

# ANNUAL REPORT 2022

SMART>  
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# General information of the company

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Business name	AS SmartCap
Registry code	12071991
Legal address	Sepise 7, Tallinn 11415, Estonia
E-mail address	<a href="mailto:info@smartcap.ee">info@smartcap.ee</a>
Website	<a href="http://www.smartcap.ee">www.smartcap.ee</a>
Principal activity	Fund management activities
Financial year	1 January 2022 – 31 December 2022
Management board	Sille Pettai Mari Vavulski
Supervisory board	Priit Põldoja Aare Järvan Sille Kraam Veiko Hintsov Mikko Jussi Suonenlahti
Auditor	KPMG Baltics OÜ

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# Management report

Established in 2011, AS SmartCap is a company that operates as a small fund manager for the purposes of clause 306 (5) 5) of the Investment Funds Act under the activity licence issued by the Financial Supervision Authority. AS SmartCap (hereinafter SmartCap) is a subsidiary of Estonian Business and Innovation Agency.

SmartCap manages two common closed-end alternative funds (SmartCap Venture Capital Fund and SmartCap Green Fund). The sole unitholder of SmartCap funds is the Republic of Estonia.

The objective of SmartCap is to develop the capital market of Estonia by offering venture capital investments and enable therethrough ambitious and innovative Estonian companies to grow. SmartCap contributes to the economic growth and development of capital market of Estonia:

- › being an anchor investor in venture capital funds with a long-term strategic view;
- › investing in all economic cycles;
- › focusing on market gaps in different growth phases and verticals, providing missing investment opportunities.

**SmartCap Venture Capital Fund** (hereafter Venture Capital Fund) invests in Estonian-focused venture capital funds that develop innovative Estonian companies with international growth potential, or in international venture capital funds that have a significant component that adds value to the Estonian ecosystem of innovative companies with international growth potential, thereby supporting changes that help modernise the Estonian economy and develop the local capital market. As of 31.12.2022, the Venture Capital Fund investment portfolio included three Estonian-focused early stage venture capital funds.

**The SmartCap Green Fund** (hereafter the Green Fund) assets will be invested in Estonian-focused venture capital funds that develop innovative research-intensive greentech companies or directly in Estonian companies whose activities contribute to the development and market introduction of new products, services or technologies that make it possible to find solutions to environmental challenges, reduce or sequester greenhouse gas emissions. Green Fund started investing at the end of 2022 and as of 31.12.2022, no investments have been made yet.

As of 31 December 2022, the volume of assets under management amounted to 188 mln euros (Figure 1).

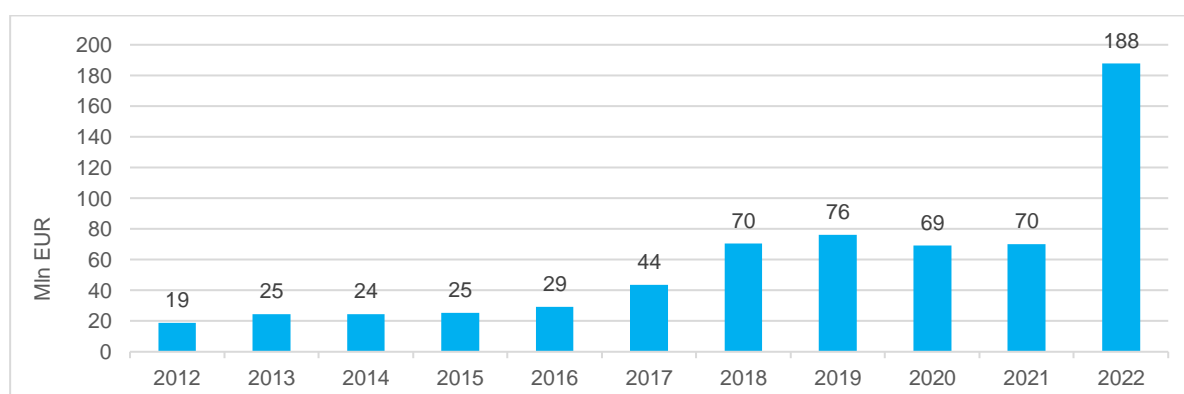


Figure 1. The volume of the assets of the funds managed by SmartCap as from its foundation

