

ANNUAL REPORT

beginning of financial year: 01.01.2021

end of the financial year: 31.12.2021

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Management report

AS Vandeni Kindlustusmaaklerid is an independent and internationally active specialised insurance broker established in 1999 and it has become one of the most innovative insurance and reinsurance brokers in Estonia. From June 2009 the company has the rights to provide cross-boarder services. As an international insurance broker we have directed more than 80% of agreements fitted to the interests of our customers abroad. We have corporate customers in England, Finland, Latvia, Lithuania and elsewhere. Our areas of activity include insurance, reinsurance and special programmes, as well as developing complex solutions for corporate customers. We specialise in several insurance areas, where our professionals, based on their extensive knowledge and experience, offer outstanding insurance and risk management solutions. In our activities we commit to offering the best services from consultation and risk placement to technical wording and dealing with claims. A client can be sure that we shall act only in the interests of the client – we do not have external shareholders and we emphasize transparency in our work. The company belongs 100% to Estonian capital and the owners are directly involved in the activities of the company. AS Vandeni Kindlustusmaaklerid is an independent, partner-based, internationally acting Estonian company intermediating insurance and risk management services.

Economic environment and its impact

According to Eesti Pank, the Estonian economy grew by 8.3% in 2021, but it is projected that the growth is to decline in 2022. Economic growth is hampered by global supply difficulties, as well as general labor shortages in most areas of activity. Existing production resources are already implemented at an all-time high; the growth is also hampered by Russia's war against Ukraine and the rapid rise in energy prices add to the uncertainty. The price increase in Estonia is expected to slow down in 2023-2024.

Insurance activities

The finance and insurance sector in Estonia is relatively small by international comparison. The share of companies in the sector is less than 10% of the total number of Estonian companies. The sector is divided into three:

- 1) financial services, except insurance and pension funds;
- 2) insurance, reinsurance and pension funds, except mandatory social insurance;
- 3) Activities auxiliary to financial services and insurance activities.

According to the Financial Supervision Authority, 31% of the contracts concluded in the first half of 2021 were received through insurance brokers, insurance contracts were brokered by 39 insurance brokers. At the same time, 78% of insurance payments were mediated by 9 brokers, among them AS Vandeni Kindlustusmaaklerid.

Risks related to changes in currency exchange rates and interest rates

In 2021, settlements with customers and suppliers were carried out in euros, British pound sterling, US dollars and to a smaller extent in other currencies. The US dollar has increased the company's currency risks.

About the economic activity of the company in 2021

According to the Financial Supervision Authority, AS Vandeni Kindlustusmaaklerid brokered 5% of non-life insurance premiums of insurance brokers as of the first half of the reporting year, the market share of the previous year was 8%. In property insurance, the market share for the first half of the reporting year was 4%, compared to 5% last year.

Although, according to Statistics Estonia, the total volume of insurance premiums collected in the non-life insurance market increased by 4% compared to the previous year, the volume of insurance premiums brokered by the public limited company and brokerage fees decreased in the reporting year. The total volume of services was 0.7 million euros in the reporting year (one million euros in 2020). Sales revenue was generated from brokerage services in various insurance areas, including marine, liability, property, life, accident and health insurance. The financial year ended in profit.

According to the Insurance Activities Act, AS Vandeni Kindlustusmaaklerid holds a valid insurance broker's professional indemnity insurance policy. The liability insurance provider for AS Vandeni Kindlustusmaaklerid is ERGO Insurance SE. There were no changes in the company's management.

Objectives and assessments

AS Vandeni Kindlustusmaaklerid will continue to operate in the same business segment in the next financial year and expects a moderate increase in the insurance brokerage market in order to maintain the company's market position. The company's management is aware of the war in Ukraine and has analyzed the resulting impact on the company's business. The management has concluded that despite the uncertainty, the war will not have a significant impact on the field of activity and believes that despite the difficult economic situation, the business will continue to operate.

