Group annual report

1 January 2021 – 31 December 2021

Home at Suur- Patarei 6

LIVEN AS

GROUP

Business name:	Liven AS
Core business:	Development of building projects (EMTAK 41101)
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Auditor:	KPMG Baltics OÜ

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Foreword

There is nothing particularly revolutionary about Liven's birth story. But then, revolutions are often identified in hindsight. In 2014, when Liven was established, we were just another fledgling real estate business, another new developer – at least on paper. However, Liven had a driving force that set it apart from the outset.

We realised that an apartment and a home are not the same. Our driving force is the idea that we at Liven want to create homes.

For most people, buying a home is the biggest purchase of their lives. Thus, it is natural that home buyers expect service and attention commensurate with the scale of their purchase. Regrettably, this is not always what they get. While all buildings are designed to be unique, creating a home that would meet the residents' wishes is often unattainable or gives everyone involved a headache for a year. Liven is ready to change that.

We create homes with a soul. We put our hearts into our work, striving to give everyone the home they seek and, more importantly, to offer everyone an opportunity to take part in creating the home they need – a home that is unique and personal.

This report gives you a brief overview of our progress towards our goals in 2021.

Management report

Liven's goal is to create the coolest homes and to deliver the most personal service experience.

Corporate values –

Responsible, Ambitious, Dependable

Responsible

For most people, buying a home is the most important purchase of their lives. Therefore, homes must be designed with special care and a strong sense of responsibility in order to meet the customers' expectations. The work we do will affect urban space for years to come. Therefore, it is important to properly assess and mitigate the risks associated with our operations.

Ambitious

We never lower the bar, our goals are always high and inspiring – we strive for the greatest development idea, the fastest implementation solution, excellent financial performance, the highest quality and the most satisfied customers. We always wish to create the wow effect.

Dependable

We achieve our goals honestly and talk about things as they are. Trust within the team and in relations with customers, partners and shareholders is the foundation for our success. Responsible, ambitious and dependable, Liven people are always approachable, proactive and eager to help.

Key facts

€6.3 million
Revenue for 2021

€0.6 million
Net profit for 2021

125
Contracts under the law of obligations[1] signed in 2021

€2.4 million
Net profit forecast for 2022

1,719
Size of housing development portfolio

9.01 out of 10
Customer feedback score

No. 2
Number 2 real estate developer in Estonia by reputation

Development projects launched in 2021:

220 homes

20,069 m²

[1] Under Estonian law, the terms and conditions of the sale of real estate and the rights and obligations of the parties are agreed in a contract under the law of obligations. Title transfers when an entry is made in the Land Register, which is done on the basis of a real right contract. The contract under the law of obligations and the real right contract may be signed simultaneously and they may be drawn up as a single document. However, frequently a sales contract under the law of obligations is signed in the development or construction stage when the buyer makes a prepayment. The real right contract is signed when the real estate is complete.

Regati puiestee 3	Total sellable area

Achievement of operating targets in 2021

Liven set the following targets for 2021:

- Improving customers' purchasing experience and expanding personalisation options
- Developing operating processes and products
- Creating after-sales service
- Selecting foreign markets and recruiting key personnel for the selected foreign markets
- Raising additional equity of up to 5 million euros
- Launching a pilot project to apply for LEED certification for the first apartment building in Estonia.

Improving customer experience and expanding personalisation options

Liven wishes to offer people as many choices as possible in planning their homes, so that customers could have a home that is unique and exactly suits their needs and wishes. To achieve this objective, we expanded the team with interior architects who help customers make the best choices.

The first version of Liven's self-developed home design software Kodukujundaja, which helps home buyers make interior finishing choices for their future homes, was completed at the end of the year. The program integrates different work processes, enabling customers to personalise their homes and make the best choices more effectively with the assistance of interior architects. People buying homes in the Iseära project were the first to whom the app was made available from the beginning of 2022. In the future, all starting projects will implement the app, which will be integrated into the home page in the section where apartments can be selected. Development of the app will continue in 2022. We are working on creating a customer portal and integrating the app management module with the design software.

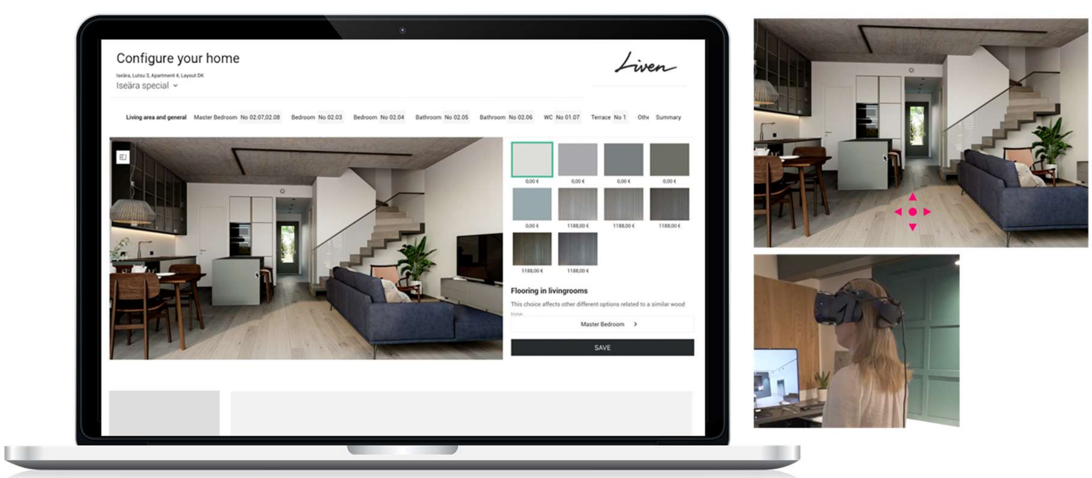


Image of the home design app Kodukujundaja

Creating after-sales service

During the period, the Liven team was joined by a quality manager whose role is to seamlessly resolve any after-sales issues related to completed homes and to provide input to the project team so as to prevent potential warranty incidents in future developments.

Brand awareness and customer feedback

To improve Liven's product and service, we request feedback from home buyers in all projects. Feedback is collected in four stages: after the signature of the contract under the law of obligations, on the arrival of the deadline for modification works, upon the delivery of the home to the buyer after the signature of the real right contract, and after the completion of warranty works. Liven consistently updates its customer feedback system to get the most immediate and maximum input for its operations.

Customer satisfaction is assessed on a scale of one to ten. As at 31 December 2021, customers rated us with a score of 9.01 (31 December 2020: 9.24). The decrease in the satisfaction rating is attributable to lower ratings during the warranty period. We are putting a lot of effort into solving and preventing any issues that may arise during the warranty period more effectively.

Customers rate us:

9.01 out of 10

A survey conducted by Kantar Emor at the end of September 2021 into the recognition and reputation of real estate brands ranked Liven as the most reputable home developer in Tallinn and the surrounding area after Merko for the third year in a row. The most positive news is the continuing growth in the recognition of the Liven brand: the general aided awareness increased to 65% (2020: 51%) and spontaneous recall increased to 33% (2020: 22%).

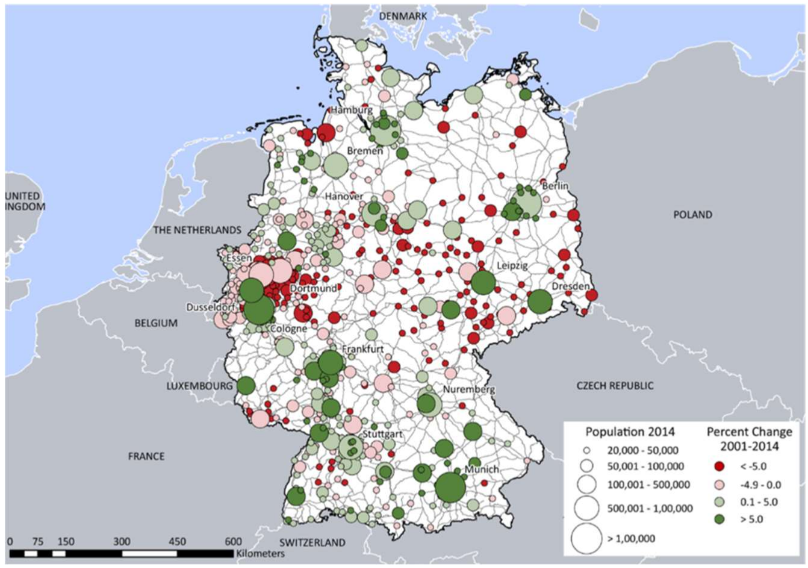
The most reputable real estate developers in Estonia:

1. Merko
2. Liven
3. YIT

Entering the Berlin market

In the first half-year, intensive work continued on the selection of locations suitable for expansion into foreign markets, which involved reviewing an in-depth market analysis of the 10 national capitals that had passed the first screening in 2020. The analysis led to the decision to expand to Germany, which was found to have the highest market potential and to be the best fit with Liven's value proposition. In Germany, four areas were further considered for market entry:

1) Munich
2) Frankfurt
3) Ruhr region (Cologne, Düsseldorf, Essen, Dortmund)
4) Berlin



Source: World Bank Group

We chose Berlin and its surrounding area as the best location for market entry for the following reasons:

- The city, together with its vicinity, has a high population density and is rapidly growing and developing.
- Compared to other analysed areas, the availability of development land is better.
- The area is popular with both technology companies and start-ups. Many international companies are setting up their development centres namely in Berlin.

To prepare for the market entry, we recruited a development manager in Estonia who coordinates the activities related to our entry into Germany. At the end of the year, Liven founded a subsidiary in Germany and we recruited the first local project manager. In the first quarter of 2022, the recruited project manager was mostly in Tallinn, preparing the processes and operating system to be implemented in Germany. An active search for plots started in the second half of February. The goal is to buy the first development plot in 2022.

For the first development, we are looking for plots with the following characteristics:

- Location: Berlin and the surrounding area
- Development land suitable for new development, preferably with building rights
- Gross enclosed area > 1,000 m^2
- Project timetable: 12–48 months from the purchase of the plot to the delivery of completed homes to customers
- Acquisition cost: up to 5 million euros.

Increase of share capital

In June, Liven AS successfully completed a share issue of 5 million euros, during which 1,337,613 new shares were issued. Existing shareholders exercised the pre-emptive right and subscribed for shares of 2.7 million euros in total. The remaining shares of 2.3 million euros were subscribed for in a private placement to 20 new investors. As a result of the share issue, the number of Liven's shareholders increased to 37. The funds raised will be used to increase the development portfolio in Estonia.

Liven's reputation among investors

Liven has set itself a long-term strategic objective to be listed on the Tallinn Stock Exchange. In 2021, the focus of the preparations launched in 2019 was on the development of internal processes and reporting.

During the year, several meetings were held with new shareholders to map their expectations regarding communication and discuss other opportunities to contribute to Liven's development. At 31 December 2021, Liven AS had 43 shareholders, including 16 through the group's option program for employees and key personnel (Liven Employee Ownership Program, LEOP).

At the end of the year, Liven Kodu 18 OÜ, a subsidiary of Liven AS, signed an agreement with LHV Asset Management to finance the Kadaka 88 project with mortgage bonds of 2.4 million euros. The bonds are secured by a first-ranking mortgage and pay quarterly interest at the rate of 8% per year. The transaction is a good sign of the trust of institutional investors, which creates a good basis for the company's further development and future partnerships.

Environmental objectives

At the beginning of 2021, the first project manager obtained the LEED (Leadership in Energy and Environmental Design) Green Associate credentials. The environmental objective to start a LEED pilot project is related to the proceedings for the adoption of the detailed spatial plan of the selected development. We have postponed the launch of the pilot project until the adoption of the detailed spatial plan, which we expect in 2023. All buildings currently being designed by Liven meet class A energy efficiency requirements and most buildings have been supplied with solar panels to achieve class A. Geothermal heating is used in the Iseära terraced houses project.

In the Alasi 5 project, completed in northern part of Tallinn at the beginning of 2021, Liven created an opportunity for residents to engage in hobby gardening. In addition, a compost bin was installed in the yard for better waste recovery: the resulting soil can be used in gardening.

Home at Alasi 5

Risk management

Risk management is an important part of the group's strategic management, which is aimed at identifying the optimum way to achieve the group's strategic and financial goals. Systematic risk management allows preventing or minimising potential financial loss. The group has identified market risk, operational risk and financial risks as its most significant risks. In financial risk management, the priority is to manage risks related to capitalisation and financing, which incorporates management of currency, interest rate and credit risk. The group's risk management is coordinated by the management board and the CFO. A detailed description of financial risks is presented in note 7 to the consolidated financial statements.

Financial targets

The management board and supervisory board of Liven AS have approved the following long-term financial targets for the group:

Return on equity
> 20%

Equity ratio
ca. 40%

Dividend distributions starting from 2023 based on the financial results for 2022

The cyclical nature of the business has a significant impact on the group's financial performance. The development cycles of projects last from 1.5 to 4 years and revenue is recognised only at the end of the period when the homes are delivered to customers. As a result, the revenues of ending projects may be unevenly distributed across the years and cause significant fluctuations in net profit for the period, despite the profitability of the projects in the development portfolio.

		2021	2020
Return on equity	%	6.6%	21.8%
Equity ratio	%	25.5%	37.1%

The short-term and long-term financial targets set for 2021 were not met. The group's net profit target for 2021 was 3 million euros (actual: 0.6 million euros). Achievement of the net profit target was strongly affected by the lengthening of the projects' time schedules due to the COVID-19-related difficulties faced by the construction market.

Return on equity and the equity ratio for 2021 were also below target because of delays in the completion of projects. Return on equity was additionally affected by the increase in share capital during the reporting period, as the capital raised in 2021 will be invested in new projects and start generating return over a longer period in the future. In 2020, the group met its return on equity target.

Key ratios

		2021	2 020
Revenue	€'000	6,278	9,000
Operating profit	€'000	656	1,436
Operating margin	**%**	**10%**	**16%**
Net profit	€'000	638	1,439
Attributable to owners of the parent	*€'000*	*647*	*1,333*
Attributable to non-controlling interest	*€'000*	*-9*	*106*
Net margin	**%**	**10%**	**16%**
Assets at end of period	€'000	50,257	18,437
Equity at end of period	€'000	12,881	6,923
Attributable to owners of the parent	*€'000*	*12,807*	*6,840*
Return on equity	**%**	**6.6%**	**21.8%**
Equity ratio	**%**	**25.5%**	**37.1%**
Current ratio	times	**2.55**	**4.70**
Average number of employees	people	**16**	**9**

Formulas used:

Operating margin (%) = operating profit / revenue
Net margin (%) = net profit / revenue
Return on equity (%) = net profit (attributable to owners of the parent) / shareholders' equity (annual average)
Equity ratio (%) = shareholders' equity / total assets
Current ratio = current assets / current liabilities

Group structure

At 31 December 2021, the group comprised 18 companies (31 December 2020: 17). The core business of all group companies is the development of building projects.

Description of project stages:

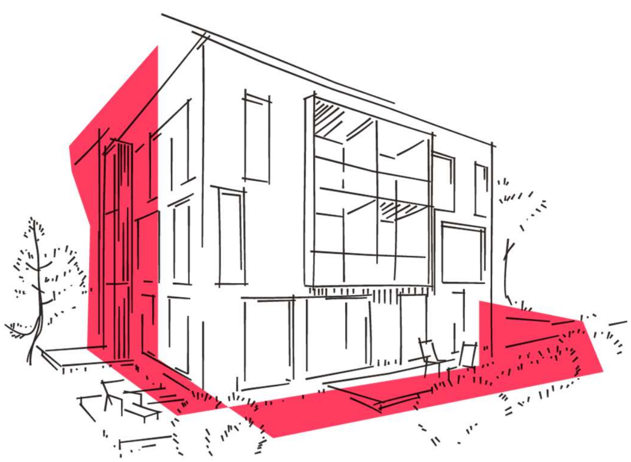
Detailed spatial plan	A detailed spatial plan is being prepared to obtain building rights.
Building design	A preparatory stage before construction. In this stage, the building design documentation is prepared, the necessary permits are applied for, and the construction service procurement is carried out. In some cases, design specification proceedings may also be necessary.
Under construction	In this stage, construction activities are carried out. As a rule, by that time at least 50% of the volume under construction has been sold under contracts under the law of obligations.
Warranty	The warranty period lasts for 2 years.
Ended	The warranty period has ended, all apartments have been sold. Those companies are planned to be merged in the coming years in order to simplify the structure.