As of 31.12.2022, Venture Capital Fund investment portfolio included three (two in 2021) early stage venture capital funds operating in Estonia. As of the end of 2022, the investments of the Venture Capital Fund have reached, through fund and direct investments, in total approx. 117 companies (112 in 2021) whose turnover in the financial year amounted in total to approx. 1,32 billion (0,85 in 2021) euros. These companies provide jobs for approx. 3200 employees (2,300 in 2021) on whom labour taxes were paid in the amount of 70 million (40 in 2021) euros in the financial year.

The key investment projects of SmartCap in 2022 included:

- › Venture Capital Fund completed an investment in Superangel Two deep tech venture capital fund;
- › Starting the investment activities of Green Fund in both venture capital funds and green technology companies;
- › discussions with the government about the provision of additional capital to finance the new investment programmes of SmartCap.

Venture Capital Fund invested 15 mln euros to Superangel Two deep tech venture capital fund, which was selected in a previously held call organised to find a private fund manager for a venture capital fund that would invest in high-tech SMEs with the aim of alleviating the problem of limited capital in their start-up phase.

With the support of the Recovery and Resilience Facility (RRF), €100 million of equity investments will be made available to Estonian green technology companies through the Green Fund during 2022-2026. As a first step, at the end of the summer of 2022, SmartCap announced a Greentech Fund call to find up to two private fund managers, who would establish green technology investment funds to which Green Fund will make a cornerstone investment of 20 mln euros each. In the fall of 2022, SmartCap announced the terms of Greentech Investment Programme aimed at Estonian green technology companies, through the programme up to the end of 2024 investment in the total amount of up to 20 mln euros are planned. These investments will create the preconditions for the emergence of future green technologies with export potential in Estonia, which will be of key importance in meeting the European Union's climate targets as well as in modernising the Estonian economy and ensuring its innovation capacity.

The strategy of SmartCap for 2019-2023 foresees the development of new investment programmes and access to financing, as well as the development of the business for this purpose. SmartCap continued the discussions with the government about the provision of additional capital to finance the new investment programmes of SmartCap.

In order to manage potential negative sustainability impacts and risks, SmartCap applies the principles of responsible investing and sustainability in its investment process and day-to-day operations. The implementation of responsible investment principles in SmartCap is a two-part process. First, SmartCap prioritises investments on the basis of certain sustainability factors (environmental, social and governance (**ESG**)) and/or takes into account, among other things, the sustainability performance of the investee when making investment decisions. On the other hand, SmartCap is an 'active owner' and committed to improving ESG performance and overall sustainability due diligence in partnership with the investee after the investment. Internally, SmartCap is continuously developing its ESG management system and constantly striving for more responsible and sustainable practices. In 2022, the environmental footprint of SmartCap was assessed which allows to understand the origin and extent of environmental impact. SmartCap 2021 carbon footprint was 3,4 tons of CO<sub>2</sub> equivalent, whereas the largest impact areas were business travel (1,4 tons), capital goods (0,7 tons) and purchased heat and electricity (0,2 tons each). SmartCap also established suppliers code of conduct, which will guide cooperation partners and service providers. SmartCap is a member of the Responsible Business Forum in Estonia.

The main non-core activity of SmartCap is implementing the Startup Estonia programme for accelerators. In 2022, a contract was signed with a consortium led by the University of Tartu to implement the health technology research accelerator. During 2022, 14 business projects were selected to the accelerator, which will be offered business consulting and prototyping services.

The focus in 2023 will be the completion of Greentech Fund call and to make first investments to Estonian green technology companies. SmartCap will also continue its negotiations with the state to create new opportunities for venture capital investment and to improve access to financing. As part of the non-core activity, it is planned to finalise all the projects implemented through Startup Estonia programme.