The annual accounts

Statement of financial position

(In Euros)

	31.12.2021	31.12.2020	Note
Assets			
Current assets			
Cash and cash equivalents	468 069	518 238	2
Financial investments	53 998	69 749	3
Receivables and prepayments	415 362	880 312	
Accounts receivable	185 376	669 735	
Tax prepayments and receivables	929	1 130	4
Loan receivables	110 000	110 000	5
Other receivables	77 933	53 839	6
Prepayments	41 124	45 608	
Total current assets	937 429	1 468 299	
Non-current assets			
Financial investments	100	100	7
Receivables and prepayments	1 469 702	1 494 202	
Loan receivables	1 469 702	1 494 202	5
Property, plant and equipment	6 000	0	
Total non-current assets	1 475 802	1 494 302	
Total assets	2 413 231	2 962 601	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	499 857	1 050 033	
Trade payables	156 157	229 718	
Employee payables	24 647	27 211	
Tax payables	14 540	18 077	4
Other payables	67 761	8 065	
Deferred income	26 558	0	
Other received prepayments	210 194	766 962	
Total current liabilities	499 857	1 050 033	
Total liabilities	499 857	1 050 033	
Equity			
Issued capital	63 900	63 900	
Statutory reserve capital	6 391	6 391	
Retained earnings (loss)	1 552 492	1 312 062	
Annual period profit (loss)	290 591	530 215	
Total equity	1 913 374	1 912 568	
Total liabilities and equity	2 413 231	2 962 601	

Income statement

(In Euros)

	2021	2020	Note
Revenue	718 655	1 001 666	8
Other income	6 474	9 171	
Raw materials and consumables used	-29 753	-23 357	
Other operating expense	-145 583	-145 253	
Employee expense	-220 726	-226 889	9
Significant impairment of current assets	-441	-3 351	
Other expense	-2 135	-9 054	
Operating profit (loss)	326 491	602 933	
Gain (loss) from financial investments	-15 751	-22 857	2
Interest income	27 687	15 168	
Interest expenses	0	-191	
Other financial income and expense	-662	-1 142	
Profit (loss) before tax	337 765	593 911	
Income tax expense	-47 174	-63 696	
Annual period profit (loss)	290 591	530 215	

Notes

Note 1 Accounting policies

General information

The annual accounts of AS Vandeni Kindlustusmaaklerid includes the annual accounts of a small company in a condensed form, the objective of its preparation and publishing is to provide the information required by law about its financial condition and results. The preparation of the company's annual accounts has been based on Estonian financial reporting standard. The income statement has been prepared on the basis of income statement layout number 1 provided in Annex to the Accounting Act. The annual accounts have been presented in euros.

Financial assets

Cash, short-term financial investments, trade receivables and other short- and long-term receivables are considered financial assets. Financial liabilities are borrowings, accruals and other short- and long-term debt liabilities. Financial assets and liabilities are initially recorded in their acquisition cost, which is fair value of the amount paid for the financial asset or received for the liability. The initial acquisition cost includes all transaction costs directly related to the financial asset or liability. Financial assets are removed from the balance sheet when the company loses the right to the cash flows arising from the financial assets or when it transfers cash flows arising from assets and most of the risks and benefits related to financial assets to a third party. Financial liabilities are removed from the balance sheet when they are satisfied, terminated or expired.

Cash and cash equivalents

Cash in hand and at bank are recorded as cash and cash equivalents.

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

The reflection of foreign currency transactions has been based on the foreign exchange rates of the European Central Bank valid on the day of the transaction. The foreign currency assets and liabilities as of 31 December 2021 have been converted into euros on the basis of the foreign exchange rates of the European Central Bank valid on the balance sheet date.

Financial investments

Short-term financial investments into shares are recorded in the balance sheet on the basis of their fair value. The assessment of fair value is based on the market value of the financial investment on the balance sheet date.

