	2
<b>Total current assets</b>	<b>1 039 869</b>	<b>622 421</b>	
Non-current assets			
Receivables and prepayments	2 850 000	3 730 000	2;10
Property, plant and equipment	190	674	
<b>Total non-current assets</b>	<b>2 850 190</b>	<b>3 730 674</b>	
<b>Total assets</b>	<b>3 890 059</b>	<b>4 353 095</b>	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	175 815	420 881	4
<b>Total current liabilities</b>	<b>175 815</b>	<b>420 881</b>	
<b>Total liabilities</b>	<b>175 815</b>	<b>420 881</b>	
Equity			
Issued capital	138 899	138 899	6
Share premium	95 803	95 803	
Statutory reserve capital	13 890	13 890	
Retained earnings (loss)	3 283 622	3 642 019	
Annual period profit (loss)	182 030	41 603	
<b>Total equity</b>	<b>3 714 244</b>	<b>3 932 214</b>	
<b>Total liabilities and equity</b>	<b>3 890 059</b>	<b>4 353 095</b>	

## Income statement

(In Euros)

	2023	2022	Note
Revenue	1 485 270	1 583 970	7
Cost of sales	-1 325 340	-1 538 097	8
<b>Gross profit (loss)</b>	<b>159 930</b>	<b>45 873</b>	
Distribution costs	-23 444	-11 050	
Administrative expense	-36 063	-34 545	
<b>Operating profit (loss)</b>	<b>100 423</b>	<b>278</b>	
Interest income	146 742	171 555	10
Other financial income and expense	6	3	
<b>Profit (loss) before tax</b>	<b>247 171</b>	<b>171 836</b>	
Income tax expense	-65 141	-130 233	
<b>Annual period profit (loss)</b>	<b>182 030</b>	<b>41 603</b>	

## Statement of cash flows

(In Euros)

	2023	2022	Note
Cash flows from operating activities			
Operating profit (loss)	100 423	278	
Adjustments			
Depreciation and impairment loss (reversal)	485	1 746	8
<b>Total adjustments</b>	<b>485</b>	<b>1 746</b>	
Changes in receivables and prepayments related to operating activities	-328 733	-132 952	2
Changes in payables and prepayments related to operating activities	-293 904	229 396	
Other cash flows from operating activities	5	3	
<b>Total cash flows from operating activities</b>	<b>-521 724</b>	<b>98 471</b>	
Cash flows from investing activities			
Loans given	-180 000	-670 000	10
Repayments of loans given	1 060 000	1 190 000	10
Interest received	146 742	171 555	10
<b>Total cash flows from investing activities</b>	<b>1 026 742</b>	<b>691 555</b>	
Cash flows from financing activities			
Dividends paid	-400 000	-800 000	5
Income tax refund (paid)	-16 304	-130 233	
<b>Total cash flows from financing activities</b>	<b>-416 304</b>	<b>-930 233</b>	
<b>Total cash flows</b>	<b>88 714</b>	<b>-140 207</b>	
Cash and cash equivalents at beginning of period	5 257	145 464	
<b>Change in cash and cash equivalents</b>	<b>88 714</b>	<b>-140 207</b>	
Cash and cash equivalents at end of period	93 971	5 257	

## Statement of changes in equity

(In Euros)

								<b>Total</b>
	Issued capital	Unregistered equity	Share premium	Treasure shares	Statutory reserve capital	Other reserves	Retained earnings (loss)	
<b>31.12.2021</b>	138 899	0	95 803	0	13 890	0	4 442 019	4 690 611
Annual period profit (loss)	0	0	0	0	0	0	41 603	41 603
Declared dividends	0	0	0	0	0	0	-800 000	-800 000
<b>31.12.2022</b>	138 899	0	95 803	0	13 890	0	3 683 622	3 932 214
Annual period profit (loss)	0	0	0	0	0	0	182 030	182 030
Declared dividends	0	0	0	0	0	0	-400 000	-400 000
<b>31.12.2023</b>	138 899	0	95 803	0	13 890	0	3 465 652	3 714 244

See Note 5 and 6.

## Notes

### Note 1 Accounting policies

#### General information

The 2023 financial statements of Northern Horizon Capital AS have been prepared in conformity with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is a body of financial reporting requirements based on the internationally accepted accounting and reporting principles, whose general requirements have been set out in the Estonian Accounting Act and which are supplemented by the guidelines issued by the Estonian Accounting Standards Board (hereinafter ASBG). The financial statements have been prepared based on the cost principle, unless otherwise prescribed in the accounting principles below. The financial statements have been prepared in euros.

#### Cash and cash equivalents

Cash in hand, bank account balances and deposits with the term of up to 3 months are recorded as cash and cash equivalents in the statement of financial position and statement of cash flows.