List of subsidiaries	Project name / location	Status	Domicile	Ownership interest (%) 31 Dec 2021	Ownership interest (%) 31 Dec 2020
Liven Kodu OÜ	Ristiku põik 5	Ended	Estonia	100	100
Liven Kodu 2 OÜ	Mõtuse 22	Ended	Estonia	-	100
Liven Kodu 3 OÜ	Virbi 8/10	Ended	Estonia	-	100
Liven Kodu 4 OÜ	Rumbi 4 / Katla Maja	Ended	Estonia	100	100
Liven Kodu 5 OÜ	Lahepea / Uus-Meremaa	Under construction	Estonia	100	100
Liven Kodu 6 OÜ	Asula põik 4	Under construction	Estonia	100	100
Liven Kodu 7 OÜ	Toom-Kuninga 21	Ended	Estonia	0	0
Liven Kodu 9 OÜ	Vääna 11	Ended	Estonia	100	100
Liven Kodu 10 OÜ	Kadaka tee 88	Detailed spatial plan	Estonia	100	100
Liven Kodu 11 OÜ	Suur-Patarei 6	Warranty	Estonia	100	100
Liven Kodu 12 OÜ	Jalami / Luuslangi	Building design	Estonia	100	100
Liven Kodu 14 OÜ	Alasi 5	Warranty	Estonia	100	100
Liven Kodu 15 OÜ	Türi 4 / Väike Tallinn	Under construction / Warranty	Estonia	100	100
Liven Kodu 16 OÜ	Harkujärve village / Iseära	Building design	Estonia	100	100
Liven Kodu 17 OÜ	Juhkentali 48	Detailed spatial plan	Estonia	100	100
Liven Kodu 18 OÜ	Erika 12	Detailed spatial plan	Estonia	100	100
Liven Kodu 19 OÜ	Magdaleena 4	Building design	Estonia	100	-
Liven Kodu 20 OÜ	Regati 3	Building design	Estonia	100	-
Liven Wohnungsbau GmbH	-	-	Germany	100	-

The group does not have an ownership interest in Liven Kodu 7 OÜ and solely provides the entity with management services under a management contract. The financial information of Liven Kodu 7 OÜ has been consolidated because the group is able to direct the relevant activities of Liven Kodu 7 OÜ and the group is exposed to variable returns from its involvement with the entity.

In 2021, three companies were founded: Liven Kodu 19 OÜ and Liven Kodu 20 OÜ in Estonia and Liven Wohnungsbau GmbH in Germany. Liven Kodu 19 OÜ purchased from Liven Kodu 6 OÜ part of the properties of the Magdaleena 4 project, which was subsequently divided into two subprojects: Magdaleena 4 and Asula põik 4. Liven Kodu 20 OÜ was founded for the Regati puiestee 3 project.

Liven Kodu 2 OÜ and Liven Kodu 3 OÜ, founded for projects which have ended, merged with Liven Kodu OÜ on 1 January 2021.



Factors with the strongest effect on the Tallinn new developments market in 2021

The year was characterised by a shortage of building materials, which emerged in the first quarter and triggered a sharp increase in construction prices, reducing builders' interest to bid for and enter into construction contracts. Above all, it was difficult to complete procurements of construction services which had already been announced because the ongoing surge in materials prices made contractors withdraw their bids and forced customers to announce new procurements. In late summer and early autumn, there was hope that the process would decelerate and prices would stabilise, but in mid-autumn input prices started to rise again and winter brought a hike in energy prices. The full implications of soaring energy prices are not yet clear. However, the prices of all energy intensive production operations (e.g. cement production) and related products are expected to grow, which will increase the prices of relevant inputs. Another factor that is putting strong upward pressure on prices is the war in Ukraine which started on 24 February 2022, as it will drive up certain materials prices, disrupt the supply chains and reduce the availability of skilled and qualified labour in the construction market. The effects of the war in Ukraine should become clear in the next few months but at the date this annual report is authorised for issue it may be assumed that the impacts of the war will be smaller than those of the COVID-19 pandemic. Although all the group's construction contracts have fixed prices and terms, the situation in the construction market has increased construction costs and caused delays in construction work. Due to the war in Ukraine, we expect the effects to persist in 2022.

	2021	2020
Annual change in GDP at constant prices	+8.2%	-2.6%
Change in average monthly salary (gross)	+6.9%	+2.9%
Unemployment rate	6.2%	6.8%
Construction price index	+8.1%	+0.4%

Source: Statistics Estonia

The European Central Bank (ECB) has expressed its intention to tighten its monetary policy in 2022. The ECB plans to reduce its asset purchase programme over the year and may raise interest rates towards the end of the year. As Euribor is negative at the date this annual report is authorised for issue, an increase in the benchmark rate will not have an immediate impact on the availability of housing loans and demand for real estate. On granting housing loans, banks assess the creditworthiness of potential borrowers at interest rates considerably above the current market interest rate. Therefore, a rise in interest rates should not affect the supply of loans. However, a general uptrend in interest rates may increase the financing costs of development projects.

Overview of the real estate market

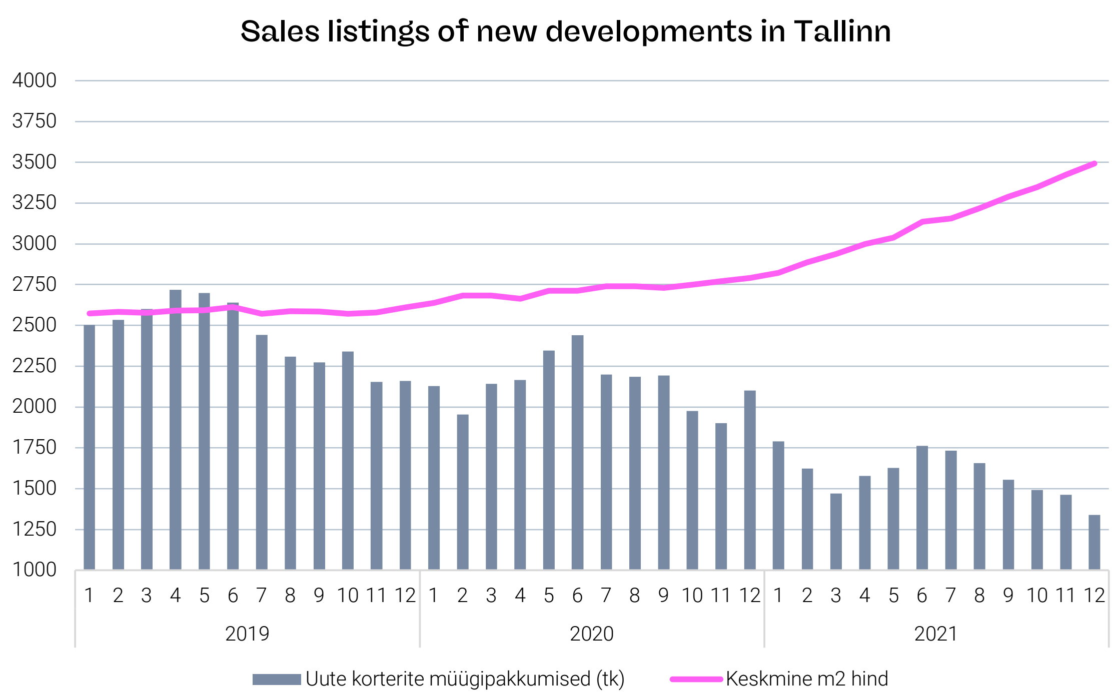
Overall, the Estonian economy adapted to the challenges of the pandemic that started in 2020 more rapidly than expected, which was also reflected in strong demand for real estate. The number of real estate sales transactions in Tallinn reached the pre-crisis level already in mid-2020 and transaction activity increased significantly in the second quarter of 2021, maintaining the trend until the year-end. The rise in transaction activity was accompanied by steep price increases in both the new development market and the secondary market, which were supported by growth in builders' and developers' input prices, general inflation expectations, continuously low interest rates and a decrease in inventories in the apartment market. We expect demand to remain strong in 2022, due to persisting inflation expectations as well as the surge in energy prices, which began at the end of 2021 and is making people seek ways to either improve the energy efficiency of their homes or replace their current homes with new ones.

Based on the Land Board's statistics, a total of 10,881 real estate sales transactions were made in Tallinn in 2021, which is 1,099 transactions more than in 2019, the last year before the COVID-19 pandemic. In contrast, in 2020 there were 890 transactions less than the year before.

On this basis, it may seem that a significant share of the growth in the number of transactions in 2021 is attributable to transactions which were postponed in 2020 due to the pandemic. However, it should also be noted that the sale of new developments is reflected in statistics with a delay of almost one year (there is a long time lag between signing the contract under the law of obligations and the real right contract). The average sales price of apartments in Tallinn increased by 11.5% to 2,356 €/m^2 in 2021 (2020: 2,112 €/m^2), rising significantly faster than the average gross salary in the same period.

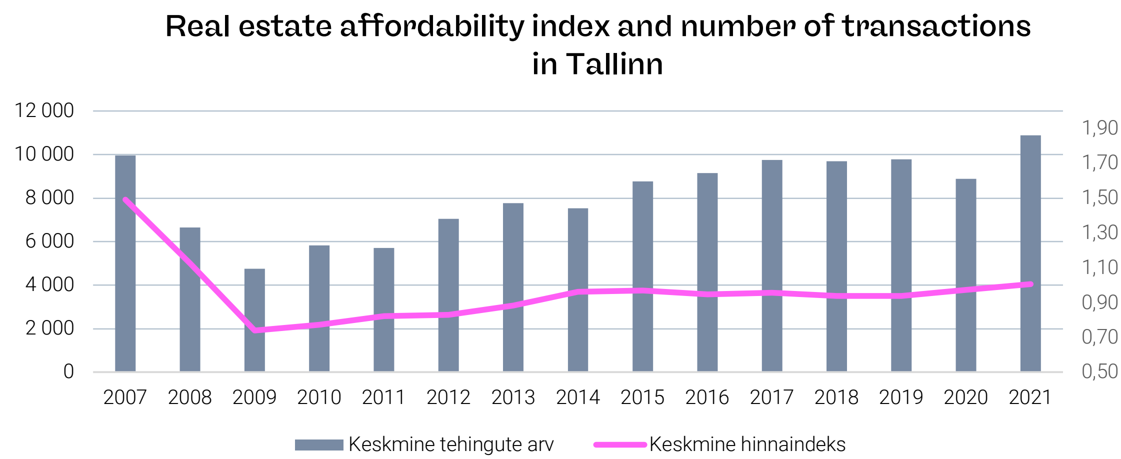
According to the report of Pindi Kinnisvara OÜ, in 2021 a total of 5,377 apartments (2020: 3,125) were sold in new developments in Tallinn and the decrease in the supply of new apartments which had emerged in 2019 continued although more new apartments were put on the market in 2021 than in the previous years. In 2021, the average new supply was 387 apartments per month (2020: 261 apartments per month) while the average number of apartments sold was 455 per month (2020: 266 per month). As a result, the number of apartments for sale in new developments at the year-end decreased to 1,340 (31 December 2020: 2,101) and due to limited supply apartments that had not seemed sufficiently attractive to customers earlier were also sold. By the year-end, the number of apartments for sale in projects where construction had been completed had decreased to only 97 (31 December 2020: 467 apartments).

The average sales price of new developments increased by around 25.1% year-on-year, which is almost three times faster than the average gross salary in Estonia, which grew by 6.9% in 2021. The price growth reflects both the decrease in supply and the increase in input prices. A decline in the number of apartments for sale in the secondary market put further upward pressure on the prices of new developments. Supply in the secondary market also continued to decline in 2021 and by 31 December 2021 the number of sales listings of apartments in Tallinn on the kv.ee website had decreased by 37% to only 2,099 listings (31 December 2020: 3,343 sales listings).



Source: Monitoring report on new developments in Tallinn by Pindi Kinnisvara

The chart *Sales listings of new developments in Tallinn* shows the public offer (ask) prices and the number of apartments for sale in new developments in the last three years. The decline in the inventory of apartments for sale started in mid-2019 and accelerated in mid-2020 after the first wave of the COVID-19 pandemic subsided. Compared to the beginning of 2020, the number of sales offers of new apartments has decreased by 47.1% while the offer (ask) prices have increased by 39.6%, with most of the growth taking place in 2021.



The chart *Real estate affordability index and number of transactions in Tallinn* compares the number of real estate transactions and the real estate affordability index. The affordability index is found by dividing the average price of apartment sales transactions made by 1.5 times the average gross salary. The index shows how many square metres of real estate can be bought for the average gross salary at market prices. The chart reflects that the Estonian real estate market recovered from the economic crisis that started in 2007 in 2013–2014 only and since then the affordability of real estate has remained stable, growing in line with the increase in the gross salary. Although the affordability of real estate decreased slightly due to the price increase in 2021, the change was not so big that it would significantly affect future transaction activity or real estate prices.

The market of new developments is affected by significant inputs, such as the construction price, financing and the supply of development land.

Construction price	Due to lack of building materials, the year 2021 began with a rapid price increase, which significantly extended the periods of signing new construction contracts and caused construction service procurements to fail. In autumn, the pressure to increase construction prices returned and forced market players to repeatedly adjust the construction price forecasts used in the budgets of their projects. We expect upward pressure on prices to continue in 2022. The growth in construction prices is offset by an equivalent growth in sales prices.
Financing	The terms of financing continue to be good. Competition among banks has made financial institutions review their policies and some banks are willing to finance the purchase of land with development land as collateral: the purchase of the Regati 3 plot, for example, was financed with a loan of 6 million euros extended by Bigbank on such terms. In the second half of the year, interest rates dropped slightly, which will have a positive impact on financing contracts signed in 2022. Liven's risk management measures, strong capitalisation and proven reputation have made the company an attractive partner to a number of financing providers, which was confirmed by the issue of the bonds of the Kadaka 88 project to LHV Asset Management as an institutional investor.
Supply of development land	As the prices are rising, it has become more difficult to buy development land. Landowners are waiting for the price to increase and thus the supply of development land has decreased.

Home at Alasi 5 (interior architect Reet Helisabeth Karm)

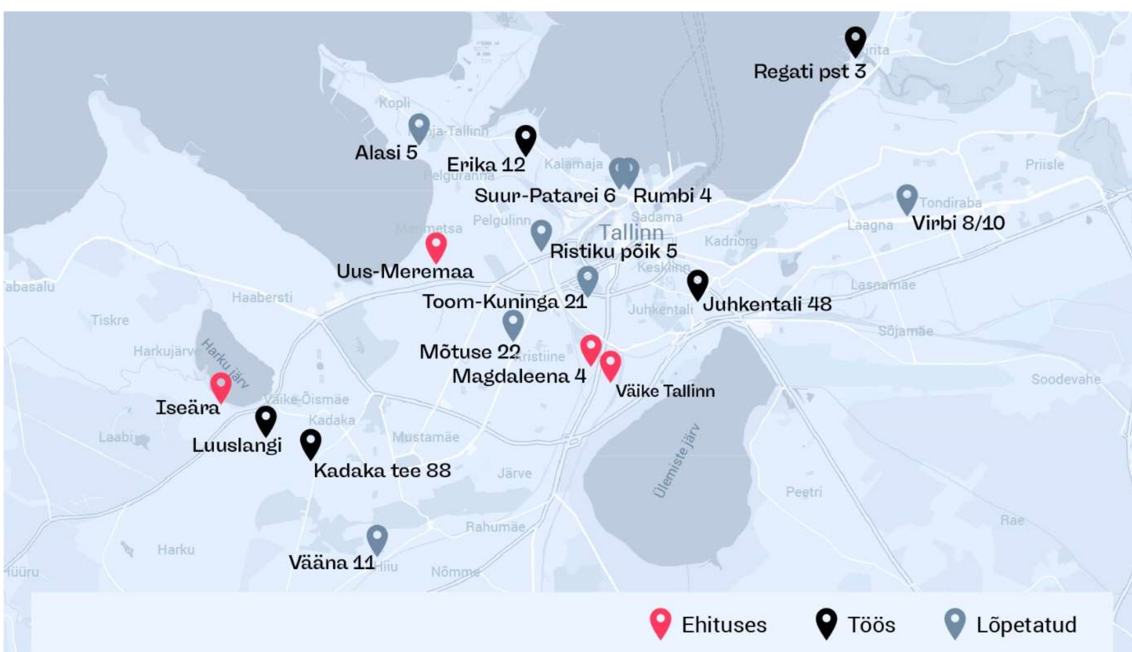
Portfolio and development activities in 2021

Liven had 9 development projects in different stages of development at 31 December 2021 (31 December 2020: 9). In addition, there was one commercial space for sale in the Suur Patarei project where construction ended in 2020.

Liven's development portfolio as at 31 December 2021 consisted of properties located in Tallinn and its vicinity with a total sellable above-ground area of 137,335 m^2 (31 December 2020: 116,296 m^2), which allows creating 1,719 homes (31 December 2020: 1,563) and 8,566 m^2 of commercial premises (31 December 2020: 4,350 m^2). Liven focuses on creating homes, which is why the share of commercial premises in the portfolio was only 6.2% at 31 December 2021 (31 December 2020: 3.7%). Since the share of commercial premises is small, the following portfolio analysis will focus on residential premises.

Project name / location	Project stage	Size of property (m^2)	Total sellable above-ground area (m^2)	Breakdown of sellable units	
				Homes (number)	Commercial premises (m^2)
Suur Patarei	Ended	1,032	93	0	93
Väike Tallinn	Under construction	6,563	4,012	62	493
Uus-Meremaa	Under construction	14,776	14,209	183	527
Magdaleena 4	Under construction	5,811	2,396	31	0
Harku/Iseära	Under construction	207,075	39,394	389	0
Luuslangi	Building design	31,171	14,163	224	200
Regati 3	Building design	27,812	20,069	220	2,168
Juhkentali 48	Detailed spatial plan	5,090	7,946	77	3,119
Kadaka tee 88	Detailed spatial plan	59,500	25,708	396	1,500
Erika 12	Detailed spatial plan	11,266	9,345	137	467
		370,096	**137,335**	**1,719**	**8,567**

The table includes data on units not yet sold under real right contracts as at 31 December 2021.