As of 31 December 2022, SmartCap employed seven (six in 2021) full-time employees. The annual average number of employees was 6.4. The total remuneration calculated for the employees was 197,127 euros (104,919 euros in 2021), social tax not included. The total remuneration calculated for members of the Management Board of SmartCap was 178,674 euros (93,945 euros in 2021), social tax not included. The total remuneration calculated for members of the Supervisory Board of SmartCap was 31,000 euros (30,000 euros in 2021), social tax not included.

In thousands of euros	2022	2021	Change %
Revenue from principal activity (gross)	1 327	713	85,98%
Administrative expenses	1 175	593	98,21%

*Change in revenue (%) = (sales revenue 2022 – sales revenue 2021) / sales revenue 2021 \* 100*

*Change in administrative expenses (%) = (administrative expenses 2022 – administrative expenses 2021) / administrative expenses 2021 \* 100*

# Financial statements

## Balance sheet

(in euros)

	Note	31.12.2022	31.12.2021
ASSETS			
Current assets			
<i>Cash and cash equivalents</i>	2	2,197,501	2,351,145
<i>Receivables and prepayments</i>	3	536,952	181,610
<b>Total current assets</b>		<b>2,734,453</b>	<b>2,532,755</b>
<b>TOTAL ASSETS</b>		<b>2,734,453</b>	<b>2,532,755</b>
LIABILITIES AND OWNER'S EQUITY			
LIABILITIES			
Short-term liabilities			
<i>Payables and prepayments</i>	4	214,084	165,317
<b>Total short-term liabilities</b>		<b>214,084</b>	<b>165,317</b>
<b>Total liabilities</b>		<b>214,084</b>	<b>165,317</b>
OWNER'S EQUITY			
<i>Share capital at nominal value</i>	6	325,240	325,240
<i>Share premium</i>		662	662
<i>Treasury shares</i>		-167	-167
<i>Legal reserve</i>		32,524	32,524
<i>Retained earnings</i>		2,009,179	1,885,040
<i>Profit for the financial year</i>		152,931	124,139
<b>Total owner's equity</b>		<b>2,520,369</b>	<b>2,367,438</b>
<b>Total liabilities and owner's equity</b>		<b>2,734,453</b>	<b>2,532,755</b>

## Income statement

(in euros)

	Note	2022	2021
Fee and commission income	7	1,098,028	684,846
Other operating revenue		228,812	28,581
Other operating expenses	8	-632,150	-287,465
Staff costs	9	-543,051	-305,428
Other operating charges		-444	-230
Operating profit		151,195	120,304
Interest income		1,736	3,835
<b>Profit before income tax</b>		<b>152,931</b>	<b>124,139</b>
<b>Profit for financial year</b>		<b>152,931</b>	<b>124,139</b>



## Note 1. Accounting policies

### General information

AS SmartCap is a subsidiary of the Estonian Business and Innovation Agency which operates as a venture capital fund management company under the licence issued by the Estonian Financial Supervision Authority. AS SmartCap manages two common closed-ended alternative funds, the sole unit-holder of which is the Republic of Estonia.

The financial statements of AS SmartCap for 2022 have been prepared in accordance with the Estonian financial reporting standard. The basic requirements of the Estonian financial reporting standard have been established in the Accounting Act of the Republic of Estonia and are supplemented by the guidelines issued by the Estonian Accounting Standards Board. The financial statements of the company for 2022 have been prepared as abridged financial statements of a small undertaking in accordance with the requirements of §§ 15, 18 and 21 of the Accounting Act.

The financial statements have been prepared using the cost principle unless otherwise indicated in the accounting policies below.

The financial statements have been prepared in euros.

### Financial assets

The company has the following financial assets: cash and cash equivalents and other receivables and prepayments.

Cash and cash equivalents and other receivables, except for receivables acquired for resale, are recognised at amortised cost. The amortised cost of short-term receivables is generally equal to their nominal value (less repayments and possible write-downs) and therefore short-term receivables are recognised in the balance sheet in the amounts that are likely to be received.

### Cash and cash equivalents

Balances of current accounts and deposits with a term of up to three months are recognised as cash and cash equivalents in the balance sheet.

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

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 currencies as at the

reporting date are revalued in euros using the official exchange rates quoted by the European Central Bank on the reporting date.