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

The functional currency of the company is the euro. Foreign currency transactions have been reported based on official rates of the European Central Bank prevailing at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into the functional currency based on the official foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recognised in the statement of income of the accounting period.

#### Receivables and prepayments

Receivables and prepayments are initially recognized when there is a contractual right to receive cash or another financial asset from another party, provided that it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the receivable or prepayment can be reliably measured. This recognition occurs at the time the entity becomes party to the contractual arrangement.

Accounts receivable, accrued income and other short-term and long-term receivables (incl. loan receivables, deposits) are measured at amortised cost. At each balance sheet date the management shall assess whether there are signs indicating that the financial assets may be impaired. If there exist any such signs, the financial assets carried at amortised cost will be written down to the present value of future expected collectible amounts. Impairment losses are recognised as an expense in the statement of income.

Receivables and prepayments are classified as short-term or long-term based on the expected timing of their realization or settlement. Short-term receivables and prepayments are those expected to be collected or settled within 12 months from the reporting date. Long-term receivables and prepayments are those not expected to be realized or settled within this timeframe.

#### Plant, property and equipment and intangible assets

Asset items with the cost of over 1,700 euros and the useful life of over one year are recognised as property, plant and equipment. Assets that have a useful life of over one year but the cost of which is less than 1,700 euros, are fully expensed, with the exception of computers which are recognised as property, plant and equipment even if their cost is below the established threshold for recognizing the non-current assets.

Property, plant and equipment are initially recognised at their acquisition cost, which consists of the purchase price and any costs directly attributable to the acquisition of the asset.

Subsequently the items of property, plant and equipment are carried in the statement of financial position at cost, less accumulated depreciation and any accumulated impairment losses. The straight-line method is used for depreciating items of property, plant and equipment. The ranges of useful lives of the non-current assets are 3-5 years.

#### Leases

The lease agreements where all material risks and rewards related to the ownership of the assets are transferred to the lessee are classified as finance leases. All other lease transactions are classified as operating leases.

Payments made under operating leases are charged to expenses in the statement of income on a straight-line basis over the lease term.

#### Financial liabilities

Financial liabilities are initially recognised at their cost which is the fair value of the consideration received for the financial liability. Subsequently the financial liabilities are measured at their amortised cost, by using the effective interest rate method. All transactions costs are taken into consideration upon calculating the effective interest rate and are expensed over the term of the financial liability. The interest expense



accompanying the financial liabilities is recorded on an accrual basis in the statement of income under the row "financial income and expense". A financial liability is derecognised when it is discharged, cancelled or it expires.

#### Equity statutory reserve capital

Reserve capital is formed from the annual net profit reserve. Under the articles of association, the capital reserve has to amount to one tenth of share capital and pursuant to section 336(2) of the Estonian Commercial Code every year at least one twentieth of net profit for the year has to be transferred to the capital reserve. When the level outlined in the articles of association has been achieved, transfers may be discontinued.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted. Revenue from the sale of goods is recognised when all significant risks incidental to ownership have been transferred from the seller to the buyer, the amount of revenue and the costs incurred in connection with the transaction can be measured reliably and the receipt of the economic benefits associated with the transaction is probable.

Revenue from the sale of services is recognised after the provision of services or, if services are performed over a longer time-period, based on the stage of completion method.

#### Taxation

In accordance with the Income Tax Act, profits distributed as dividends are taxed at the rate of 20/80 of the amount paid out as a net dividend. The corporate income tax accompanying the payment of dividends is recognized as a liability and an income tax expense in the statement of income in the period in which the dividends are declared, regardless of the period for which the dividends are declared or when the actual payment is made.

A reduced tax rate of 14/86 is applied for regularly paid dividends. The reduced rate applies to that part of the profit, which is less than or equal to the average of the dividends paid in the previous three years. Due to the nature of the taxation system, companies registered in Estonia do not differ from the tax accounting and balance sheet residual values of their assets and consequently, deferred tax assets and liabilities. No contingent income tax liability is recognized in the balance sheet which would arise from retained earnings on the payment of dividends.

#### Related parties

A related party is a person or a company that is related to Northern Horizon Capital AS (the Company) to such an extent that transactions between them may be conducted on terms not equivalent to those used in arm's length transactions.

A person or a close member of that person's family (i.e. a family member who may be associated with significant influence such as the spouse or the domestic partner or a child) is a related party for the Company if that person:

- (a) is a member of the management of the Company or its parent company (i.e. a person having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly); or
- (b) has control of or significant influence over the Company (e.g. through an ownership interest).

A company is a related party for the Company if any of the following conditions apply:

- (a) the other company and the Company are under common control (i.e. they are members of the same group or controlled by the same person (or a close family member of that person));
- (b) one is under the control of a third party (that may be a company or a person) and the other is under the significant influence of that third party (if the third party is a person, then that person or a close family member of that person);
- (c) the other company has control of or significant influence over the Company;
- (d) the other company is under the control or significant influence of the Company;
- (e) a member of the management of the Company or the Company's parent company (i.e. a person having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly or its direct family member) has control of or significant influence over the other company;
- (f) the other company's management includes persons (or close family members of those persons) that have control of or significant influence over the Company.