Purchase of properties

The portfolio grew through the purchase of a property at Regati puiestee 3. The plot with an area of 27,812 m^2 and an adopted detailed spatial plan, located in the neighbourhood of Tallinn Olympic Yachting Centre at Pirita (Pirita TOP), was bought for 12 million euros in a public auction organised by an enforcement agent at the end of July. About 220 homes will be built in the project and a subsidiary, Liven Kodu 20 OÜ, has been founded to carry out the development project.

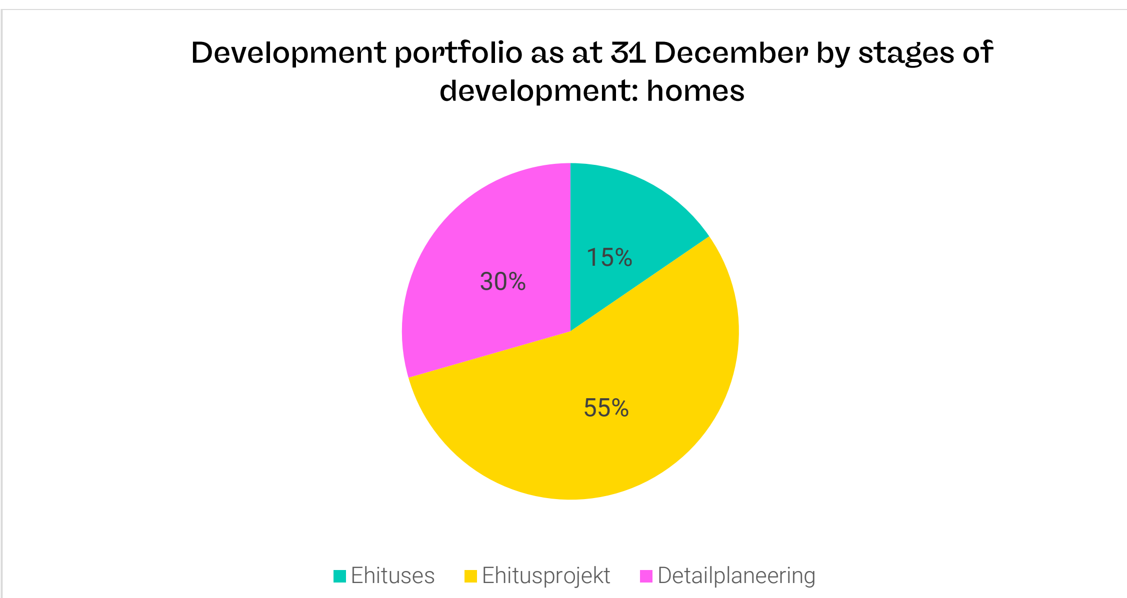
Projects ended in the reporting period

The group's revenue for 2021 was 6.3 million euros (2020: 9 million euros). The construction of two projects was completed during the period: at the beginning of the year the last 17 homes were delivered under real right contracts in the Alasi 5 project that was completed at the end of 2020 and at the end of the year 18 out of the 80 homes in the Türi 4 development project were completed and delivered to customers. The data on development projects completed in 2021 is as follows:

Subsidiary	Project location	Project volume (m^2 and number of units)	Contracts under the law of obligations at 31 Dec 2021 (number/%)	Real right contracts signed in 2021 (number/%)
Liven Kodu 14 OÜ	Tallinn, Alasi 5	2,792 m^2, 44 homes	44 / 100%	17 / 40%
Liven Kodu 15 OÜ	Tallinn, Türi 4	5,453 m^2, 80 homes and 1 commercial space	80 / 91%	18 / 26%

**The share of homes sold is presented on the basis of the number of contracts under the law of obligations and real right contracts as well as percentages, whereby the percentage reflects the proportionate share of square metres. Revenue from the sale of homes is recognised when the asset is delivered to the customer under a real right contract.*

Development activities



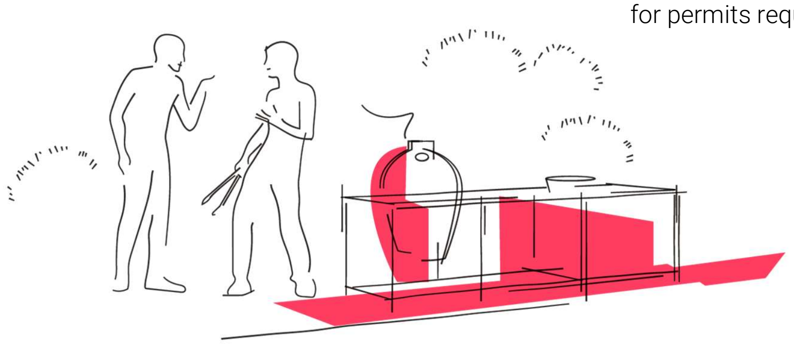
The schedules of several projects were delayed in 2021. Firstly, the procurements of construction work for several projects took considerably longer than planned due to the uncertainty caused by rapid price growth and shortages of building materials. Additionally, working with the authorities to resolve issues related to building permits and detailed spatial plans was hampered. Due to COVID-19 constraints, public offices were closed for regular visits for most of the year and other channels were not sufficiently effective to unambiguously clarify technical issues and agree on solutions.

Because of the situation in the construction market, we shortened the period of signing contracts under the law of obligations before the commencement of construction to lower the risk that we have agreed sales prices with customers but the construction price, which is agreed significantly later, is fixed at a higher level. During the year, 125 contracts under the law of obligations were signed (2020: 127). The figure could have been significantly higher given the volume of projects in the preparatory stage of construction.

The obstacle to concluding contracts under the law of obligations was not a lack of customers, but the group's unwillingness to enter into binding purchase and sale contracts. In the second half-year, we had nearly 150 apartments on offer and customers were interested in concluding contracts under the law of obligations, but we were not willing to do so due to the delays in construction procurement schedules.

Instead of binding contracts under the law of obligations, we signed non-binding expression-of-interest agreements with customers, which are more flexible and allow changing the terms. According to the internal risk management rule, construction may not start before the 50% presale condition has been met.

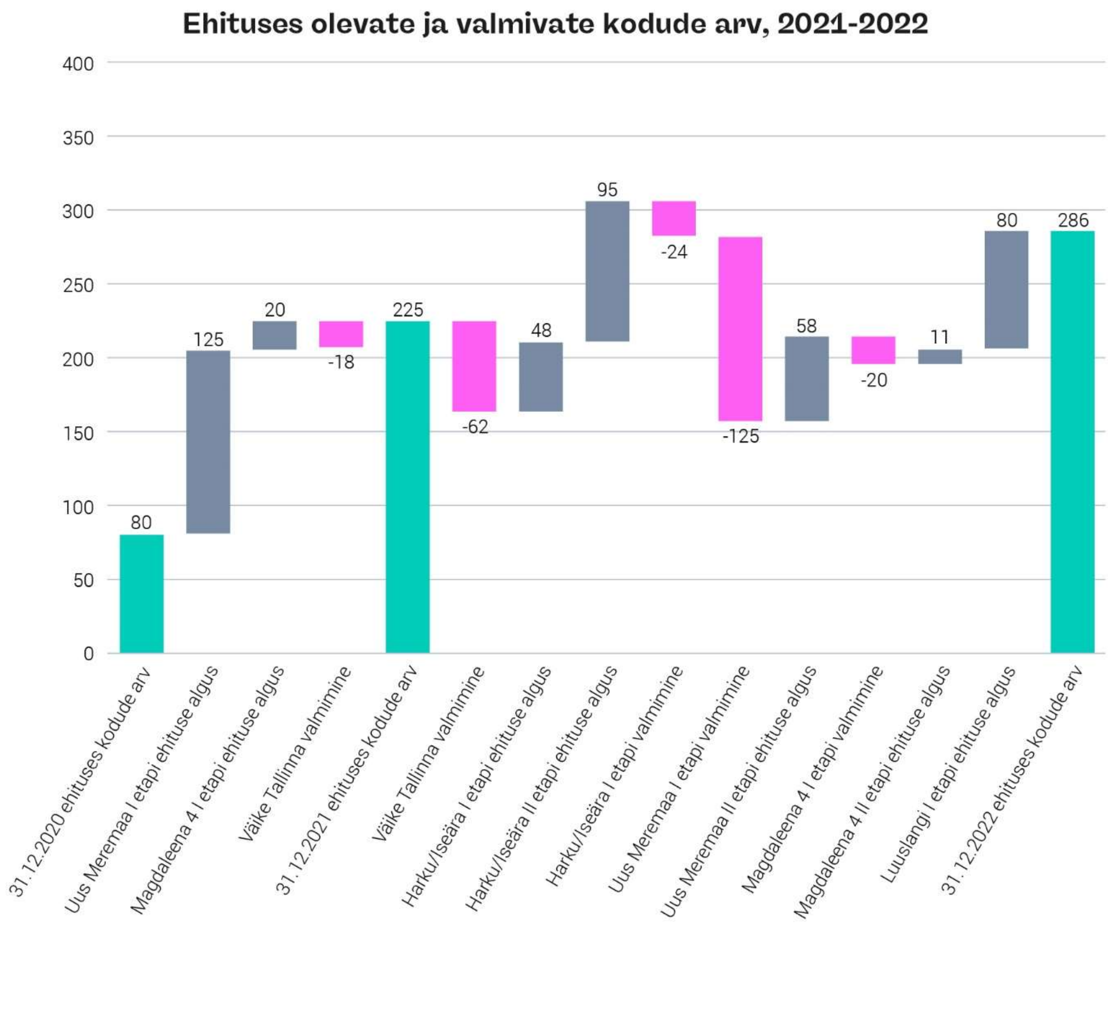
We continued our usual work with projects in the preparatory stage. In the Kadaka tee 88, Juhkentali 48 and Erika 12 projects, work continued on detailed spatial plans. In the Luuslangi project, the building permit proceedings and construction service procurement continued. In the Magdaleena 4 development project, we continued to prepare the design documentation for the building to be reconstructed in phase II and filed applications for permits required for construction.



Projects under construction

During the year, construction began in three development projects, which increased the number of homes under construction at 31 December 2021 to 225 (31 December 2020: 80):

- In the Uus-Meremaa project, the construction of the first three buildings, which are scheduled to be completed in mid-2022, began. Out of the 125 homes and 6 commercial premises that will be completed in this phase, 93.2% had been sold under contracts under the law of obligations by 31 December 2021.
- In the fourth quarter, the construction of two buildings with 20 homes in the Magdaleena 4 project commenced. All homes under construction have been sold under contracts under the law of obligations. The project comprises 31 homes in total, which will be completed in phases.
- In the Iseära project, the construction of infrastructure started and at the end of the year a contract was signed with the general contractor for the construction of the first eight terraced houses (48 units). The construction of the terraced houses began in January 2022 and 35 homes out of those under construction were reserved as at 31 December 2021.



Building at Alasi 5

Plans for 2022

Based on Liven's strategy, the following targets have been set for 2022:

- Renewing the structure and management model
- Streamlining the system of operations
- Developing a new website
- Upgrading the home design app Kodukujundaja
- Launching operations and buying the first plot in Germany
- Preparing for listing on the stock exchange from 2023
- **€2.4 million**
  Group net profit for 2022
- **213**
  contracts under the law of obligations signed during the year.

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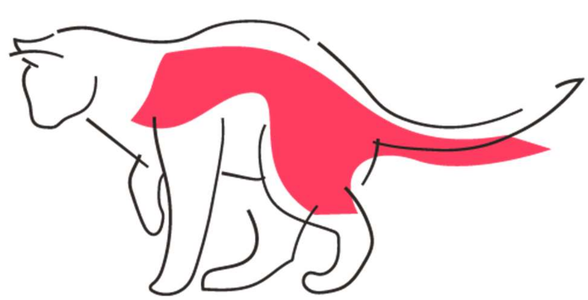


We will complete the construction of the Väike Tallinn project and phases I of the Magdaleena 4, Uus-Meremaa and Iseära projects in 2022. During the year, we are also planning to start the construction in four development projects (the next phases) in which approximately 660 homes in total will be completed in the coming years.

VÄIKE TALLINN

Project:	**Väike Tallinn Liven Kodu 15 OÜ**
Location:	Türi 4, Tallinn
Status:	Under construction
Architect:	Eek & Mutso
Number of homes:	80 apartments
Total sellable area (m^2):	5,453
Website:	vaiketallinn.liven.ee
Start of construction:	Q4 2020
Scheduled completion of construction:	Q1 2022

Ending project

At the beginning of 2022, the conclusion of real right contracts for the Väike Tallinn project was completed and 62 homes were delivered to the new owners.

At the date this report is authorised for issue, all homes have been sold and delivered to customers under real right contracts, and only the commercial space is still for sale.

MAGDALEENA 4

Project:	**Magdaleena 4 Liven Kodu 6 OÜ and Liven Kodu 19 OÜ**
Location:	Magdaleena 4, Asula põik 4, Tallinn
Status:	Under construction
Architect:	Eek & Mutso
Number of homes:	31 apartments
Total sellable area (m^2):	2,396
Website:	magdaleena.liven.ee
Start of construction:	Q1 2021
Scheduled completion of construction:	Q1 2023

We will build three apartment buildings with a total of 31 homes at Asula põik 4 and Magdaleena 4 in the Kitseküla area in Tallinn.

Ending phase

The construction of two buildings with 20 homes will be completed in 2022.

Launch of the construction of the next phases

We will begin the construction of the remaining 11 homes. Construction is scheduled to be completed in mid-2023.

UUS-MEREMAA

Project:	**Uus Meremaa** **Liven Kodu 5 OÜ**
Location:	Lahepea 11, 13, 15, 17 ja 19, Tallinn
Status:	Under construction
Architect:	Eek & Mutso
Number of homes:	183 apartments
Total sellable area (m^2):	14,209
Website:	uusmeremaa.liven.ee
Start of construction:	Q1 2021
Scheduled completion of construction:	Q2 2023

In the Uus-Meremaa project, a total of five apartment buildings with 183 homes and 8 commercial premises will be built in Lahepea street in Rocca al Mare.

Ending phase

The construction of the first three apartment buildings with 125 homes and 6 commercial premises will be completed in 2022. The completion of the buildings of phase I of the Uus-Meremaa project will have no impact on the profit for 2022, as according to the investor agreements signed in 2017, first the investors will be paid the success fees linked to the project result and only then the share of Liven's profit will be paid. Therefore, Liven will earn most of the project's profit after the completion of the next phase of the buildings, which is scheduled for 2023.

Launch of the next phases

We will begin the construction of the remaining two apartment buildings with 58 homes and two commercial premises.

LUUSLANGI

Project:	**Luuslangi Liven Kodu 12 OÜ**
Location:	Jalami tn, Astangu, Tallinn
Status:	Construction project
Architect:	Eek & Mutso
Number of homes:	224 apartments
Total sellable area (m^2):	14,163
Website:	luuslangi.liven.ee
Start of construction:	Q2 2022
Scheduled completion of construction:	Q2 2024

A project in Astangu, where a total of 13 apartment buildings with 224 homes will be built in phases.

Start of construction

Five apartment buildings with a total of 80 homes will be built in phase I, which will be completed at the end of 2023.

ISEÄRA

Project:	**Iseära Liven Kodu 16 OÜ**
Location:	Harkujärve village, Harku
Status:	Under construction
Architect:	Eek & Mutso
Number of homes:	233 terraced units, 156 apartments
Total sellable area (m^2):	39,394
Website:	iseara.liven.ee
Start of construction:	Q1 2022
Scheduled completion of construction:	Q4 2024

In Harkujärve village in Harku rural municipality, 38 terraced houses and 13 apartment buildings with approximately 390 homes in total will be completed in different phases.

Ending phase

The homes of phase I in the construction of the Iseära project will be completed at the end of 2022 and delivered to customers at the end of 2022 and the beginning of 2023.

Launch of the construction of the next phases

We will continue with the construction of the next phases. In phase II, the construction of ten terraced houses and three apartment buildings will begin.

Option program for employees and key partners and repurchase of own shares

Liven AS has had an option program (LEOP) for its employees and key partners since 2019. The purpose of the program is to provide Liven's employees and key partners with an opportunity to contribute to Liven's share capital and thereby share in the company's success. To execute the option program, Liven AS repurchased 200,001 shares at the nominal price of 0.1 euros per share and 20,000.1 euros in total from the owners of the company in September 2019.

In 2021, the group sold a total of 65,254 shares (2020: 42,809 shares) to the participants in the option program and issued 67,223 share options (2020: 44,387) with a term of three years. The exercise of the share options depends on the satisfaction of the vesting conditions set out in the option program.

At 31 December 2021, the group was holding 53,838 own shares (31 December 2020: 114,092), which will be used in the framework of the option program (LEOP). In addition, at 31 December 2021, the group had set up a provision for the sale of 5,000 shares through the option program.

Dividend policy

The company's goal is to start distributing dividends from 2023. In 2022, free cash flow will be used for investment purposes: to acquire new development properties or to finance existing projects and thus reduce the need for debt capital.