Receivables and prepayments

Receivables and prepayments are recorded at the acquisition cost, which is fair value of the amount received for the financial asset. Receivables are removed from the balance sheet when the company loses the right to the cash flows arising from the receivables and prepayments or when it transfers cash flows arising from assets and most of the related risks and benefits to a third party. Trade receivables are recorded in the balance sheet at adjusted acquisition cost. Accounts receivable are recorded in the balance sheet on the basis of amounts likely to be received. In doing so, the accounts receivable from each client are assessed separately, taking into account the known information about the client's solvency. Doubtful receivables are recorded in other operating expenses. The receipt of doubtful receivables that have been previously written-down is reflected as a reduction in the cost of doubtful receivables.

Plant, property and equipment and intangible assets

A work of art exhibited as an interior element is recorded as an item of property, plant and equipment at its original acquisition cost and depreciation is not taken into account.

Leases

Operating lease payments are recognized as an expense during the lease term.

Financial liabilities

All financial liabilities (trade payables, borrowings, accruals and other short- and long-term debt liabilities) are initially recorded at their acquisition cost. The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value, therefore, short-term financial liabilities are reflected in the amount payable in the balance sheet. A financial liability is classified as short-term if its term of payment is 12 months of the balance sheet date; or the company does not have an unconditional right to postpone the payment of liability more than 12 months of the balance sheet date. Liabilities with the due date of more than one year of the balance sheet date are reflected as long-term liabilities in the balance sheet. Also, such loan liabilities are reflected as short-term, which the lender had the right to reclaim on the balance sheet date due to violation of the terms and conditions established in the loan agreement.

Provisions and contingent liabilities

Appropriations are reflected if the company had a legal liability or liability generated by its activities that has occurred before the balance sheet date, the realisation of the appropriation in the form of outflow of resources is probable and the amount of the appropriation can be determined reliably. The expenses related to the realisation of the appropriation are assessed as at the balance sheet date and the amount of the appropriation is assessed again at every balance sheet date.

Revenue recognition

The sales revenue of the company consists of insurance mediation fees and other revenue received from insurance activity. Revenue is reflected on the basis of instalments of concluded insurance contracts. Revenue from other services is reflected after the provision of the service.

Taxation

In accordance with the legislation applicable in Estonia, the corporate profits are not taxed, which is why there are no receivables or liabilities for deferred income taxes. Instead of profits, dividends paid from retained profits are taxed. Corporate income tax, which accompanies the payment of dividends, is recorded as income tax expense in the income statement in the same period as dividends are declared, regardless of the period for which they were announced or when they are actually paid.

Related parties

In accordance with the legislation applicable in Estonia, the corporate profits are not taxed, which is why there are no receivables or liabilities for deferred income taxes. Instead of profits, dividends paid from retained profits are taxed. Corporate income tax, which accompanies the payment of dividends, is recorded as income tax expense in the income statement in the same period as dividends are declared, regardless of the period for which they were announced or when they are actually paid.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2021	31.12.2020
Bank accounts customers' cash	320 156	381 757
Bank accounts other	147 913	136 481
Total cash and cash equivalents	468 069	518 238

Cash paid by customers that is transferred to insurance undertakings is reflected on the row "Bank accounts customers' cash". In accordance to the Insurance Activities Act the insurance broker is not allowed to use the resources on the aforementioned account in its economic activity, these do not form a part of the bankruptcy estate of an intermediary and a claim for payment shall not be made thereon against the insurance broker in execution proceedings.

Note 3 Current financial investments

(In Euros)

	Shares	Total
	31.12.2019	92 606
Profit (loss) from disposal and revaluation	-15 031	-15 031
Other	-7 826	-7 826
31.12.2020	69 749	69 749
Carried at fair value	69 749	69 749
Profit (loss) from disposal and revaluation	-21 570	-21 570
Other	5 819	5 819
31.12.2021	53 998	53 998
Carried at fair value	53 998	53 998

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2021		31.12.2020	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax	0	5 251	0	10 000
Personal income tax	0	4 498	0	2 740
Fringe benefit income tax	0	440	0	22
Social tax	0	3 851	0	4 702
Contributions to mandatory funded pension	0	221	0	272
Unemployment insurance tax	0	279	0	341
Prepayment account balance	929		1 130	
Total tax prepayments and liabilities	929	14 540	1 130	18 077