#### Events after reporting date

The financial statements include all material events that affect the valuation of assets and liabilities, which were disclosed between the balance sheet date and date of preparing the report, but which are related to transactions that occurred during the reporting period or earlier periods. Post balance sheet date events, which have not been considered upon the valuation of assets and liabilities, but which significantly affect the result of the next financial year have been disclosed in the financial statements.

## Note 2 Receivables and prepayments

(In Euros)

	31.12.2023	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	156 533	156 533	0	0	10
Tax prepayments and receivables	33	33	0	0	3
Loan receivables	2 850 000	0	2 850 000	0	10
Other receivables	696 865	696 865	0	0	
Accrued income	696 865	696 865	0	0	
Prepayments	92 467	92 467	0	0	
Deferred expenses	85 855	85 855	0	0	
Other paid prepayments	6 612	6 612	0	0	
<b>Total receivables and prepayments</b>	<b>3 795 898</b>	<b>945 898</b>	<b>2 850 000</b>	<b>0</b>	

	31.12.2022	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	279 512	279 512	0	0	10
Tax prepayments and receivables	2 602	2 602	0	0	3
Loan receivables	3 730 000	0	3 730 000	0	10
Other receivables	212 202	212 202	0	0	
Accrued income	212 202	212 202	0	0	
Prepayments	122 848	122 848	0	0	
Deferred expenses	118 675	118 675	0	0	
Other paid prepayments	4 173	4 173	0	0	
<b>Total receivables and prepayments</b>	<b>4 347 164</b>	<b>617 164</b>	<b>3 730 000</b>	<b>0</b>	

Loan receivables are the loan receivable from parent company with interest rate 4.2% (2022: 4.2%), due date 31.12.2025, base currency EUR.

## Note 3 Tax prepayments and liabilities

(In Euros)

	31.12.2023		31.12.2022	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax	0	48 837	0	1 058
Value added tax	33	1 052	2 602	12 688
Personal income tax	0	2 144	0	2 178
Fringe benefit income tax	0	176	0	0
Social tax	0	4 072	0	5 498
Contributions to mandatory funded pension	0	228	0	227
Unemployment insurance tax	0	225	0	225
<b>Total tax prepayments and liabilities</b>	<b>33</b>	<b>56 734</b>	<b>2 602</b>	<b>21 874</b>

## Note 4 Payables and prepayments

(In Euros)

	31.12.2023	Within 12 months	Note
Trade payables	82 823	82 823	
Tax payables	56 734	56 734	3
Other payables	36 258	36 258	
<b>Total payables and prepayments</b>	<b>175 815</b>	<b>175 815</b>	

	31.12.2022	Within 12 months	Note
Trade payables	367 083	367 083	
Tax payables	21 874	21 874	3
Other payables	31 924	31 924	
<b>Total payables and prepayments</b>	<b>420 881</b>	<b>420 881</b>	

As of 31.12.2023, payables to related parties amounted to EUR 75 485 (31.12.2022: EUR 355 881). See Note 10.

## Note 5 Contingent liabilities and assets

(In Euros)

	31.12.2023	31.12.2022
Contingent liabilities		
Distributable dividends	2 819 033	3 002 712
Income tax liability on distributable dividends	646 619	680 910
<b>Total contingent liabilities</b>	<b>3 465 652</b>	<b>3 683 622</b>

The calculation of the maximum potential income tax liability is based on the assumption that the sum of distributable net dividends and

the accompanying income tax on payment of dividends in the statement of income 2023 may not exceed the distributable profit as of 31.12.2023.

In 2023 dividends were paid in the amount of EUR 400 000 (2022: EUR 800 000) and income tax was EUR 65 116 (2022: EUR 130 223).

The tax authorities may at any time inspect the tax accounting of the company within 5 years subsequent to the due date for submitting tax declarations, and may impose additional tax assessments, interest and fine if any mistakes are disclosed in the tax accounting. The company's management is not aware of any circumstances which may give rise to a potential material tax liability in this respect.

## Note 6 Share capital

(In Euros)

	31.12.2023	31.12.2022
Share capital	138 899	138 899
Number of shares (pcs)	26 399	26 399

The share capital of Northern Horizon Capital AS consists of 12 500 Class A shares with a nominal value of EUR 10 and 13 899 Class B shares with a nominal value of EUR 1. The B Class shares were issued with a premium in the amount of EUR 95 803.