Human resources

In 2021, the company's average number of employees was 16 (2020: 9). Staff costs for 2021 were 967,000 euros (2020: 442,000 euros). In 2021, the remuneration of the members of the management board amounted to 113,454 euros (2020: 51,379 euros). The members of the supervisory board were not remunerated in 2021 and 2020. A member of the management board that is removed from office is entitled to severance pay equal to six months' remuneration (a contingent liability). The maximum possible severance pay obligation at 31 December 2021 was 112,980 euros (31 December 2020: nil euros).

Governing bodies

Supervisory board of Liven AS

There were no changes in the composition of the supervisory board during the financial year.

The supervisory board has three members:

Andres Aavik

Chairman of the Supervisory Board

Andres has been involved in real estate development since 1997. Over the years, he has developed nearly 2,000 apartments. From 2001, he held various positions at Skanska EMV, starting from project manager up to chairman of the management board.

When planning development projects, Andres proceeds from the principle that you have to make every apartment so great that you yourself would want to live there.

Peeter Mänd

Member of the Supervisory Board

The entrepreneurial experience of Peeter Mänd began in 1990 when he became one of the founders and the forestry director of the forestry group AS Sylvester. As a member of the management board of OÜ Ivard, Peeter has been active in various sectors, including real estate, since 2002. His currently best-known undertaking in the real estate field is Eften Capital AS, where Peeter was a co-founder and has been a member of the supervisory board since 2008.

Andres Järving

Member of the Supervisory Board

Andres Järving is a member of the management board of OÜ NG Investeeringud and participates in the work of the supervisory boards of all Estonian subsidiaries of Tallinna Kaubamaja AS, being also the chairman of the supervisory board of AS Selver. Since 2008, Andres has been a member of the management board of the Estonian Traders Association. He participates in the work of the Auditing Activities Oversight Board and has been a long-term mentor in the Mentoring Programme of Enterprise Estonia. Andres is also a member of the Fraternitas Estica Alumni Association.

Management board of Liven AS

There were no changes in the composition of the management board during the financial year.

In 2020, the company decided to expand the management board and on 12 May 2020 the supervisory board appointed Alina Kester, a long-time creative director at Liven, as a new member of the management board. Her area of responsibility is the group's creative management, including marketing and interior design.

Andero Laur

Chairman of the Management Board

Andero has been involved in the construction and real estate business since 2007. Over the years, 80,000 m² of buildings have been completed and more than 700 apartments have been designed with his participation. Before founding Liven, Andero worked for Skanska for 7 years, where he started as a works manager on the construction site and finished his career as development manager. Andero is responsible for Liven's overall management.

Mihkel Simson

Member of the Management Board

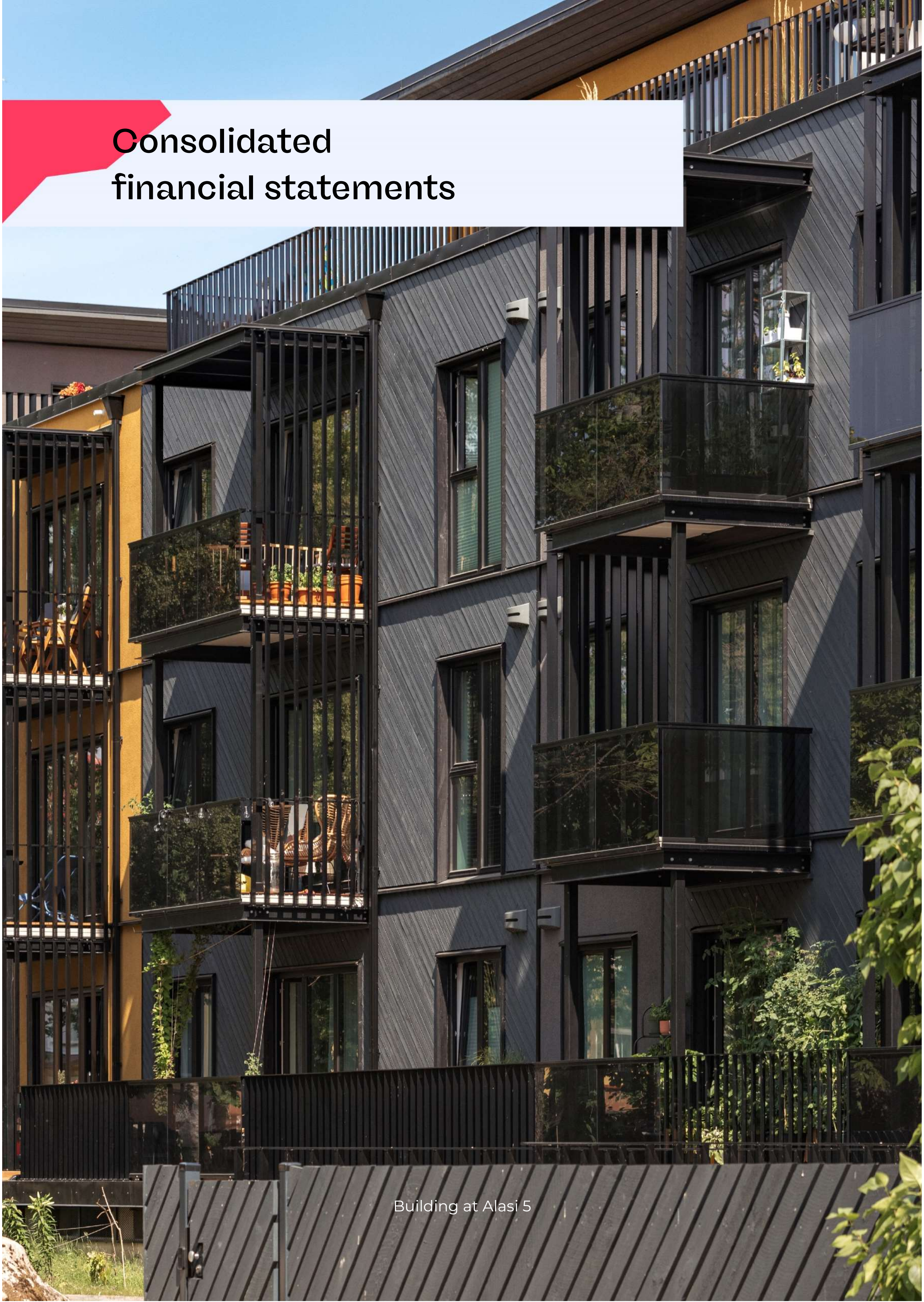
Mihkel has gained construction management experience from both Estonia and Finland since 2006. Mihkel's portfolio includes 8 apartment buildings and even an airport. Mihkel's role is to ensure that buildings are completed on time, as budgeted and with happy homeowners.

Alina Kester

Member of the Management Board

Alina has been involved in marketing for years. She has helped various companies develop their digital marketing and she has worked as marketing manager in one of the largest e-shops in Estonia. At Liven, Alina is responsible for marketing, sales, interior architecture and design.

Consolidated financial statements



Building at Alasi 5

Consolidated statement of financial position

(In euros)	Note	31 December 2021	31 December 2020
Current assets			
Cash and cash equivalents	7	3,578,994	2,385,836
Trade and other receivables	8	93,410	47,211
Prepayments	9	1,426,817	513,418
Inventories	10	44,976,085	15,439,155
Total current assets		**50,075,305**	**18,385,620**
Non-current assets			
Property, plant and equipment	11	122,491	51,117
Intangible assets	12	59,187	0
Total non-current assets		**181,677**	**51,117**
TOTAL ASSETS		**50,256,983**	**18,436,737**
Liabilities			
Borrowings	13	10,284,542	1,100,000
Trade and other payables	14	9,322,530	2,809,983
Total current liabilities		**19,607,072**	**3,909,983**
Non-current liabilities			
Borrowings	13	17,485,748	7,286,449
Trade and other payables	14	279,546	303,069
Provisions		3,497	14,717
Total non-current liabilities		**17,768,791**	**7,604,235**
Total liabilities		**37,375,863**	**11,514,218**
EQUITY			
Share capital	16	1,151,512	1,017,750
Share premium	16	8,061,879	2,960,184
Share option reserve	16	104,940	26,381
Own (treasury) shares	16	-4,884	-11,409
Statutory capital reserve		101,775	300
Retained earnings (prior periods)	25	2,745,260	1,513,873
Profit for the year	25	646,859	1,332,862
Total equity attributable to owners of the parent		**12,807,341**	**6,839,940**
Non-controlling interest		73,778	82,578
Total equity	**16**	**12,881,119**	**6,922,519**
TOTAL LIABILITIES AND EQUITY		**50,256,983**	**18,436,737**

Consolidated statement of comprehensive income

(In euros)	Note	2021	2020
Revenue	18	6,277,573	9,000,016
Other income		14,992	12,834
Changes in inventories of finished goods and work in progress	10	713,407	575,550
Goods, materials, consumables and services used	19	-4,091,034	-6,776,991
Other operating expenses	20	-1,263,830	-919,811
Staff costs	21	-967,149	-441,857
Depreciation, amortisation and impairment losses		-25,433	-12,958
Other expenses		-2,685	-1,095
Operating profit		**655,840**	**1,435,687**
Finance income		5,858	3,437
Finance costs		-23,638	0
Total finance income and finance costs		**-17,780**	**3,437**
Profit before tax		**638,060**	**1,439,123**
Net profit for the year		**638,060**	**1,439,123**
Net profit attributable to owners of the parent		646,859	1,332,862
Net profit attributable to non-controlling interest	22	-8,800	106,261
Comprehensive income for the year		**638,060**	**1,439,123**
Comprehensive income attributable to owners of the parent		646,859	1,332,862
Comprehensive income attributable to non-controlling interest	22	-8,800	106,261

Consolidated statement of cash flows

(In euros)	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		655,840	1,435,687
Adjustments for:			
Depreciation, amortisation and impairment losses		*25,433*	12,958
Gain on sale of property, plant and equipment and intangible assets		*-40*	-4,750
Share-based payments expense	*17*	*78,559*	26,381
Other adjustments	*24*	*1,196,689*	991,050
Change in receivables and prepayments		-954,636	487,905
Change in inventories	10	-29,536,929	-3,301,521
Change in payables and deferred income		6,108,528	1,801,685
NET CASH USED IN/FROM OPERATING ACTIVITIES		**-22,426,556**	**1,449,395**
CASH FLOWS FROM INVESTING ACTIVITIES			
Paid on acquisition of property, plant and equipment and intangible assets	11, 12	-49,666	-56,197
Proceeds from sale of property, plant and equipment and intangible assets		440	4,750
Loans provided	8	0	-41,000
Interest received		897	3,110
Changes in equity not related to profit for the year		22,290	0
NET CASH USED IN INVESTING ACTIVITIES		**-26,039**	**-89,338**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans received	13	23,087,491	11,224,388
Repayments of loans received	13	-3,984,789	-10,704,239
Payments of lease principal		-5,351	0
Interest paid		-671,288	-716,129
Proceeds from issue of shares		4,999,997	0
Proceeds from sale of own (treasury) shares	17	219,694	77,682
NET CASH FROM/USED IN FINANCING ACTIVITIES		**23,645,754**	**-118,298**
NET CASH FLOW		**1,193,157**	**1,241,760**
Cash and cash equivalents at beginning of period		**2,385,836**	**1,144,077**
Increase in cash and cash equivalents		1,193,157	1,241,760
Cash and cash equivalents at end of period		**3,578,994**	**2,385,836**

Consolidated statement of changes in equity

(In euros)	Share capital	Share premium	Share option reserve	Own (treasury) shares	Statutory capital reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Equity attributable to owners of the parent								
As at 31 December 2019	**1,017,750**	**2,886,783**	**0**	**-15,690**	**300**	**1,513,873**	**5,403,016**	**78,916**	**5,481,932**
Profit for the year	0	0	0	0	0	1,332,862	**1,332,862**	**106,261**	**1,439,123**
Share options	0	0	26,381	0	0	0	**26,381**	**0**	**26,381**
Acquisition of own shares	0	0	0	0	0	0	**0**	**0**	**0**
Sale of own shares	0	73,401	0	4,281	0	0	**77,682**	**0**	**77,682**
Dividend distribution	0	0	0	0	0	0	**0**	**-102,599**	**-102,599**
Other changes in equity	0	0	0	0	0	0	**0**	**0**	**0**
As at 31 December 2020	**1,017,750**	**2,960,184**	**26,381**	**-11,409**	**300**	**2,846,735**	**6,839,941**	**82,578**	**6,922,519**
Profit for the year	0	0	0	0	0	646,859	**646,859**	**-8,800**	**638,060**
Issue of share capital	133,762	4,866,236	0	0	0	0	**4,999,998**	**0**	**4,999,998**
Share options	0	0	78,558	0	0	0	**78,558**	**0**	**78,558**
Acquisition of own shares	0	0	0	0	0	0	**0**	**0**	**0**
Sale of own shares	0	235,459	0	6,525	0	0	**241,984**	**0**	**241,984**
Transfer to capital reserve	0	0	0	0	101,475	-101,475	**0**	**0**	**0**
Dividend distribution	0	0	0	0	0	0	**0**	**0**	**0**
Other changes in equity	0	0	0	0	0	0	**0**	**0**	**0**
As at 31 December 2021	**1,151,512**	**8,061,879**	**104,939**	**-4,884**	**101,775**	**3,392,120**	**12,807,341**	**73,778**	**12,881,119**

Further information about the components of the group’s equity is provided in note 16.

Notes to the consolidated financial statements

Note 1. General information

Liven AS (the parent, the company) is a company incorporated in Estonia on 26 February 2014. The parent's registered office address is Laeva tn 2, Tallinn, 10111, Estonia. The consolidated financial statements of Liven AS for the year ended 31 December 2021 comprise the financial information of the parent and its subsidiaries (the group). The group's core business is development of building projects.

Note 2. Basis of preparation

The group's financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting and reporting policies described below have been consistently applied to all periods presented in the consolidated financial statements.

The group's management board authorised these consolidated financial statements for issue on 31 March 2022. In accordance with the provisions of the Estonian Commercial Code, the annual report must also be approved by the supervisory board and ultimately by the shareholders' general meeting.

Note 3. Functional and presentation currency

The group's functional and presentation currency is the euro. These consolidated financial statements are presented in euros.

Note 4. Significant accounting judgements and estimates

In preparing the consolidated financial statements, management uses estimates and judgements, which affect the application of the group's accounting policies and the amounts of reported assets, liabilities, income and expenses. Actual results may prove different from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognised prospectively.

Significant judgements

The following notes contain information about the judgements made in the application of accounting policies which have the most significant effect on the amounts reported in the financial statements:

- *Note 22 Investments in subsidiaries – assessment of the group's control of Liven Kodu 7 OÜ*
  The core business of Liven Kodu 7 OÜ is real estate development and sale. The group does not have an ownership interest in Liven Kodu 7 OÜ and manages Liven Kodu 7 OÜ under a management contract, being responsible for the day-to-day management, accounting and reporting arrangements, project execution activities, and any other activities required for completing the development and sale of real estate. The group is able to direct the relevant activities of Liven Kodu 7 OÜ and the group is exposed to variable returns from its involvement with the entity. According to management's assessment, the group has control of Liven Kodu 7 OÜ and, therefore, the financial information of Liven Kodu 7 OÜ has been consolidated.
- *Note 10 Inventories – assessment of the need for an inventory write-down*
  Inventories are measured on an individual basis. Each item of inventory (a property or a building) is prepared a business plan that takes account of its specific features (purpose of use, status of building rights) and the costs related to the item are compared to its estimated selling price.

If the costs related to an item exceed its estimated selling price (net realisable value), the item is written down by the amount by which the costs exceed the estimated selling price. Due to the volatility of the construction market and low liquidity of the real estate market, net realisable value depends extensively on management's estimates.

Significant estimates

- *Note 10 Inventories – estimates underlying the reported cost of inventories*
  Management has estimated that a proportionate share of the group's overheads is related to the subsidiaries' development activities and, therefore, relevant costs have been capitalised into the cost of inventories (e.g. the remuneration of project and construction managers, management fees, related transport and office expenses, etc.). Management reassesses the share of overheads to be allocated to specific inventories quarterly, based on the allocation of the working time of the staff involved in the activities that generate the overheads. The capitalised overheads are recognised as an expense and recognised within *Goods, materials, consumables and services used* on the completion of the project, based on the ratio of the project volume covered with real right contracts to the total project volume.

Fair value measurement

Several of the group's accounting policies and disclosure requirements assume fair value measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes 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 group must have access to the principal or most advantageous market at the measurement date.

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 interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group 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 that are significant to the entire measurement:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — valuation techniques whose lowest-level input that is significant to the entire measurement is observable, either directly or indirectly;
- Level 3 — valuation techniques whose lowest-level input that is significant to the entire measurement is unobservable.

Further information about the assumptions, inputs and estimates used in measuring fair value is provided in the following notes:

- Note 17 Share-based payments
- Note 7 Financial instruments

Note 5. New standards, amendments to standard and interpretations

The following new standards, interpretations and amendments were not yet effective for the reporting period ended 31 December 2021 and have, therefore, not been applied in preparing these consolidated financial statements. The group plans to adopt these pronouncements when they become effective.

Amendments to IAS 1 *Presentation of Financial Statements*

(Effective for annual periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted.)