Note 5 Loan receivables

(In Euros)

	31.12.2021	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Companies	1 469 702	0	1 469 702	10
Companies	107 000	107 000	0	
Others	3 000	3 000	0	
Loan receivables	1 579 702	110 000	1 469 702	

	31.12.2020	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Companies	1 494 202	0	1 494 202	10
Companies	107 000	107 000	0	
Others	3 000	3 000	0	
Loan receivables	1 604 202	110 000	1 494 202	

Note 6 Other receivables

(In Euros)

	31.12.2021	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Interest receivables	55 405	55 405	0	0	
Companies	13 010	13 010	0	0	
Companies	42 395	42 395	0	0	10
Accrued income	22 528	22 528	0	0	
Others	22 528	22 528	0	0	10
Total other receivables	77 933	77 933	0	0	

	31.12.2020	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Interest receivables	27 747	27 747	0	0	
Companies	1 462	1 462	0	0	
Companies	26 285	26 285	0	0	10
Accrued income	26 093	26 093	0	0	
Others	26 093	26 093	0	0	
Total other receivables	53 840	53 840	0	0	

Note 7 Long-term financial investments

(In Euros)

		Total
	Shares	
31.12.2019	100	100
31.12.2020	100	100
		Total
	Shares	
31.12.2020	100	100
31.12.2021	100	100

Note 8 Net sales

(In Euros)

	2021	2020
Net sales by geographical location		
Net sales in European Union		
Estonia	235 070	280 198
Luxembourg	25 068	0
Latvia	21 355	22 045
Germany	17 655	17 154
Finland	3 436	1 530
Denmark	1 000	0
France	1 000	0
Lithuania	0	369
Total net sales in European Union	304 584	321 296
Net sales outside of European Union		
Norway	367 384	505 436
United Kingdom	41 814	27 390
United States of America	3 191	147 544
Switzerland	1 682	0
Total net sales outside of European Union	414 071	680 370
Total net sales	718 655	1 001 666
Net sales by operating activities		
Insurance brokerage activity	718 655	989 669
Services	0	11 997
Total net sales	718 655	1 001 666

Note 9 Labor expense

(In Euros)

	2021	2020
Wage and salary expense	164 967	169 573
Social security taxes	55 759	57 316
Others expense	0	89
Total labor expense	220 726	226 978
Average number of employees in full time equivalent units	5	5
Average number of employees by types of employment:		
Person employed under employment contract	5	5

Note 10 Related parties

(In Euros)

Related party balances according to groups

SHORT TERM	31.12.2021	31.12.2020
Receivables and prepayments		
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	64 425	36 055
Total receivables and prepayments	64 425	36 055

LONG TERM	31.12.2021	31.12.2020
Receivables and prepayments		
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	1 469 702	1 494 202
Total receivables and prepayments	1 469 702	1 494 202

GIVEN LOANS	31.12.2019	Given loans	Given loans repayments	31.12.2020	Interest accrued for period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	1 372 550	226 652	105 000	1 494 202	13 695
Total given loans	1 372 550	226 652	105 000	1 494 202	13 695

GIVEN LOANS	31.12.2020	Given loans	Given loans repayments	31.12.2021	Interest accrued for period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	1 494 202	85 000	60 500	1 469 702	16 110
Total given loans	1 494 202	85 000	60 500	1 469 702	16 110

SOLD	2021		2020	
	Services	Non-current assets	Services	Non-current assets
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	483	0	12 489	0
Legal person with material ownership interest and material influence of management and higher	0	0	0	9 171
Total sold	483	0	12 489	9 171

BOUGHT	2021		2020	
	Services	Non-current assets	Services	Non-current assets
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	36 000	0	36 000	0
Total bought	36 000	0	36 000	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2021	2020
Remuneration	7 008	7 008