Gains and losses from revaluation are recognised in the income statement of the reporting period, with foreign exchange gains and losses from settlements with buyers and suppliers recognised as operating revenue and charges. Other exchange rate differences are recognised under financial income and expenses.

### Receivables and prepayments

Short-term receivables that have emerged in the course of the ordinary business activities of the company are recognised as trade receivables. Trade receivables are recognised at amortised cost (i.e. nominal value less repayments and write-downs, if any).

Receivables are written down if there is objective proof that not all amounts of the receivables will be received according to the original contract terms and conditions of the receivables. The circumstances that refer to a possible impairment of receivables are the bankruptcy or serious financial difficulties of the debtor and their failure to adhere to payment deadlines. The book value of receivables is reduced by the write-down amount of doubtful receivables and the loss from the write-down is recognised in the income statement under significant write-downs of current assets. If a receivable is regarded uncollectible, the receivable and its write-down are written off the balance sheet. Collection of doubtful receivables that have previously been written down is recognised as a decrease in the expenses of doubtful receivables.

### Financial liabilities

All financial liabilities (trade payables) are initially recognised at their amortised cost, which also includes all the expenses directly attributable to acquisition. Thereafter financial assets and liabilities are recognised at amortised cost.

The amortised cost of short-term financial liabilities is generally equal to their nominal value, due to which short-term financial liabilities are recognised in the balance sheet in the amount subject to payment. A financial liability is classified as short-term if it is due within twelve months of the reporting date.

### Legal reserve

The legal reserve has been formed in accordance with the Commercial Code. The legal reserve is formed from annual net profit transfers. Each financial year, at least 1/20 of the net profit must be transferred to the legal reserve until the legal reserve accounts for 1/10 of the share capital. The legal reserve may be used to cover a loss or to increase the share capital. Payments may not be made to shareholders from the legal reserve.

### Revenue

Revenue is recognised at the fair value of the consideration received or receivable on the accrual basis upon provision of the service.

Fee and commission income consists of the management fees payable to SmartCap for fund management activities. The amount of the management fee is an agreed percent of the net asset value of the funds, the grounds for and principles of calculation of which have been set out in the rules of the funds.

Other revenue is generally related to one-off transactions and is recognised on the accrual basis at the time the relevant transaction was concluded. In addition, other revenue includes the earmarked revenue related to expenses to be covered from European Union funds. Targeted financing is recognised under revenue on the accrual basis according to the period of the expenses related to the targeted financing.

### Lease accounting

Finance lease means a lease where the risks and rewards related to the ownership of the asset in question are transferred to the lessee. Other leases are regarded as operating leases. In the reporting period or in the reference period AS SmartCap has not entered into any leases classified as finance leases. In the case of an operating lease, the lessee does not recognise the leased asset item in its balance sheet. Operating lease payments are recognised as operating expenses evenly over the lease period.

### Taxation

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 attributable to business and adjustments of transfer prices. As of 1 January 2015, the tax rate applicable to profit distributed as dividends is 20/80 of the net amount to be paid out. Under certain conditions, dividends received may be redistributed without any additional income tax expense. The corporate income tax payable on dividends is recognised as a liability and as income tax expense in the income statement in the same period when the dividends are declared, regardless of the period for which the dividends are declared or when they are actually paid out. The income tax liability emerges on the tenth day of the month following the month when the dividends were paid out. As of 2019, a tax rate of 14/86 can be applied to dividend payments. This more favourable tax rate can be applied to dividend payments not exceeding the average dividend payments for the previous three financial years that have been taxed at the rate of 20/80. 2018 is the first year to be taken into consideration when calculating the average dividend payment for the previous three financial years. Due to the specific nature of the taxation system, there are no differences between the book values 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 that would arise if all of the retained profit were paid out as dividends is not recognised in the balance sheet. The maximum income tax liability associated with the payment of retained earnings as dividends is given in the notes to the financial statements.

*Potential liabilities arising from tax audit*

Tax authorities have the right to inspect the company's accounting for taxation purposes within up to five years of the due date for filing a tax return and, upon ascertaining errors, impose an additional amount of tax, interest and fine.