These amendments are not yet endorsed by the EU.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

Management has not yet assessed the impact of the application of the amendments on the group's financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*

(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

These amendments are not yet endorsed by the EU.

The amendments to IAS 1 aim to help entities provide accounting policy disclosures that are more useful by:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

The amendments may affect the accounting policy disclosures of the group. Determining whether accounting policies are material or not requires use of judgement.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

(Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.)

These amendments are not yet endorsed by the EU.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are not expected to have a material impact on the group as these amendments provide guidance in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Amendments to IAS 12 *Income Taxes*

(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

These amendments are not yet endorsed by the EU.

The amendments clarify the accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 16 *Property, Plant and Equipment*

(Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted.)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

The group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

(Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted.)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendments clarify that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity must apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity will not restate comparative information. Instead, the entity will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The group does not expect the amendments to have a material impact on its financial statements when initially applied, because in determining costs of fulfilling a contract the group takes into account both incremental costs and other costs that relate directly to fulfilling contracts.

Annual improvements to IFRS standards 2018–2020

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.)

Improvements to IFRS (2018–2020) include three amendments to the standards:

- The amendments to IFRS 9 *Financial instruments* clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- The amendments IFRS 16 *Leases* remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both lessee and lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.

The group does not expect the amendments to have a material impact on its financial statements when initially applied.

Other changes

Other new standards, amendments and interpretations that are not yet effective are not expected to have a material impact on the group's financial statements.

Note 6. Significant accounting policies

A summary of significant accounting policies applied in the preparation of these consolidated financial statements is set out below. The accounting policies described have been applied consistently unless otherwise noted in the following text.

Preparation of consolidated financial statements

These consolidated financial statements comprise the financial information of Liven AS and its subsidiaries, consolidated on a line-by-line basis.

Subsidiaries

Consolidation of a subsidiary begins from the date the group obtains control of the subsidiary and ceases when the group loses control of the subsidiary. All assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are recognised in the consolidated financial statements from the date that control commences until the date that control ceases. The financial indicators of subsidiaries are adjusted, where necessary, to make them conform to the group’s accounting policies.

Non-controlling interests

A non-controlling interest in an acquiree is the fair value of the net assets of the acquiree attributable to a non-controlling shareholder.

A change in the group’s ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Loss of control

If the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary as well as the related non-controlling interests and other components of equity. Any gain or loss associated with the loss of control is recognised in profit or loss. Any interest retained in the former subsidiary is recognised at its fair value.

Transactions eliminated on consolidation

All intragroup assets and liabilities as well as items of equity, income, expenses and cash flows that result from intragroup transactions are fully eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

Foreign currency

All currencies other than the euro are foreign currencies. On initial recognition, a foreign currency transaction is translated into the functional currency using the exchange rate at the date of the transaction. At the reporting date, foreign currency monetary items are translated into the functional currency using the exchange rate at the reporting date and non-monetary items that are measured in terms of historical cost in a foreign currency are translated into the functional currency at the exchange rate between the functional currency and the foreign currency at the date of the transaction. Items are translated using the official exchange rates of the European Central Bank. Any exchange differences arising from translation are recognised in profit or loss.

Financial assets and liabilities

Recognition and initial measurement

Trade receivables are recognised at the time they arise. All other financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. At initial recognition, the group measures a financial asset or a financial liability at its fair value plus or minus any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are measured at initial recognition at the transaction price.

Classification, subsequent measurement, and gains and losses

Financial assets

The group subsequently measures financial assets at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

Financial assets are not reclassified after initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial assets is measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group classifies cash and cash equivalents, trade receivables, loans provided and other receivables as financial assets measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as measured at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not classified as measured at amortised cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit or loss.

Even if a financial asset meets the requirements to be measured at amortised cost or fair value through other comprehensive income, the group may designate, at initial recognition, the asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The following table provides an overview of the group's financial assets and their measurement as well as the recognition of gains and losses on them.

Amortised cost	The assets are measured at amortised cost using the effective interest method. Measurement at amortised cost includes the deduction of impairment losses. Interest income, foreign exchange gains and losses, and impairment losses on the assets are recognised in profit or loss. Gains and losses arising on derecognition are also recognised in profit or loss.

Financial liabilities

Financial liabilities are measured either at amortised cost or at fair value through profit or loss. A financial liability is classified as measured at fair value through profit or loss if it is held for trading, it is a derivative instrument or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and net gains and losses on them, including any interest expense, are recognised in profit or loss.

Other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Gains and losses on derecognition are recognised in profit or loss.

Derecognition

Financial assets

The group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the asset expire, or when the group transfers the financial asset and the transfer qualifies for derecognition. The group transfers the right to receive contractual cash flows in a transaction in which all risks and rewards of ownership of the financial asset are transferred or, if the group does not transfer the risks and rewards of ownership of the financial asset, the group does not retain control of the financial asset.

If the group transfers a financial asset recognised in its financial statements but retains all or substantially all risks and rewards of ownership of the asset, the group does not derecognise the financial asset.

Financial liabilities

The group removes a financial liability from its statement of financial position when, and only when, its obligation is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires. The group derecognises a financial liability if the terms of the financial liability are modified so that the cash flows of the liability become substantially different from the original ones. In that case, a new financial liability with the modified terms is recognised at fair value.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and recognised in the net amount when, and only when, the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The group applies the expected credit loss model to financial assets measured at amortised cost.

The group measures a loss allowance for expected credit losses on a financial asset at an amount equal to lifetime expected credit losses, except for financial assets for which the loss allowance is measured at an amount equal to 12-month expected credit losses, such as:

- other receivables;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

For all trade receivables, the group applies the simplified approach permitted under IFRS 9 which allows an entity to measure a loss allowance at an amount equal to lifetime expected credit losses.

The group always recognises for trade receivables a loss allowance equal to their lifetime expected credit losses. Expected credit losses on these assets are estimated using a provision matrix, which is based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and, if necessary, the time value of money. Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive, discounted at the financial asset's effective interest rate.

At each reporting date, the group assesses whether a financial asset measured at amortised cost might be credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract (such as a default or past due event);
- restructuring of a loan or prepayment on terms that the group would not otherwise have considered;
- it becoming probable that the borrower will encounter financial difficulty.

The carrying amount of a financial asset measured at amortised cost is reduced by the amount of its loss allowance.

Inventories

The group's inventories include land that has been acquired or is being developed for housing development purposes and other purchase and production costs incurred in connection with housing construction. Finished goods and work in progress are initially recognised at cost, which comprises all direct and indirect costs incurred in bringing the inventories to the state necessary for sale.

The costs of conversion of inventories comprise both costs directly related to the products (e.g. construction costs) as well as a proportionate share of the group's overheads, which are capitalised into the cost of inventories (e.g. the remuneration of project and construction managers, management fees, transport expenses, office expenses, etc.). For the capitalisation of overheads, each cost item is assigned a cost driver. The group allocates to the costs of inventories those overheads that can be reasonably allocated to development projects. Overheads are allocated to projects by using direct or indirect cost allocation keys, which are based on the allocation of the working time of the staff involved in the activities that generate overheads. Capitalised costs are recognised in profit or loss by reducing line item 'Changes in inventories of finished goods and work in progress'.

The cost of inventories is assigned using the weighted average cost formula.

Inventories are measured at the lower of cost and net realisable value. Inventory write-downs to net realisable value are recognised as an expense (cost of goods sold) in the period in which the write-down is made. If the net realisable value of inventories written down in an earlier period subsequently increases, the write-down is reversed.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised, i.e. recognised as part of the cost of that asset. Borrowing costs are those costs that would have been avoided if expenditure on the qualifying asset had not been made. If funds are borrowed specifically for the purpose of obtaining a qualifying asset, the group determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on the borrowed funds during the period less any investment income on the temporary investment of those funds. Other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Each item of property, plant and equipment is assigned a depreciation rate that corresponds to its useful life.

Gains and losses from the derecognition of an item of property, plant and equipment are recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure on an item of property, plant and equipment is added to the cost of the item only if it is probable that future economic benefits associated with the expenditure will flow to the group. Other maintenance and repair costs are expensed as incurred.

Depreciation

Depreciation is calculated on a straight-line basis by allocating the cost of an asset less its residual value over its estimated useful life; depreciation is recognised in profit or loss. The estimated useful lives of items of property, plant and equipment are reviewed at least at each financial year-end and, if new estimates differ from the previous ones, the changes are accounted for prospectively as changes in accounting estimates. Depreciation of an asset begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Asset classes are assigned the following useful lives:

- Vehicles — 5 years
- Other items of property, plant and equipment — up to 5 years
- Computers and computer systems — up to 3 years

For information about impairment assessment, see the section ‘Impairment’ in these accounting policies.

Intangible assets

Recognition and measurement

An intangible asset is recognised in the statement of financial position when the asset is controlled by the group, future economic benefits from the asset are expected to flow to the group and the cost of the asset can be measured reliably. At initial recognition, an intangible asset is measured at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any impairment losses.

Amortisation

Asset classes are assigned the following useful lives:

- Software — 3 years

The group’s intangible assets comprise assets with finite useful lives only. An intangible asset with a finite useful life is amortised over its estimated useful life using the straight-line method. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at the end of each financial year.

Impairment

Impairment of non-financial assets

The carrying amounts of assets other than inventories are reviewed at least annually at the end of the reporting period. The purpose of the review is to determine whether there is any indication that an asset may be impaired. If there is reason to believe that the recoverable amount of an asset may be less than its carrying amount, the asset is tested for impairment and written down, if necessary.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

In estimating value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, the recoverable amount is determined for the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). For the purpose of impairment testing, the goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. An impairment loss is recognised in profit or loss. An impairment loss for a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of other assets of the unit on a pro rata basis.

If the reason for impairment ceases to apply, the previously recognised impairment loss is reversed. The group assesses at least at each reporting date whether there is any indication that an impairment loss recognised in a prior period may no longer exist or may have decreased. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised in profit or loss within the same item where the original impairment loss was recognised.

Impairment of financial assets

Impairment assessment for financial assets is described in the section ‘Financial assets and liabilities’ in these accounting policies.

Leases

At inception of a contract, the group 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. To assess whether a contract conveys the right to control the use of an identified asset, the group applies the definition of a lease as set out in IFRS 16.

The group as a lessee

When entering into or modifying a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

The group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments made, any initial direct costs incurred and any restoration costs (the costs incurred in dismantling and removing the underlying asset and restoring the site on which it was located) to be incurred. Any lease incentives received are deducted from this amount.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the lease term unless the ownership of the underlying asset will transfer to the group at the end of the lease term or the carrying amount of the right-of-use asset indicates that the group intends to exercise the purchase option. In that case, the right-of-use asset is depreciated from the commencement date of the lease to the end of the useful life of the underlying asset, which is determined using the same approach that is applied to items of property, plant and equipment owned by the group. In addition, right-of-use assets are adjusted for impairment losses, if any. Right-of-use assets are also adjusted for certain remeasurements of the lease liability.

At the commencement date, the lease liability is measured at the present value of the lease payments not paid at that date, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The group generally applies the incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by reference to different sources of financing. The inputs obtained are adjusted to reflect the terms of the lease and the type of the underlying asset in order to find the incremental borrowing rate appropriate for the asset.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- penalties for terminating the lease (if termination is reasonably certain);
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option);
- amounts expected to be payable by the lessee under residual value guarantees;
- lease payments that depend on an index or a rate.

A lease liability is measured at amortised cost. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate used to determine the payments, if there is a change in the amounts expected to be payable under a residual value guarantee or if the group changes its assessment of whether it intends to exercise the option to purchase the underlying asset or the options to extend or terminate the lease. The lease liability is also remeasured to reflect changes in fixed payments (including in-substance fixed payments).

If the lease liability is remeasured for the above reasons, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The effect of the change in the lease liability is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The group recognises lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The group as a lessor

If the group acts as a lessor, it determines at the commencement of the lease whether the lease is an operating lease or a finance lease.

For classifying a lease, the group assess whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If yes, the lease is classified as a finance lease. If not, the lease is classified as an operating lease. As part of that assessment, the group also considers certain other indicators (e.g. whether the lease term is for the major part of the economic life of the underlying asset).

If the contract contains both lease and non-lease components, the group applies the accounting policies of IFRS 15 to allocate the consideration in the contract to the components.

The group applies the derecognition and impairment requirements of IFRS 9 to the lessor’s net investment in the lease. The group reviews regularly the estimated unguaranteed residual values used in computing the lessor’s gross investment in the lease.

The group recognises operating lease payments received as income in profit or loss on a straight-line basis over the lease term.

Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries, social security contributions, benefits related to temporary suspension of the employment contract (paid leave and similar benefits) if the suspension of the contract is expected to occur within 12 months after the end of the period in which the employee rendered the related service, and other benefits payable within 12 months after the end of the period in which the employee rendered the service.

Termination benefits

The group recognises termination benefits at the earliest of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises the restructuring costs. Benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are discounted to present value.

Share-based payments

For equity-settled share-based payment transactions, the group measures the goods and services received and the corresponding increase in equity at the fair value of the goods or services received. For transactions with employees, the fair value of the equity instruments granted is measured at grant date. The grant of equity instruments may be conditional on satisfying specified vesting conditions such as the completion of a specific period of service or the achievement of specific performance conditions. Vesting conditions, other than market conditions, are taken into account when estimating the number of equity instruments expected to vest. The estimate may be subsequently revised if new information indicates that the number of equity instruments expected to vest differs from the previous estimate. On vesting date, the group revises the estimate to equal the number of equity instruments that ultimately vested.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. A provision is measured at the present value of the expenditure expected to be required to settle the obligation by applying an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision arising from the passage of time is recognised as a finance cost.

Warranties	Group companies recognise provisions for construction-related warranties. The warranty period for construction work is two years from the date of delivery of the home. As a rule, the builder's warranty covers all deficiencies arising during the warranty period.

Possible obligations that are not likely to result in an outflow of resources or cannot be measured with sufficient reliability but which may transform into liabilities in certain circumstances are disclosed in the notes to the consolidated financial statements as contingent liabilities.

Income tax

Under the Estonian Income Tax Act, corporate profit for the year is not subject to tax. Companies pay income tax on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenses and transfer price adjustments. The standard tax rate for dividends distributed from retained earnings is 20% (the amount of tax payable is calculated as 20/80 of the net distribution).

From 2019, regular dividend distributions can be taxed at a lower, 14% income tax rate (the amount of tax payable is calculated as 14/86 of the net distribution). An entity can apply the lower tax rate to the amount of the dividend distribution that does not exceed the average profit distributed by the entity in the past three years on which tax has been paid in Estonia. Thus, entities can apply the lower 14% rate and the standard 20% rate on a dividend distribution.

Deferred tax

Deferred tax is recognised for temporary differences arising between the carrying amounts and tax bases of the group's assets and liabilities. The tax base is the amount attributed to an asset or liability for tax purposes.

Under the Estonian law, corporate profit for the year is not subject to income tax. The obligation to pay corporate income tax arises upon the distribution of profit and it is recognised as an expense in the profit or loss for the period in which the dividend is declared. The group's deferred tax liabilities arise from investments in its Estonian subsidiaries, associates, joint ventures and branches, except to the extent that the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include payment of a dividend, sale or liquidation of an investment, and other transactions.

As the group is able to control the dividend policy of a subsidiaries or a branch, it is also able to control the timing of the reversal of the temporary differences associated with those investments. Thus, if the parent has decided that such profit distributions will not be made in the foreseeable future, it does not recognise a deferred tax liability. If the parent has decided that a dividend will be distributed in the foreseeable future, a deferred income liability is recognised to the extent of the planned dividend distribution in accordance with IAS 12.40.

As the group generally does not control the dividend policy of its associates and joint ventures, it is not able to control the timing of the reversal of the taxable temporary differences. For this reason, the group recognises deferred tax liabilities on investments in associates and joint ventures.

The amount of the deferred tax liability is measured at the tax rate that is expected to apply to the temporary differences in the period in which the temporary differences are expected to reverse, based on the rates that have been enacted by the reporting date.

The maximum income tax liability which would arise if all of the unrestricted equity were distributed as dividends, is disclosed in note 22.

Revenue from contracts with customers

Revenue is measured based on the consideration set out in contracts with customers. The group recognises revenue when it transfers control of the goods or services to the customer. The table below provides information about the nature and the timing of the satisfaction of performance obligations arising from contracts with customers and the related revenue accounting policies.

Type of product or service	**Nature and timing of the satisfaction of the performance obligation, significant payment terms**	**Revenue accounting policy**
Sale of real estate	Revenue from real estate development and sale is recognised at a point in time because the customer obtains control of the asset and the group satisfies the performance obligation when ownership is transferred. The point in time when ownership is transferred is the signature of the real right contract. Contracts with customers generally contain a significant financing component. If it is known at contract inception that the period between when the group transfers a promised product or service to the customer and when the customer pays for the product or service exceeds one year, the group will adjust the amount of consideration	Revenue from the sale of real estate is recognised at the point in time when ownership of the real estate is transferred to the customer, i.e. when the real right contract is signed between the customer and the group.

	in the contract with the customer for the effects of the time value of money. When adjusting the amount of consideration for the effects of the time value of money, the group uses a discount rate that would be reflected in a separate financing transaction between the group and its customer at contract inception.	
Sale of furniture, fixtures and furnishings	Revenue from the sale of furniture, fixtures and furnishings is recognised at a point in time because the customer obtains control of the assets and the group satisfies the performance obligation when ownership is transferred. The point in time when ownership is transferred is the signature of the real right contract. No discounts or return options are offered on the sale of furniture, fixtures and furnishings.	Revenue from the sale of furniture, fixtures and furnishings is recognised at the point in time when the goods are transferred to the customer under the real right contract.