## Note 7 Net sales

(In Euros)

	2023	2022	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	1 485 270	1 583 970	10
<b>Total net sales in European Union</b>	<b>1 485 270</b>	<b>1 583 970</b>	
<b>Total net sales</b>	<b>1 485 270</b>	<b>1 583 970</b>	
Net sales by operating activities			
Fund management	1 485 270	1 583 970	10
<b>Total net sales</b>	<b>1 485 270</b>	<b>1 583 970</b>	

## Note 8 Cost of goods sold

(In Euros)

	2023	2022	Note
Leases	30 428	29 703	
Miscellaneous office expenses	33 229	36 359	
Travel expense	20 207	13 340	
Labor expense	288 218	282 965	9
Legal and other consultations	4 183	3 099	
Management services	905 488	1 100 995	
Other	43 587	71 636	
<b>Total cost of goods sold</b>	<b>1 325 340</b>	<b>1 538 097</b>	

## Note 9 Labor expense

(In Euros)

	2023	2022	Note
Wage and salary expense	141 174	138 432	
Social security taxes	51 308	50 179	
Insurance	94 967	94 209	
Other	769	144	
<b>Total labor expense</b>	<b>288 218</b>	<b>282 964</b>	8
Average number of employees in full time equivalent units	2	2	

## Note 10 Related parties

(In Euros)

Name of accounting entity's parent company	Northern Horizon Capital A/S
Country where accounting entity's parent company is registered	Denmark

### Related party balances according to groups

SHORT TERM	31.12.2023	31.12.2022	Note
<b>Receivables and prepayments</b>			
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	156 533	279 512	2
<b>Total receivables and prepayments</b>	<b>156 533</b>	<b>279 512</b>	
<b>Payables and prepayments</b>			
Other entities belonging into same consolidation group	75 485	355 881	4
<b>Total payables and prepayments</b>	<b>75 485</b>	<b>355 881</b>	

LONG TERM	31.12.2023	31.12.2022	Note
Receivables and prepayments			
Parent company	2 850 000	3 730 000	2
<b>Total receivables and prepayments</b>	<b>2 850 000</b>	<b>3 730 000</b>	

GIVEN LOANS	31.12.2021	Given loans	Given loans repayments	31.12.2022	Interest accrued for period	Note
Parent company	4 250 000	670 000	1 190 000	3 730 000	171 555	2
<b>Total given loans</b>	<b>4 250 000</b>	<b>670 000</b>	<b>1 190 000</b>	<b>3 730 000</b>	<b>171 555</b>	

GIVEN LOANS	31.12.2022	Given loans	Given loans repayments	31.12.2023	Interest accrued for period	Note
Parent company	3 730 000	180 000	1 060 000	2 850 000	146 742	2
<b>Total given loans</b>	<b>3 730 000</b>	<b>180 000</b>	<b>1 060 000</b>	<b>2 850 000</b>	<b>146 742</b>	

SOLD	2023	2022
	Services	Services
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	1 485 270	1 583 970
<b>Total sold</b>	<b>1 485 270</b>	<b>1 583 970</b>

BOUGHT	2023	2022
	Services	Services
Other entities belonging into same consolidation group	905 488	1 112 445
<b>Total bought</b>	<b>905 488</b>	<b>1 112 445</b>

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2023	2022
Remuneration	24 000	24 000
Employment income	89 616	93 762



Northern Horizon Capital AS has provided fund management services to related parties (these transactions are reflected in the table above under row "Management and higher supervisory body and individuals with material ownership interest and entities under their prevalent or material influence"). Company purchased investment advisory, fund management, risk management, compliance, other routine administration and management services also IT, event organizing, office and other re-invoiced services from related parties.

In case of premature termination of the employment contract with members of the Management Board, the company has an obligation to pay termination compensation (the compensation for members of the Management Board amounts to twelve months' average salary according to the contracts in place as of the balance sheet date).

In 2023 and 2022, no impairment was recognized in respect of accounts receivable from related parties.

**SIGNATURES OF THE MANAGEMENT BOARD TO 2023 ANNUAL REPORT**

We hereby confirm the correctness of data presented in Northern Horizon Capital AS 2023 annual report:

<b>Name</b>	<b>Position</b>	<b>Signature</b>	<b>Date</b>
Aušra Stankevičienė	Board Member	 .....	25.04.2024
Tarmo Karotam	Board Member	 .....	25.04.2024

Translation of the Estonian Original

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Northern Horizon Capital AS

### *Opinion*

We have audited the financial statements of Northern Horizon Capital AS, which comprise the balance sheet as at 31 December 2023, and the income statement, statement of cash flows and statement of changes in equity 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 Northern Horizon Capital AS as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Estonian Financial Reporting Standard.

### *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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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 Estonian Financial Reporting Standard 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.

Tallinn, 25 April 2024



Erki Usin  
Authorised Auditor's number 496  
Ernst & Young Baltic AS  
Audit Company's Registration number 58