The management of the company is of the opinion that there are no circumstances that could result in tax authorities imposing any significant additional tax amounts on AS SmartCap.

### Related parties

The following were deemed as related parties when the financial statements of the company were prepared:

- › parent company and the persons who control or have a significant influence over the parent company;
- › funds established by AS SmartCap;
- › executive and senior management;
- › close family members of the persons listed above and companies under their control or significant influence.

### Events after the reporting date

No material circumstances have occurred between the reporting date of 31 December 2022 and the date of preparation of the financial statements that would affect the valuation of assets and liabilities in the financial statements or transactions conducted in previous periods.

## Note 2. Cash and cash equivalents

(in euros)

	<b>31.12.2022</b>	<b>31.12.2021</b>
Current accounts (EUR)	197,496	2,351,145
Overnight deposit (EUR)	2,000,005	0
<b>Total cash and cash equivalents</b>	<b>2,197,501</b>	<b>2,351,145</b>

As at 31 December 2022 and 31 December 2021, all cash and cash equivalents were denominated in euros. Interest income was earned from cash and cash equivalents in the total amount of 1,736 euros (2021: 3,835 euros).

## Note 3. Receivables and prepayments

(in euros)

	31.12.2022	Allocation by remaining maturity			Note
		Within 12 months	Within 1-5 years	Over 5 years	
Trade receivables	0	0	0	0	
<i>Accounts receivable</i>	30,783	30,783	0	0	
<i>Doubtful receivables</i>	-30,783	-30,783	0	0	
Receivables from related parties	518,761	518,761	0	0	10
Other receivables	18,191	18,191	0	0	
<b>Total receivables and prepayments</b>	<b>536,952</b>	<b>536,952</b>	<b>0</b>	<b>0</b>	

	31.12.2021	Allocation by remaining maturity			Note
		Within 12 months	Within 1-5 years	Over 5 years	
Trade receivables	6,785	6,785	0	0	
<i>Accounts receivable</i>	38,774	38,774	0	0	
<i>Doubtful receivables</i>	-31,989	-31,989	0	0	
Receivables from related parties	170,361	170,361	0	0	9
Other receivables	4,464	4,464	0	0	
<b>Total receivables and prepayments</b>	<b>181,610</b>	<b>181,610</b>	<b>0</b>	<b>0</b>	

Trade receivables as at the reporting date consist of one receivable, which has been classified doubtful in full. In 2022, no additional write-down was formed (2021: 0 euros).

In 2022, receivables which had earlier been classified doubtful were collected in the amount of 1,206 euros (2021: 2,411 euros).

## Note 4. Payables and prepayments

(in euros)

	31.12.2022	Allocation by remaining maturity			Note
		Within 12 months	Within 1-5 years	Over 5 years	
Trade payables	50,625	50,625	0	0	
Payables to employees	107,842	107,842	0	0	5
Taxes payable	18,763	18,763	0	0	
Other payables	36,854	36,854	0	0	
<b>Total payables and prepayments</b>	<b>214,084</b>	<b>214,084</b>	<b>0</b>	<b>0</b>	

	31.12.2021	Allocation by remaining maturity			Note
		Within 12 months	Within 1-5 years	Over 5 years	
Trade payables	73,751	73,751	0	0	
Payables to employees	64,142	64,142	0	0	5
Taxes payable	22,207	22,207	0	0	
Other payables	5,217	5,217	0	0	
<b>Total payables and prepayments</b>	<b>165,317</b>	<b>165,317</b>	<b>0</b>	<b>0</b>	

## Note 5. Payables to employees

(in euros)

	31.12.2022	31.12.2021
Wages and salaries	89,218	49,087
Holiday pay liability	18,533	15,055
Other payables to employees	91	0
<b>Total payables to employees</b>	<b>107,842</b>	<b>64,142</b>

Payables to employees have been recognised in the balance sheet under payables and prepayments, about which additional information is set out in Note 3.