Significant financing component

The group has decided to apply the practical expedient provided in IFRS 15, which permits not to adjust the promised amount of consideration for the effects of a significant financing component if the group expects, at contract inception, that the period between when the group transfers a promised product or service to a customer and when the customer pays for that product or service will be less than one year.

Related parties

The group considers parties to be related if one has control of the other or can exert significant influence on the operating decisions of the other. The group's related parties include:

- the parent company and its owners;
- other group companies;
- members of the management board;
- close family members of the above persons and companies related to them.

Events after the reporting period

The consolidated financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorised for issue but which are related to transactions of the reporting period or prior periods.

Subsequent events that have not been taken into account in measuring assets and liabilities but which will have a significant effect on the results of the next financial year are disclosed in the notes to the consolidated financial statements.

Note 7. Financial instruments and financial risk management

The group's activities expose it to a number of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The group's overall risk management programme focuses on the unpredictability of the financial market and seeks to minimise potential adverse impacts on the group's financial operations. The group's risk management is based on the requirements of laws, regulations and International Financial Reporting Standards and supported by the group's internal regulations. The main objectives of risk management are to ensure and maintain the group's liquidity, equity and continuity of operations. Financial risk management is the responsibility of the group's management board and the CFO.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due or that the group will be unable to realise its assets at market prices during a reasonable period of time. Long-term liquidity risk is the risk that the group will not have sufficient available cash or other sources of liquidity to cover its future liquidity needs in implementing its business plan and meeting its liabilities or that the group will, therefore, have to raise funds unreasonably quickly.

The group's liquidity is mainly affected by the following factors:

- the ability of group companies to generate positive net operating cash flows and the volatility of those cash flows;
- maturity matching and flexibility in modifying the maturities of assets and liabilities;
- the financing structure.

Short-term liquidity is managed by monitoring the group’s and group entities’ cash flow forecasts on an ongoing basis to make sure that the group has sufficient liquid funds at all times. Short-term liquidity needs are primarily covered with intra-group loans.

Long-term liquidity management is based on managing the group's capital structure consistent with the agreed financing principles. In the preparatory phase of a project, where uncertainty about the future cash flows of the project is the highest, limits are set for the maximum leverage ratio. The group determines the marketability of its real estate assets on the basis of the presale rate of that real estate. In conformity with the group's internal rules, construction will not commence before 50% of the planned homes have been reserved. The presale rate, which is significantly higher than the average threshold in the Estonian real estate market, allows raising capital for construction operations on favourable terms and ensures that the financial liabilities assumed can be met with cash inflows from the sale of real estate.

The table below shows the key ratios describing the group's capital structure and liquidity:

	31 December 2021	**31 December 2020**
Current ratio	2.55	4.72
Debt to capital ratio	55.3%	45.4%

Underlying formulas:
Current ratio = current assets / current liabilities
Debt to capital ratio = borrowings / total liabilities and equity

According to management’s estimates, the group's capital structure and liquidity are sufficient to raise additional capital and meet existing financial obligations in a timely manner.

Exposure to liquidity risk

The following table reflects the remaining contractual maturities of financial liabilities as at the reporting date. The table contains undiscounted gross amounts, which include contractual interest payments.

Both at 31 December 2021 and 31 December 2020, liabilities exposed to liquidity risk exceeded assets exposed to liquidity risk. Liabilities are discharged with proceeds from the sale of inventories, which are received when homes are transferred to customers under real right contracts. Inventories are not exposed to liquidity risk.

		Breakdown by remaining maturity				
At 31 December 2021 (In euros)	**Note**	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Carrying amount**
Assets						
Cash and cash equivalents		3,578,994	0	0	**3,578,994**	3,578,994
Trade receivables	8	22,420	0	0	**22,420**	22,420
Loans and interest	8	46,288	0	0	**46,288**	46,288
Other receivables	8	24,702	0	0	**24,702**	24,702
Total		**3,672,403**	**0**	**0**	**3,672,403**	**3,672,403**
Liabilities						
Trade payables	14	2,080,751	0	0	**2,080,751**	2,080,751
Payments related to borrowings	13, 14	10,608,689	17,627,434	0	**28,236,123**	28,236,123
Other payables	14	194,560	0	0	**194,560**	194,560
Provisions		0	3,497	0	**3,497**	3,497
Total		**12,884,000**	**17,630,931**	**0**	**30,514,931**	**30,514,931**
Net assets/liabilities		**-9,211,597**	**-17,630,931**	**0**	**-26,842,528**	**-26,842,528**

		Breakdown by remaining maturity				
At 31 December 2020 (In euros)	**Note**	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Carrying amount**
Assets						
Cash and cash equivalents		2,385,836	0	0	**2,385,836**	2,385,836
Trade receivables	8	3,294	0	0	**3,294**	3,294
Loans and interest	8	41,327	0	0	**41,327**	41,327
Other receivables	8	2,590	0	0	**2,590**	2,590
Total		**2,433,047**	**0**	**0**	**2,433,047**	**2,433,047**
Liabilities						
Trade payables	14	485,695	0	0	**485,695**	485,695
Payments related to borrowings	13, 14	1,214,750	7,307,651	0	**8,522,401**	8,522,401
Other payables	14	93,517	0	0	**93,517**	93,517
Provisions		0	14,717	0	**14,717**	14,717
Total		**1,793,961**	**7,322,368**	**0**	**9,116,330**	**9,116,330**
Net assets/liabilities		**639,086**	**-7,322,368**	**0**	**-6,683,283**	**-6,683,283**

Credit risk

Credit risk is the risk that a counterparty will cause a financial loss for the group by failing to discharge a contractual obligation. Financial assets exposed to credit risk consist mainly of cash at bank, trade receivables, contract assets, other receivables, loans provided and prepayments to suppliers. The carrying amount of financial and contract assets reflects the maximum credit exposure.

Cash and cash equivalents

Cash and cash equivalents consist of the following demand deposits with commercial banks:

	31 December 2021	31 December 2020
Cash and cash equivalents	3,578,994	2,385,836
Total	**3,578,994**	**2,385,836**

The group keeps its available funds at local financial institutions with a sufficient credit history. The group's cash and cash equivalents are mainly held at Swedbank AS (97% as at 31 December 2021 and 100% as at 31 December 2020). Swedbank Group had a credit rating of A1 as at 31 December 2021 and 31 December 2020. Ratings have been assigned by Standard & Poor's, Moody's and Fitch. Based on the credit ratings issued to the financial institution, the group's management estimates that the group has no significant credit risk from cash and cash equivalents.

Other financial assets exposed to credit risk

Other financial assets exposed to credit risk are trade receivables, other receivables, loans provided and prepayments to suppliers.

The group's credit risk exposure to trade receivables is largely mitigated by the structure of its real estate sales transactions. As a rule, the sale of real estate is financed by partial advances from customers and ownership of the property transfers to the buyer under a notarised real right contract, so there is no significant time difference between the transfer of ownership and the settlement of receivables. Accordingly, the amount of trade receivables as at 31 December 2021 and 31 December 2020 was not significant.

The credit quality of other financial assets is monitored on an individual basis by assessing the counterparty's payment behaviour and business prospects. Overdue receivables are dealt with case by case in order to find solutions that ensure the best possible protection of the group's interests. As at 31 December 2021, the outstanding balance of loans provided to unrelated legal persons was 41,000 euros (31 December 2020: 41,000 euros) and according to management’s estimates the loans did not require any significant write-down.

The group did not recognise any impairment losses on financial assets and contract assets in 2021 or 2020.

Market risk

Market risk is the risk that changes in market prices, such as the prices of commodities, foreign exchange rates, interest rates and the cost of capital, will affect the group's revenue or the value of its investments in financial instruments. The purpose of market risk management is to manage the group’s exposures to market risk and keep the exposures within acceptable limits while optimising returns.

The value of an investment may change due to adverse market developments, such as macroeconomic changes, instability in political and social systems, investor behaviour or other reasons. The above factors may cause changes and volatility in real estate prices. The realisation of market risk may reduce the value of a real estate asset the group is planning to sell or cause buyers to withdraw from contracts to such an extent that the group will be unable to meet its obligations.

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The group’s cash flow interest rate risk arises from variable rate borrowings and is the risk that a rise in interest rates will increase the group’s finance costs.

The group’s exposure to interest rate risk arises from:

- use of financial instruments with variable interest rates;
- refinancing of liabilities on the arrival of their maturity dates;
- raising of new financial instruments from volatile financial markets in a turbulent economic environment in order to execute an investment plan.

The bonds issued by the group and the group's liabilities under investor loans have fixed interest rates and are not affected by fluctuations in the money market. Long-term bank loans are linked to six-month Euribor and thus exposed to interest rate risk. To manage interest rate risk, the group monitors changes in the money market interest rate curve, which reflects market participants' expectations of market interest rates and allows estimating movements in the interest rates of loans denominated in euros.

Effect of changes in interest rate risk on finance costs

	Note	31 December 2021	31 December 2020
Liabilities with fixed interest rates		24,568,020	8,386,449
Liabilities with variable interest rates		3,202,270	0
Total interest-bearing liabilities	13	**27,770,290**	**8,386,449**

The following sensitivity analysis describes the net effect of the company's variable rate financial instruments on its net profit, assuming that interest rates rise or fall by 10 basis points (bp).

	Change in interest rates (in basis points)	31 December 2021	31 December 2020
Borrowings	-10 bp	3,202	0
	10 bp	-3,202	0

As the Euribor rates were negative in both 2021 and 2020, there was no Euribor component in the group's borrowings during the reporting period.

According to management’s estimates, the interest rates of fixed-rate liabilities correspond to the market interest rates of debt instruments with a similar risk level that are available to the group.

Currency risk

Currency risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The group has no material liabilities or receivables denominated in currencies other than its functional currency (the euro).

In 2021 and 2020, 100% of all receipts and payments (costs of goods sold, operating expenses, investments, finance costs) were in euros. Since nearly all receipts and payments are in euros and borrowings are denominated in euros, currency risk has no material impact on the group’s operations.

Classification of financial instruments and their fair values

All of the group's financial assets and liabilities are either recognised in the statement of financial position or disclosed as contingent items in the notes to the financial statements. The carrying amounts of cash and cash equivalents, trade receivables, receivables from related parties, trade payables, payables to related parties, deferred income and other accrued payables approximate their fair values and, therefore, their fair values have not been disclosed.

Trade receivables and trade payables are current items and, therefore, management has concluded that their carrying amounts approximate their fair values. According to management's estimates, the fair values of borrowings equal their carrying amounts because the current interest rates of the contracts correspond to market interest rates. According to management's estimates, the group's risk margins have not changed significantly compared to the time the loans were obtained and the interest rates of the borrowings correspond to market terms.

Capital management

The group's capital management objectives are to generate return for shareholders, to maintain an optimum capital structure to reduce the cost of capital and to protect the group's ability to continue as a going concern. The group does this in a manner that ensures its sustainable development and credibility in the eyes of its shareholders, creditors, customers and other stakeholders.

In order to maintain or adjust its capital structure, the group may revise dividend distributions, return capital to shareholders, issue new shares and sell assets in order to reduce liabilities.

The group uses both debt and equity capital to finance its business operations. Debt capital is raised based on the following principles:

- in the preparatory phase of a project, debt capital raised in the form of loans may extend to no more than 50–70% of the cost of the plot, depending on the collateral position of the loan,
- construction work will not commence before the presale rate of the project is at least 50%.

In designing the capital structure and diversifying risks, the group monitors the equity ratio (equity to total assets) and the net debt to capital ratio. The group's long-term target is to achieve at least a 40% equity ratio. As at 31 December 2021 and 31 December 2020, the equity ratio was below target, being 25.5% at 31 December 2021 and 37.1% at 31 December 2020.

	31 December 2021	**31 December 2020**
Borrowings	**27,770,290**	**8,386,449**
Less cash and cash equivalents	-3,578,994	-2,385,836
Net debt	24,191,297	6,000,613
Total equity attributable to owners of the parent	**12,807,341**	**6,839,941**
Net debt plus total equity attributable to owners of the parent	36,998,638	12,840,554
Net debt to capital	**65.4%**	**46.7%**

Note 8. Trade and other receivables

(In euros)	Note	31 December 2021	31 December 2020
Trade receivables		22,420	3,294
Loans provided		41,000	41,000
Interest receivable		5,288	327
Other receivables		24,702	2,590
Total	7	**93,410**	**47,211**

Credit risk, market risk and credit losses due to impairment

Information about the group's credit and market risks and credit losses due to impairment is provided in note 7.

Note 9. Prepayments

(In euros)	31 December 2021	31 December 2020
Prepayments to suppliers	574	2,681
Prepayments to suppliers for inventories	266,818	462,251
Prepaid expenses	809,692	11,186
Prepaid taxes	349,733	37,300
Total	**1,426,817**	**513,418**

Prepayments to suppliers for inventories as at 31 December 2021 include prepayments for purchase of properties (land plots) of 181,845 euros (31 December 2020: 460,000 euros). Prepaid expenses as at 31 December 2021 include additional interest of 800,000 euros paid to creditors in advance for the Uus-Meremaa project of Liven Kodu 5 OÜ; the additional interest is linked to the success of the project (notes 13 and 25).

Note 10. Inventories

(In euros)	31 December 2021	31 December 2020
Buildings under construction	44,976,085	15,439,155
Total	**44,976,085**	**15,439,155**

All borrowings costs that are directly attributable to financing the construction of assets are capitalised into the costs of inventories. Loan interest capitalised into the costs of inventories during the reporting period amounted to 1,208,309 euros (2020: 1,002,679 euros). The capitalisation rate for borrowing costs was 100%.

A proportionate share of the parent's staff costs and operating expenses of 852,581 euros in total (2020: 575,549 euros) was also capitalised into the costs of inventories in 2021 (e.g. the remuneration of project and construction managers, management fees, transport expenses, office expenses, etc.). The corresponding reduction of expenses was recognised in profit or loss within 'Changes in inventories of finished goods and work in progress' in an amount of 139,174 euros (2020: 282,621 euros).

During the reporting period, inventories of 4,091,034 euros (2020: 6,776,991 euros) were recognised as an expense in 'Goods, materials, consumables and services used ' (note 19).

Management estimated the need for inventory write-down by carrying out a stress test for each development project. In the course of the tests, management analysed the effect of a decrease in the sales prices of apartments not yet sold on the profit of the project. The tests were conducted assuming that there would be a proportionate decrease in costs not related to contracts. No inventories were written down and no earlier inventory write-downs were reversed in the reporting or the previous period.

The total amount of mortgages created on assets within inventories in order to secure loans was 37,552,838 euros at 31 December 2021 (31 December 2020: 5,351,627 euros). Further information about assets put up as loan collateral is provided in note 13.