## Note 6. Share capital

(in euros)

	<b>31.12.2022</b>	<b>31.12.2021</b>
Share capital	325,240	325,240
Number of ordinary shares (pcs)	325,000	325,000
Number of preferred shares (pcs)	2,400	2,400
<b>Nominal value of shares (ordinary shares)</b>	<b>1</b>	<b>1</b>
<b>Nominal value of shares (preferred shares)</b>	<b>0.1</b>	<b>0.1</b>

The ordinary shares have been paid for in full.

In 2017, the company bought back from the Estonian Development Fund 1,200 series B preferred shares and 1,200 series C preferred shares with the nominal value of 0.1 euros in the total amount of 240 euros. In accordance with the terms of the option programme approved by the supervisory board of AS SmartCap, options were distributed to the investment team, expert committee and members of the management board and supervisory board of AS SmartCap. The dividends payable for preferred shares depend on the success fees that are paid to AS SmartCap for managing Venture Capital Fund. The preferred shares have been paid for in full.

## Note 7. Contingent liabilities

	<b>31.12.2022</b>	<b>31.12.2021</b>
Income tax liability	432,422	401,836

The retained earnings of AS SmartCap as at 31 December 2022 amounted to 2,162,110 euros (2021: 2,009,179 euros). The income tax payable when dividends are paid out to owners is 20/80 of the amount paid out as net dividends. This means that as at the reporting date 1,729,688 euros (2021: 1,607,343 euros) can be paid out as dividends to the owners from the retained earnings and the payment of dividends would entail an income tax on dividends in the amount of 432,422 euros (2021: 401,836 euros).

## Note 8. Fee and commission income

(in euros)

	2022	2021
Fee and commission income from funds under management (Note 11)	1,098,028	684,846
<b>Total fee and commission income</b>	<b>1,098,028</b>	<b>684,846</b>

The fee and commission income of AS SmartCap consists of the management fee payable for the management of the SmartCap Venture Capital Fund and SmartCap Green Fund for the account of the funds (see also Note 11). In the reporting year and in 2021, the service was sold 100% in the Republic of Estonia.

## Note 9. Other operating expenses

(in euros)

	2022	2021
Lease and rent	27,417	15,519
Miscellaneous office expenses	3,663	3,533
Business trip expenses	23,478	3,288
Employee-related costs	20,116	10,607
VAT expenses on goods and services purchased	88,436	37,158
Services purchased	210,679	165,403
Procedural and supervision expenses	3,572	1,172
Information and communication technology expenses	32,717	14,016
Information and PR services	45,091	22,308
Expenses of content activities related to Startup Estonia accelerator programme	143,796	0
Other	33,185	14,461
<b>Total other operating expenses</b>	<b>632,150</b>	<b>287,465</b>



AS SmartCap leases office premises at Pärnu mnt 12, Tallinn. The lease agreement is in effect until 30 October 2023. The agreement prescribes no possibility of premature termination. A bank guarantee has been established for the benefit of the lessor, which is secured with a deposit in the amount of the rent of up to two months (3,752 euros). In 2022, the lease expenses without value added tax amounted to 24,178 euros (2021: 15,519 euros). The lease expenses without value added tax planned for 2023 amount to 23,976 euros. In addition, AS SmartCap rents office premises in the facilities of the Estonian Business and Innovation Agency at Sepise 7, Tallinn. The lease agreement is in effect until 1 November 2027. The agreement prescribes no possibility of premature termination. In 2022, the lease expenses without value added tax amounted to 485 euros (2021: 0 euros). The lease expenses without value added tax planned for 2023 amount to 5,814 euros.

In order to calculate the minimum requirement for the own funds of AS SmartCap, fixed overheads are also deemed to include, in addition to other operating expenses, the staff costs and other operating charges that are set out separately in the income statement.

## Note 10. Staff costs

(in euros)

	<b>2022</b>	<b>2021</b>
Wages and salaries	406,801	228,864
Social security charges	136,250	76,564
<b>Total staff costs</b>	<b>543,051</b>	<b>305,428</b>
Average number of employees by type of work:		
Person working under employment contract	4.4	2.2
Member of management or supervisory body of the legal person	6.3	6.0

As at 31 December 2022, AS SmartCap employed seven full-time employees, incl. two members of the management board.

The total remuneration calculated for the employees amounted to 197,127 euros (2021: 104,919 euros), social tax not included. The total remuneration calculated for the members of the management board of AS SmartCap amounted to 178,674 euros (2021: 93,945 euros), social tax not included. The total remuneration calculated for the members of the supervisory board of AS SmartCap amounted to 31,000 euros (2021: 30,000 euros), social tax not included.

## Note 11. Related parties

(in euros)

<b>Name of accounting entity's parent company</b>	<b>Estonian Business and Innovation Agency</b>
Country where accounting entity's parent company is registered	Republic of Estonia
Group name where parent company belongs	Ministry of Finance of the Republic of Estonia
Country where group's parent company is registered	Republic of Estonia

	<b>31.12.2022</b>		<b>31.12.2021</b>	
<b>Balances with related parties by groups</b>				
	Receivables	Payables	Receivables	Payables
Parent company (see Note 2)	0	5,369	0	1,607
Executive and senior management		21,464	0	20,000
Republic of Estonia (see Note 2)	105,985	12	0	0
Venture Capital Fund and Green Fund (see Note 2)	412,775	2,057	170,361	0

<b>Purchases and sales</b>				
	<b>2022</b>		<b>2021</b>	
	Purchases	Sales	Purchases	Sales
Parent company (see Note 2)	30,741	0	22,004	2,184
Executive and senior management	23,096	0	50,831	0
Republic of Estonia	242	226,392		23,986
Venture Capital Fund and Green Fund (see Notes 2 and 8)	0	1,098,027	0	684,846

<b>Remuneration and other significant benefits calculated for executive and senior management</b>		
	<b>2022</b>	<b>2021</b>
Remuneration calculated	209,673	123,945

During the reporting period, no write-downs of receivables from related parties have been made. AS SmartCap is paid a management fee for the management of the Venture Capital Fund and the Green Fund for the account of the funds. During the reporting period, the management fee has been calculated in the amount of 1,098,027 euros (2021: 684,846 euros) (see also Note 8).

In addition, the Venture Capital Fund compensated AS SmartCap for expenses in the amount of 15,540 euros (2021: 7,500 euros) and AS SmartCap compensated the Green Fund for expenses in the amount of 21,444 euros (2021: 0 euros). As at 31 December 2022, the fund management fee payable to AS SmartCap amounted to 412,775 euros (2021: 170,361 euros). There were no commission expenses payable (2021: 0 euros).

Upon premature termination of a contract of service with members of the management board of AS SmartCap at the initiative of AS SmartCap, AS SmartCap is required to pay severance pay in the amount equal to the three months' remuneration of the member of the management board, except if the contract is terminated with good reason.

# Signatures of members of management board to annual report 2022

The management board has prepared the management report and financial statements of AS SmartCap for the financial year ended on 31 December 2022.

Mari Vavulski	Member of Management Board	/digitally signed/	4 April 2023
Sille Pettai	Member of Management Board	/digitally signed/	4 April 2023

# Profit distribution proposal

(in euros)

The management board of AS SmartCap makes a proposal to transfer the net profit of the financial year ended on 31 December 2022 in the amount of 152,931 euros to the retained earnings.



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Internet www.kpmg.ee

## **Independent Auditors' Report**

*(Translation of the Estonian original)*

To the shareholders of AS SmartCap

### **Opinion**

We have audited the financial statements of AS SmartCap (the Company), which comprise the balance sheet as at 31 December 2022 and the income statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance for the year then ended in accordance with 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 (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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. The other information comprises the management report, but does not include the financial statements and our auditors' 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 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.

### **Auditors' 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 auditors' 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 Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism 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 auditors' 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 auditors' 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.

KPMG Baltics OÜ

Licence No 17

/digitally signed/

Eero Kaup

Certified Public Accountant, Licence No. 459

Tallinn, 10 April 2023

# List of areas of activity

The fee and commission income of AS SmartCap was in accordance with the Estonian Classification of Economic Activities /*EMTAK*/ in full, i.e. to the extent of 1,098,028 euros, 66301 Fund management activities.



# SMART> CAP

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