Note 11. Property, plant and equipment

(In euros)	Buildings and structures	Vehicles	Office furniture	Computers and similar equipment	Total
Cost at 31 December 2019	**0**	**7,860**	**11,998**	**14,365**	**34,223**
Accumulated depreciation at 31 December 2019	0	-7,860	-10,583	-7,902	**-26,345**
Carrying amount at 31 December 2019	**0**	**0**	**1,415**	**6,463**	**7,878**
Additions	38,645	0	7,052	10,499	**56,196**
Additions through business combinations	0	0	0	0	**0**
Depreciation for the period	-5,710	0	-1,314	-5,933	**-12,957**
Sales	0	-7,860	0	0	**-7,860**
Other changes	0	7,860	0	0	**7,860**
Cost at 31 December 2020	**38,645**	**0**	**19,050**	**24,864**	**82,559**
Accumulated depreciation at 31 December 2020	-5,710	0	-11,897	-13,835	**-31,442**
Carrying amount at 31 December 2020	**32,935**	**0**	**7,153**	**11,029**	**51,117**
Additions	0	63,171	4,294	28,221	**95,686**
Depreciation for the period	-8,204	-2,676	-2,624	-10,407	**-23,911**
Sales	0	0	0	-1,349	**-1,349**
Other changes	0	0	0	948	**948**
Cost at 31 December 2021	**38,645**	**63,171**	**23,344**	**51,736**	**176,896**
Accumulated depreciation at 31 December 2021	-13,914	-2,676	-14,521	-23,294	**-54,405**
Carrying amount at 31 December 2021	**24,731**	**60,495**	**8,823**	**28,442**	**122,491**

Note 12. Intangible assets

(In euros)	Software	Prepayments	Total
Cost at 31 December 2020	**0**	**0**	**0**
Accumulated amortisation at 31 December 2020	0	0	**0**
Carrying amount at 31 December 2020	**0**	**0**	**0**
Additions	11,800	48,909	**60,709**
Amortisation for the period	-1,522	0	**-1,522**
Cost at 31 December 2021	**11,800**	**48,909**	**60,709**
Accumulated amortisation at 31 December 2021	-1,522	0	**-1,522**
Carrying amount at 31 December 2021	**10,278**	**48,909**	**59,187**

Note 13. Borrowings

Loan type (In euros)	Interest rate	Maturity date	Balance at 31 Dec 2021	*Incl. received from related parties*	Repayable: Within 1 year	Repayable: 2–5 years	Repayable: Over 5 years
Investor loan	8%*	5 Jun 2025	3,005,318	*2,438,568*	3,005,318	0	0
Bank loan	5%+ 6M Euribor	15 Mar 2024	3,150,000	*0*	3,150,000	0	0
Investor loan	12.5%	30 Jun 2022	560,000	*400,000*	560,000	0	0
Bonds	8%	30 Jun 2026	2,400,000	*0*	0	2,400,000	0
Investor loan	13.5%	31 Mar 2022	665,000	*423,938*	665,000	0	0
Bank loan	6%	15 Sept 2022	1,887,702	*0*	1,887,702	0	0
Investor loan	11%	31 Dec 2023	1,100,000	*500,000*	550,000	550,000	0
Investor loan	8–8.5%	31 Dec 2024	1,950,000	*0*	460,000	1,490,000	0
Bonds	8%	31 Mar 2023	2,000,000	*200,000*	0	2,000,000	0
Investor loan	8%	31 Dec 2024	2,000,000	*0*	0	2,000,000	0
Investor loan	12%	25 Aug 2024	3,000,000	*3,000,000*	0	3,000,000	0
Bank loan	6%	15 Aug 2024	6,000,000	*0*	0	6,000,000	0
Total			**27,718,020**	***6,962,506***	**10,278,020**	**17,440,000**	**0**

Loan type (In euros)	Interest rate	Maturity date	Balance at 31 Dec 2020	*Incl. received from related parties*	Repayable: Within 1 year	Repayable: 2–5 years	Repayable: Over 5 years
Investor loan	8%*	5 Jun 2025	2,776,449	*2,252,860*	0	2,776,449	0
Investor loan	12.5%	30 Jun 2022	560,000	*400,000*	0	560,000	0
Investor loan	13.5%	30 Dec 2021	800,000	*510,000*	800,000	0	0
Investor loan	12%	30 Jun 2021	200,000	*0*	200,000	0	0
Investor loan	8–8.5%	31 Dec 2024	2,050,000	*0*	100,000	1,950,000	0
Bonds	8%	31 Mar 2023	2,000,000	*200,000*	0	2,000,000	0
Total			**8,386,449**	***3,362,860***	**1,100,000**	**7,286,449**	**0**

** The interest on loans received by Liven Kodu 5 OÜ consists of a fixed interest rate of 8% per year and additional interest which depends on the success of the project. The disbursement and amount of the additional interest is decided by the loan recipient after the completion of each project phase and on the completion of the entire project the company has to pay out the full amount of the project's net result.*

The construction of the first and second building and the presale of apartments in the third building of the Uus-Meremaa project developed by Liven Kodu 5 OÜ in Rocca al Mare began in February 2021. In connection with a considerably higher presale rate than originally estimated, on 26 February 2021 the creditors of Liven Kodu 5 OÜ were made an advance payment of the additional interest that depends on the success of the project in an amount of 800,000 euros in total. The amount is included within 'Prepayments' in the consolidated statement of financial position as at 31 December 2021 (note 9). Information about the contingent liability related to the additional interest which depends on the success of the project is provided in note 25.

All loans received as at 31 December 2021 and 31 December 2020 are denominated in euros. Investor loans include loans from related parties. Further information about loans from related parties is provided in note 23.

The classification of loans into current and non-current is based on the contractual maturity dates of the loans as well as the completion of the development projects and the availability of free cash flows.

Collateral and guarantees

The total carrying amount of inventories mortgaged to secure the loans received by the group is as follows:

(In euros)	Note	31 December 2021	31 December 2020
Inventories mortgaged as loan collateral		37,552,838	5,351,627
Total	**10**	**37,552,838**	**5,351,627**

Under the loan agreements signed by the following subsidiaries, Liven AS guarantees that the subsidiary will get funds for an additional down-payment in the form of a loan if this is required for the successful completion of the project:

(In euros)	31 December 2021	31 December 2020
Liven Kodu 6 OÜ	200,000	200,000
Liven Kodu 15 OÜ	500,000	500,000
Liven Kodu 16 OÜ	650,000	650,000
Liven Kodu 18 OÜ	2,000,000	0
Total	**3,350,000**	**1,350,000**

Additionally, as at 31 December 2021 Liven AS had given the creditor a guarantee to the settlement of the interest liabilities arising from the loan agreement of Liven Kodu 20 OÜ to the extent of 360,000 euros.

The shares in Liven Kodu 5 OÜ were pledged to creditors both as at 31 December 2021 and 31 December 2020. The shares in Liven Kodu 10 OÜ were pledged to creditors as at 31 December 2021.

Note 14. Trade and other payables

(In euros)	Note	31 December 2021	31 December 2020
Trade payables		**2,080,751**	**485,695**
Deferred income	18	**5,969,140**	**1,433,823**
Other payables			
Payables to employees		90,063	55,454
Taxes payable	15	753,932	682,198
Interest payable	23	324,146	114,750
Miscellaneous payables		104,498	38,063
Total other payables		**1,272,638**	**890,465**
Total current trade and other payables		**9,322,530**	**2,809,983**
Deferred income	18	137,860	281,867
Interest payable	23	141,686	21,202
Total non-current trade and other payables		**279,546**	**303,069**

Deferred income as at 31 December 2021 and 31 December 2020 comprises deferred income received from customers in connection with housing development projects. Further information about deferred income is provided in note 18. Further information about payables to related parties is provided in note 23.

Note 15. Taxes payable

(In euros)	Note	31 December 2021	31 December 2020
Value added tax		652,467	621,958
Personal income tax		27,894	15,230
Income tax on fringe benefits		5,173	2,442
Social security tax		63,423	39,195
Mandatory funded pension contributions		2,637	1,485
Unemployment insurance contributions		2,339	1,888
Total	**14**	**753,933**	**682,198**

Note 16. Share capital and reserves

Share capital and share premium

(In euros)	31 December 2021	31 December 2020
Share capital	1,151,512	1,017,750
Share premium	8,061,879	2,960,184
Total share capital and share premium	**9,213,391**	**3,977,934**
Number of shares issued	11,515,116	10,177,503
Par value of a share (in euros)	0.1	0.1

The Estonian Commercial Code sets the following requirements to the share capital of companies registered in Estonia:

- the minimum share capital of a limited company defined as *aktsiaselts* (AS) under Estonian law must amount to at least 25,000 euros,
- the net assets of a limited company defined as *aktsiaselts* (AS) under Estonian law must amount to at least half of its share capital but not less than 25,000 euros.

The size of share capital or the minimum and maximum amount of share capital are specified in the company's articles of association whereby the minimum share capital must amount to at least one fourth of the maximum share capital.

According to the articles of association of Liven AS which were in force both as at 31 December 2021 and 31 December 2020, the company's share capital consists of ordinary shares with a par value of 0.1 euros each. The minimum amount of share capital is 500,000 euros and the maximum amount of share capital is 2,000,000 euros and within those limits share capital can be changed without amending the articles of association.

Transactions with share capital

In spring 2021, the group increased share capital through a capitalisation issue carried out as a direct placement in the course of which 1,337,613 shares with a par value of 0.1 euros each were issued. The amount paid for each share was 3.738 euros and total proceeds from the issue amounted to 4,999,997 euros, including share premium of 4,866,236 euros. As a result of the share issue, the number of shareholders increased by 20.

Own (treasury) shares

In 2019, a share option program (Liven Employee Ownership Program, LEOP) was developed for the group's employees and key partners in connection with which 200,001 shares with a carrying amount of 20,000 euros were repurchased.

Out of the increase in share premium in 2021, 235,459 euros (2020: 73,401 euros) is attributable to the sale of shares under the option program. In 2021, a total of 60,254 shares were sold (2020: 42,809 shares). A provision of 22,290 euros was recognised as at 31 December 2021 for the sale of 5,000 shares after the reporting date. The par value of the shares sold during the period was 0.1 euros per share and the weighted average share premium was 3.61 euros per share (2020: the par value was 0.1 euros per share and share premium was 1.71 euros per share).

(In euros)	Number of own shares
Number of own shares held at 31 December 2019	**156,901**
Sale of own shares	42,809
Number of own shares held at 31 December 2020	**114,092**
Sale of own shares	60,254
Number of own shares held at 31 December 2021	**53,838**

Further information about share-based payments is provided in note 17.

Reserves

The following table provides and overview of reserves reported in equity.

(In euros)	31 December 2021	31 December 2020
Statutory capital reserve	101,775	300
Share option reserve	104,940	26,381
Total	**206,715**	**26,681**

Share option reserve

The group recognises the services received in a share-based payment transaction as the services are rendered. The corresponding increase in equity is recognised in the 'Share option reserve'.

Statutory capital reserve

The statutory capital reserve is set up using annual net profit transfers as well as other transfers which are made on the basis of the law or the articles of association. The amount of the capital reserve is set out in the articles of association and it may not be less than one tenth of share capital. Every year, at least one twentieth of net profit must be transferred to the capital reserve. When the capital reserve achieves the level set out in the articles of association, net profit transfers to the capital reserve are discontinued.

Based on the resolution of the general meeting, the capital reserve may be used to cover losses, if losses cannot be covered with the company's unrestricted equity, and to increase share capital. The capital reserve may not be used to make distributions to shareholders.

At 31 December 2021 and 31 December 2020, the capital reserve was smaller than required by the Estonian Commercial Code. When the annual report for 2021 was authorised for issue, a decision was made to transfer 13,376 euros to the statutory capital reserve.

Dividend distributions

No dividends were distributed in 2021 and 2020.

On 5 September 2019, Liven Kodu 7 OÜ made its owners an advance dividend distribution of 102,599 euros based on the forecast results for 2019, which gave rise to income tax expense of 25,650 euros. At 31 December 2019, Liven Kodu 7 OÜ had a receivable from owners of 102,599 euros, which was recognised within other receivables (note 8). On the approval of the annual report of Liven Kodu 7 OÜ in 2020, the advance dividend distribution was offset against the profit attributable to non-controlling interest. Information about investments in subsidiaries is provided in note 22.

Information about the group’s retained earnings and contingent income tax liability is provided in note 25.

Note 17. Share-based payments

Option program (equity-settled)

In 2019, a share option program (Liven Employee Ownership Program, LEOP) was developed for the group’s employees and key partners. The purpose of the program is to provide the group’s employees and key partners with an opportunity to contribute to the group’s share capital and thereby share in the group’s success.

The main conditions of the option program are as follows:

Option type	Vesting conditions	Term of options
A options	Three years after the grant date of the option.	Three years and one calendar month after successful satisfaction of vesting conditions..
B options	Three years after the grant date of the option and achievement of the financial targets set out in the option contract.	Three years and one calendar month after successful satisfaction of vesting conditions.

Table of movements in share options

The number of options granted under the option program and the weighted average exercise prices are as follows:

Grant date of the options	**Number of instruments granted**		
	A options	**B options***	**Total**
Outstanding at 31 December 2019	**15,550**	**Up to 32,325**	**47,875**
Granted in 2020	12,280	Up to 32,107	**44,387**
Outstanding at 31 December 2020	**27,830**	**Up to 64,432**	**92,262**
Granted in 2021	23,582	Up to 48,941	**72,523**
Outstanding at 31 December 2021	**51,412**	**Up to 113,372**	**164,784**

** The table reflects the maximum number of share options that may be granted on the satisfaction of the financial targets set out in the option contracts.*

The exercise price of all options granted in both 2021 and 2020 was 0.1 euros per share. The exercise price of options exercisable as at 31 December 2021 was 0.1 euros (31 December 2020: 0.1 euros) and the weighted average remaining life of the options was 1.8 years (31 December 2020: 2.3 years).

Determination of fair value

The fair value of employee share options was measured using the Black-Scholes-Merton model. In accordance with IFRS 2, service and performance-based vesting conditions were not taken into account in measuring fair value. The inputs used to measure fair value were as follows:

	A and B options	
	2021	**2020**
Exercise price (in euros)	0.10	0.10
Option life (in months)	36	36
Expected volatility	24.3%	22.5%
Risk-free interest rate	0%	0%
Weighted average share price (in euros)	3.71	1.81

Estimates used in measuring fair value

The exercise price and life of the options were determined based on the underlying option contracts.

Volatility was found as the unweighted average volatility of the share prices of comparable companies listed on the Nasdaq Tallinn Stock Exchange in the three years preceding the measurement of the fair value of the options.

The risk-free interest rate was the yield of the 3-year German government bond. Since the latter was negative both at 31 December 2021 and 31 December 2020, the risk-free interest rate applied was 0%.

The weighted average share price was found using the discounted cash flow method and it equals the share price recorded in the share sale agreement.

Expenses recognised in profit or loss

Expenses related to the grant of share options have been recognised in staff costs within ‘Salary expenses’ in an amount of 78,559 euros (2020: 26,381 euros).

Note 18. Revenue

(In euros)	2021	2020
Revenue by geographical area		
Estonia	6,277,573	9,000,016
Total revenue from sales to countries of the European Union	**6,277,573**	**9,000,016**
Revenue from contracts with customers		
Sale of real estate	6,058,701	8,868,839
Sale of furniture and furnishings	161,347	93,018
Total revenue from contracts with customers	**6,220,048**	**8,961,857**
Sales commissions and fees	0	4,667
Rental income	57,525	33,493
Total other revenue	**57,525**	**38,160**
Total revenue	**6,277,573**	**9,000,016**
Timing of revenue recognition		
Revenue recognised at the point in time when the performance obligation is satisfied	6,220,048	8,966,523
Total revenue from contracts with customers	**6,220,048**	**8,966,523**
Rental income	57,525	33,493
Total revenue	**6,277,573**	**9,000,016**

Balances of contracts with customers

The table below provides an overview of contract assets and contract liabilities from contracts with customers:

(In euros)	Note	31 December 2021	31 December 2020
Trade receivables	8	22,420	3,294
Deferred income	14	6,081,640	1,715,690

Revenue for 2021 resulted from the sale of real estate in two development projects in Tallinn:

- The Alasi 5 project (developer: Liven Kodu 14 OÜ) was completed at the end of 2020 and revenue was recognised in 2020 and 2021 based on the timing of the conclusion of real right contracts. By 31 December 2021, all homes had been sold and delivered to buyers under real right contracts.
- The Türi 4 project (developer: Liven Kodu 15 OÜ) comprises three buildings with a total of 80 homes and one commercial space. As at 31 December 2021, 18 homes had been sold and delivered to buyers under real right contracts and all remaining homes had been sold under contracts under the law of obligations. Only the commercial space was still for sale.

Deferred income comprises deferred income received from customers for real estate development activities for which revenue is recognised on the delivery of the real estate to the customer (on the conclusion of the real right contract). According to management's estimates, the deferred income which reflects performance obligations not yet satisfied will be taken to revenue consistent with the budgeted completion schedules of the projects.

Note 19. Goods, materials, consumables and services used

(In euros)	Note	2021	2020
Construction, fitout and furnishing expenses		3,008,484	4,709,717
Plot acquisition and preparation costs		562,453	1,030,809
Financing charges		147,267	288,668
Design expenses		107,729	258,927
Administrative expenses		219,608	425,039
Superficies and supervision fees		17,349	38,148
Connection fees		28,144	25,684
Total	**10**	**4,091,034**	**6,776,991**

Note 20. Other operating expenses

(In euros)	2021	2020
Marketing expenses	453,746	372,783
Management and sales services	182,188	236,334
Accounting, audit and consulting services	192,745	97,278
Legal services	11,237	8,215
Office expenses	86,286	65,021
IT expenses	53,969	35,448
Transport expenses	51,328	36,889
Recruitment and training expenses	59,727	9,252
Other expenses	172,606	58,590
Total	**1,263,830**	**919,811**

Expenses on management and sales services for 2021 include expenses on services purchased from related parties of 145,000 euros (2020: 180,000 euros).

Note 21. Staff costs

(In euros)	2021	2020
Salary expenses	743,356	337,396
Social security and unemployment insurance charges	223,793	104,462
Total	**967,149**	**441,857**
Average number of employees converted to full-time equivalent	16	9
Incl. people working under employment contracts	15	9
Incl. people working under board member’s service contract	1	0

Note 22. Investments in subsidiaries

The parent company's ownership interests in subsidiaries as at the reporting date:

Name of subsidiary	Core business	Domicile	Interest, % 31 Dec 2021	Interest, % 31 Dec 2020
Liven Kodu OÜ	Development of building projects	Estonia	100	100
Liven Kodu 2 OÜ	Development of building projects	Estonia	-	100
Liven Kodu 3 OÜ	Development of building projects	Estonia	-	100
Liven Kodu 4 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 5 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 6 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 7 OÜ	Development of building projects	Estonia	0	0
Liven Kodu 9 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 10 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 11 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 12 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 14 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 15 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 16 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 17 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 18 OÜ	Development of building projects	Estonia	100	100
Liven Kodu 19 OÜ	Development of building projects	Estonia	100	-
Liven Kodu 20 OÜ	Development of building projects	Estonia	100	-
Liven Wohnungsbau GmbH	Development of building projects	Germany	100	-

Liven Kodu 7 OÜ

The group does not have an ownership interest in Liven Kodu 7 OÜ. The core business of Liven Kodu 7 OÜ is real estate development and sale. The group manages Liven Kodu 7 OÜ under a management contract, being responsible for the entity's day-to-day management, accounting and reporting arrangements, project execution activities, and any other activities required for completing the development and sale of real estate. The group is able to direct the relevant activities of Liven Kodu 7 OÜ and the group is exposed to variable returns from its involvement with the entity. According to management's assessment, the group has control of Liven Kodu 7 OÜ and, therefore, the financial information of Liven Kodu 7 OÜ has been consolidated.

Changes in group structure

On 1 January 2021, Liven Kodu 2 OÜ and Liven Kodu 3 OÜ merged with Liven Kodu OÜ. The acquirer in the transaction was Liven Kodu OÜ. All entities were under the control of the group.

In 2021, the group established two subsidiaries, Liven Kodu 19 OÜ and Liven Kodu 20 OÜ, in Estonia. In November 2021, the group established a subsidiary, Liven Wohnungsbau GmbH, in Germany.

Note 23. Related party disclosures

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

- the group's parent Liven AS and shareholders that have significant influence over Liven AS;
- key management personnel (members of the supervisory and management boards), their close family members and companies under their control or significant influence.

The group considers parties to be related when one controls the other or has significant influence over the operating decisions of the other. Significant influence is presumed to exist when a person holds more than 10% of voting power.

(A) Balances with related parties

(In euros)	**Note**	**31 December 2021**	**31 December 2020**
Liabilities to related parties			
Trade payables			
Legal persons with a significant shareholding		6,000	6,600
Deferred income			
Executive and higher management and companies under their significant influence		0	34,338
Interest payable			
Legal persons with a significant shareholding		163,102	73,188
Executive and higher management and companies under their significant influence		2,652	0
Total interest payable	13	**165,754**	**73,188**
Total current trade and other payables to related parties		**171,754**	**114,126**
Interest payable			
Legal persons with a significant shareholding		110,022	9,623
Executive and higher management and companies under their significant influence		47,940	5,497
Total interest payable	13	**157,962**	**15,120**
Total non-current trade and other payables to related parties		**157,962**	**15,120**

(B) Transactions with related parties

(In euros)	**Note**	**2021**	**2020**
Revenue			
Legal persons with a significant shareholding		0	199,501
Executive and higher management and companies under their significant influence		441	154,607
Total revenue from related parties		**441**	**354,108**

Services purchased			
Legal persons with a significant shareholding	20	145,000	180,000
Executive and higher management and companies under their significant influence		16,285	0
Total services purchased from related parties		**161,285**	**180,000**
Interest paid			
Legal persons with a significant shareholding		57,088	394,709
Executive and higher management and companies under their significant influence		0	129,471
Total interest paid on loans from related parties*		**57,088**	**524,180**

* The companies of Liven AS group capitalise the borrowing costs associated with the loans taken to finance building development projects into the costs of their inventories until the assets are completed and the homes are sold under real right contracts.

Related parties were sold and delivered homes in 2020. No loss allowances were recognised for receivables from related parties in 2021 or 2020. Management services were purchased from related parties in both 2021 and 2020. Related parties were sold items of property, plant and equipment in 2021.

(C) Changes in borrowings from related parties

	Note	2021	2020
Borrowings from related parties at 1 January		**3,362,860**	**5,815,759**
Loans received			
Legal persons with a significant shareholding		3,400,000	3,398,750
Executive and higher management and companies under their significant influence		700,000	170,000
Total loans received		**4,100,000**	**3,568,750**
Repayments of loans received			
Legal persons with a significant shareholding		-686,063	-4,796,419
Executive and higher management and companies under their significant influence		0	-1,394,378
Total repayments of loans received		**-686,063**	**-6,190,797**
Payments offset against accrued (capitalised) interest			
Legal persons with a significant shareholding		140,667	127,835
Executive and higher management and companies under their significant influence		45,041	41,313
Total payments offset against accrued (capitalised) interest		**185,708**	**169,148**
Borrowings from related parties at 31 December	**13**	**6,962,506**	**3,362,860**

All borrowings from related parties as at 31 December 2021 and 31 December 2020 were denominated in euros. Loans received from related parties have fixed interest rates, which are in the range of 8–13.5% (31 December 2020: 8–13.5%). Further information about borrowings is provided in note 13.

Other transactions with related parties

Transactions with share capital are described in note 16 and further information about investments in subsidiaries is provided in note 22.

The members of the management board were sold 2,230 shares at the weighted average price of 3.58 euros per share under the company's option program (LEOP) (2020: 5,844 shares at the weighted average price of 2.05 euros per share). Further information about share-based payments is provided in note 17.

In 2021, the remuneration of the members of the management board amounted to 113,454 euros (2020: 51,379 euros). The members of the supervisory board were not remunerated in 2021 and 2020. A member of the management board that is removed from office early or whose contact is not extended is entitled to severance pay equal to six months' remuneration (a contingent liability). The maximum possible severance pay obligation at 31 December 2021 was 112,980 euros (31 December 2020: nil euros).

Note 24. Other adjustments

(In euros)	**2021**	**2020**
Capitalisation of interest expense into the costs of inventories	1,208,309	1,002,679
Adjustment of provision for warranty claims	-11,220	-11,629
Other adjustments	-400	0
Total other adjustments	**1,196,689**	**991,050**

Note 25. Contingent liabilities

Contingent interest liability of Liven Kodu 5 OÜ

Under the investor contracts signed by Liven Kodu 5 OÜ in 2017, on the completion of a project phase investors are paid additional interest which depends on the success of the project. The disbursement and amount of the additional interest is decided by the group as the project developer. The developer has the right to make the decision regarding the payment or non-payment of additional interest after the end of each project phase based on the company's capital needs for the execution of the rest of the project. At the date these consolidated financial statements are authorised for issue, the macroeconomic environment has caused uncertainty about the amount and timing of the additional interest payments, which is why the obligation cannot be measured reliably.

On 26 February 2021, the creditors of Liven Kodu 5 OÜ were made an advance payment of the additional interest that depends on the success of the project in an amount of 800,000 euros in total. The amount is included within 'Prepayments' in the consolidated statement of financial position as at 31 December 2021 (note 9). Significant terms of the loan agreement are disclosed in note 13.

Contingent income tax liability

The group's total retained earnings as at the reporting date amounted to 3,392,120 euros (31 December 2020: 2,846,735 euros). The maximum income tax liability that could arise if all of the retained earnings as at the reporting date were distributed as dividends is 678,424 euros (31 December 2020: 569,347 euros) and the maximum amount that could be distributed as the net dividend is 2,713,696 euros (31 December 2020: 2,277,388 euros).

The maximum possible income tax liability has been calculated on the assumption that the net dividend distribution and the income tax expense recognised in the consolidated statement of comprehensive income for 2022 may not exceed total retained earnings as at the reporting date.

Note 26. Events after the reporting period

War in Ukraine

On 24 February 2022, Russia launched a large-scale military assault on Ukraine, which is still going on at the date this annual report for 2021 is authorised for issue. The group's management has assessed the potential impact of the war on the group's financial statements and the group's ability to continue as a going concern, including the potential effect of the sanctions imposed on Russia by the international community, as an event after the reporting period. According to management's estimates, as at the date these consolidated financial statements are authorised for issue the war in Ukraine does not pose a significant risk for the group's ability to continue as a going concern.

The Estonian construction sector is exposed to the direct impacts of the war through the labour market and supply chains.

- There is a fairly large number of Ukrainian and Belarusian construction workers employed in Estonia, who may return to their home countries due to the war, either temporarily or permanently. Lack of qualified labour may cause delays in the completion of ongoing and the launch of new construction projects and may increase construction costs.
- The supply chains of several raw materials relevant to the construction sector are related to Russia, Belarus and Ukraine, particularly various metals and timber. The war in Ukraine has significantly reduced the availability of metal and triggered a steep increase in the prices of materials. The materials may be sourced from other countries but setting up new supply chains will take time and uncertainty about prices and delivery times will cause delays in the time schedules of procurements and substantial growth in construction costs.

For projects currently under construction, Liven has signed fixed-price and fixed-term contracts with the general contractors, but even so the situation may cause certain growth in construction costs and delays in the execution of projects. The risks are mitigated by the fact that most of the materials exposed to the risks associated with the war in Ukraine were already sourced and delivered by the date these financial statements are authorised for issue. Accordingly, management does not expect a significant impact on projects currently in progress.

The war may cause significant changes in the demand for real estate. The uncertainty arising from the war may have an adverse effect on the signing of new sales contracts and may force the customers to withdraw from reservations made or contracts under the law of obligations. On the other hand, the influx of war refugees from Ukraine will increase demand for (lower-priced) properties in the rental market, which will reduce the overall availability of real estate and will maintain upward pressure on the rental and sales prices of housing.

Management is, therefore, of the opinion that despite the changes in the economic environment caused by the war in Ukraine, there is no need to write down inventories or trade receivables. Management continues to analyse the potential impact of the crisis and works closely with the general contractors in identifying the effects on supply chains and finding alternative supply solutions where necessary. In the short term, the war may cause some delays in the group's business operations.

Note 27. Parent company's primary financial statements

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent have been prepared using the same accounting policies that were applied in the preparation of the consolidated financial statements except that in the parent's primary financial statements investments in subsidiaries are measured using the cost method.

Statement of financial position

(In euros)	31 December 2021	31 December 2020
Current assets		
Cash and cash equivalents	636,813	774,330
Trade and other receivables	2,269,657	239,015
Prepayments	17,510	14,334
Inventories	804	11,972
Total current assets	**2,924,784**	**1,039,651**
Non-current assets		
Investments in subsidiaries	62,500	37,500
Trade and other receivables	11,467,273	6,400,286
Property, plant and equipment	122,491	51,117
Intangible assets	59,187	0
Total non-current assets	**11,711,451**	**6,488,902**
TOTAL ASSETS	**14,636,235**	**7,528,554**
Liabilities		
Borrowings	6,523	0
Trade and other payables	482,370	183,561
Total current liabilities	**488,893**	**183,561**
Non-current liabilities		
Borrowings	45,748	0
Total non-current liabilities	**45,748**	**0**
Total liabilities	**534,640**	**183,561**
EQUITY		
Share capital	1,151,512	1,017,750
Share premium	8,056,879	2,960,184
Own (treasury) shares	-4,884	-11,409
Share option reserve	104,940	26,381
Statutory capital reserve	101,775	300
Retained earnings (prior periods)	3,250,312	2,463,451
Profit for the year	1,441,061	888,337
Total equity	**14,101,595**	**7,344,993**
TOTAL LIABILITIES AND EQUITY	**14,636,235**	**7,528,554**

Statement of comprehensive income

(In euros)	2021	2020
Revenue	1,879,206	1,137,510
Other income	851	10,827
Goods, materials, consumables and services used	-196,489	-373,019
Other operating expenses	-883,662	-513,799
Staff costs	-967,149	-441,857
Depreciation, amortisation and impairment losses	-25,433	-12,958
Other expenses	-1,062	-20
Operating loss	**-193,739**	**-193,316**
Finance income	1,658,438	1,081,653
Finance costs	-23,638	0
Total finance income and finance costs	**1,634,800**	**1,081,653**
Profit before tax	**1,441,061**	**888,337**
Income tax expense	0	0
Net profit for the year	**1,441,061**	**888,337**
Comprehensive income for the year	**1,441,061**	**888,337**

Statement of cash flows

(In euros)	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**-193,327**	**-193,316**
Adjustments for:		
Depreciation, amortisation and impairment losses	25,433	12,958
Gain on sale of property, plant and equipment and intangible assets	-40	-4,750
Other adjustments	73,518	26,381
Total adjustments	**98,551**	**34,589**
Change in receivables and prepayments	-890,004	393,119
Change in inventories	11,169	6,455
Change in payables and deferred income	255,103	105,351
NET CASH USED IN/FROM OPERATING ACTIVITIES	**-718,508**	**346,198**
CASH FLOWS FROM INVESTING ACTIVITIES		
Paid on acquisition of property, plant and equipment and intangible assets	-49,666	-56,197
Proceeds from sale of property, plant and equipment and intangible assets	440	4,750
Paid on acquisition of a subsidiary	-30,000	0
Loans provided	-7,666,035	-2,245,400
Repayments of loans provided	1,791,931	1,557,200
Interest received	1,344,030	387,433
NET CASH USED IN INVESTING ACTIVITIES	**-4,609,300**	**-352,214**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received	600,000	0
Repayments of loans received	-605,351	0
Interest paid	-24,049	0
Proceeds from issue of shares	4,999,997	0
Proceeds from sale of own (treasury) shares	219,695	77,682
NET CASH FROM FINANCING ACTIVITIES	**5,190,291**	**77,682**
NET CASH FLOW	**-137,517**	**71,666**
Cash and cash equivalents at beginning of period	**774,330**	**702,664**
Decrease/increase in cash and cash equivalents	-137,517	71,666
Cash and cash equivalents at end of period	**636,813**	**774,330**

Statement of changes in equity

(In euros)	Share capital	Share premium	Share option reserve	Own (treasury) shares	Statutory capital reserve	Retained earnings	Total
As at 31 December 2019	**1,017,750**	**2,886,783**	**0**	**-15,690**	**300**	**2,463,450**	**6,352,593**
Profit for the year	0	0	0	0	0	888,337	**888,337**
Other changes in equity	0	73,401	26,381	4,281	0	0	**104,062**
As at 31 December 2020	**1,017,750**	**2,960,184**	**26,381**	**-11,409**	**300**	**3,351,787**	**7,344,993**
Carrying amount of interests under control and significant influence	0	0	0	0	0	-37,500	**-37,500**
Value of interests under control and significant influence under the equity method	0	0	0	0	0	-417,574	**-417,574**
Adjusted unconsolidated equity as at 31 December 2020	**1,017,750**	**2,960,184**	**26,381**	**-11,409**	**300**	**2,896,713**	**6,889,919**
Profit for the year	0	0	0	0	0	1,441,061	**1,441,061**
Issue of share capital	133,762	4,866,236	0	0	0	0	**4,999,998**
Share options	0	0	78,558	0	0	0	**78,558**
Acquisition of own shares	0	0	0	0	0	0	**0**
Sale of own shares	0	235,459	0	6,525	0	0	**241,984**
Transfer to capital reserve	0				101,475	-101,475	**0**
Dividend distribution	0	0	0	0	0	0	**0**
Other changes in equity	0	-5,000	0	0	0	0	**-5,000**
As at 31 December 2021	**1,151,512**	**8,056,879**	**104,939**	**-4,884**	**101,775**	**4,691,373**	**14,101,594**
Carrying amount of interests under control and significant influence	0	0	0	0	0	-62,500	**-62,500**
Value of interests under control and significant influence under the equity method	0	0	0	0	0	-1,231,753	**-1,231,753**
Adjusted unconsolidated equity as at 31 December 2021	**1,151,512**	**8,056,879**	**104,939**	**-4,884**	**101,775**	**3,397,120**	**12,807,341**

Statement by the management board

The management board completed the preparation of the management report and the consolidated financial statements of Liven AS for 2021 on 31 March 2022.

The group annual report of Liven AS for 31 December 2021 consists of the management report and the consolidated financial statements and the accompanying independent auditors' report and profit allocation proposal.

Andero Laur Chairman of the Management Board 31 March 2022	Mihkel Simson Member of the Management Board 31 March 2022	Alina Kester Member of the Management Board 31 March 2022

Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of Liven AS

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Liven AS (the group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 33 to 76, present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows 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 Consolidated Financial Statements section of our report. We are independent of the group 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 consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group'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 group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with International 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 consolidated 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 group'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 group'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 consolidated 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 group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 6 March 2022

/signed/	/signed/
Indrek Alliksaar	**Andres Soosalu**
Certified Public Accountant, Licence No 446	Certified Public Accountant, Licence No 693

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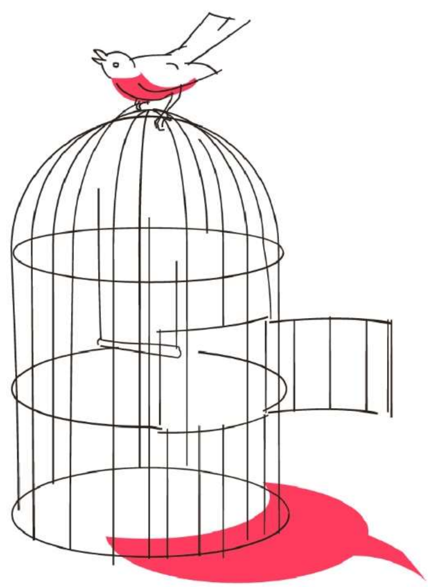
Profit allocation proposal

The management board proposes that the net profit for 2021 attributable to owners of the parent of 646,859 euros be allocated as follows:

- Transfer to statutory capital reserve 13,376 euros
- Transfer to retained earnings 633,483 euros.

Andero Laur	Mihkel Simson	Alina Kester
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
31 March 2022	31 March 2022	31 March 2022



Liven

Loome hingega kodu