

ANNUAL REPORT

Beginning of financial year: 01.01.2018
End of financial year: 31.12.2018

Business name: TavexWise AS
Registry number: 12641402

Street/farm, house and flat number: Aia 5
City: Tallinn
County: Harju County
Postal code: 10111

Telephone: +372 627 9900
E-mail address: info@tavexwise.com

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Translation of the Estonian original

Management report

TavexWise AS started its actual economic activity in December 2014. The Estonian Financial Supervisory Authority has licensed the company to offer money transition services. The company provides money remittance service through agents: Tavid AS in Estonia, Tavex SIA in Latvia, Tavex AB in Sweden, Tavex OY in Finland, Tavex A/S in Denmark, Tavex AS in Norway, Tavex Sp. z o.o. in Poland and Tavex EOOD in Bulgaria. From 2016 TavexWise offers money transfer service also to the Philippines in cooperation with BDO Unibank.

Compared to 2017, the volume of transactions has remained at the same level but the number of transactions has increased about 70%. It can be concluded that the number of customers has increased and the number of transactions with small volumes have increased. The average size of transaction in 2018 was about 40% lower than in 2017.

Investments in intangible assets in 2018 increased almost 20% compared to year 2017. In 2018 we updated our risk management systems to be in accord with law and to accelerate and simplify processes of customer service. We have coordinated internal procedures and documentation with the requirements of a changing legal and financial environment. An internal audit was conducted in 2018. The audit evaluated AML's and KYC's internal accordance with the law and risk assessment and defining risk appetite.

In 2019, TavexWise AS plans to expand its customer base and therefore a higher labor cost is expected.

Key financial indicators per year	2018	2017
Revenue	797 966	561 759
Increase in revenue (%)	42%	41%
Net profit/loss	596 367	399 341
Increase in profit (%)	49.34%	42%
Net margin (%)	74.74%	71.09%
Current asset	1 859 321	1 234 393
Current liabilities	23 677	34 194
Current ratio	79	36
Total assets	2 003 864	1 418 015
ROA (%)	29.76%	28.16%
Total equity	1 980 187	1 383 821
ROE (%)	30.12%	28.86%

Underlying formulas:

Increase in revenue (%) = (revenue 2018 – revenue 2017) / revenue 2017 * 100

Increase in profit (%) = (net profit 2018 – net profit 2017) / net profit 2017 * 100

Net margin (%) = net profit / revenue * 100

Current ratio = current assets / current liabilities

ROA (%) = net profit / total assets * 100

ROE (%) = net profit / total equity * 100

Translation of the Estonian original

Annual accounts**Balance sheet**

(In euro)

	31.12.2018	31.12.2017	Notes
Assets			
Current assets			
Cash	1 579 631	1 027 190	2
Receivables and prepayments	279 690	207 203	3
Total current assets	1 859 321	1 234 393	
Fixed assets			
Intangible fixed assets	144 543	183 622	4
Total fixed assets	144 543	183 622	4
Total assets	2 003 864	1 418 015	
Liabilities and equity			
Current liabilities			
Short-term liabilities			
Payables and prepayments	23 677	34 194	
Total short-term liabilities	23 677	34 194	
Total liabilities	23 677	34 194	
Equity			
Share capital at nominal value	500 000	500 000	5
Retained earnings (loss) from previous periods	883 820	484 480	
Profit (loss) of the financial year	596 367	399 341	
Total equity	1 980 187	1 383 821	
Total liabilities and equity	2 003 864	1 418 015	

*Translation of the Estonian original***Income statement**

(In euro)

	2018	2017	Note
Revenue	797 966	561 759	6
Other operating revenue	257	163	
Other operating expenses	-87 377	-50 918	
Personnel expenses	-30 855	-30 429	7
Depreciation, amortisation and impairment	-82 852	-72 910	4
Other business expenses	-518	0	
Total operating profit (loss)	596 621	407 665	
Other finance income and costs	-254	-8 324	
Profit (loss) before income tax	596 367	399 341	
Profit (loss) of the financial year	596 367	399 341	

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Notes to the annual accounts

Note 1 Accounting policies

General information

The annual accounts of TavexWise AS for the year 2018 have been prepared in accordance with the Estonian generally accepted accounting principles, which are based on internationally recognized accounting and reporting standards. Estonian financial reporting standards are set out in the Estonian Accounting Act and the guidelines issued by the Estonian Accounting Standards Board. In accordance with the Accounting Act, abridged annual accounts of a small business have been drawn up.

The annual accounts have been prepared on the basis of the historical cost method, except in the cases that are described in the following notes.

The income statement of TavexWise AS has been prepared using format 1 in Annex 1 to the Accounting Act.

The annual accounts are prepared in euro.

Financial assets

Financial assets comprise cash, short-term investments, trade receivables and other short- and long-term receivables.

Financial assets are initially recognized at cost, which is equal to the fair value of the consideration paid or received for them. The cost of a financial asset includes all expenses directly related to its acquisition.

A financial asset is derecognized when the company loses its right to cash flows from the financial asset or transfers cash flows from the asset and most of asset-related risks and benefits over to a third party.

Acquisitions and disposals of financial assets are recognized in a consistent manner at the value date, i.e. at the date the company becomes the owner of the purchased asset or loses the ownership of the sold financial asset.

Cash

Cash includes cash on hand and bank balances that are not subjected to a material risk of changes in the market value.

Receivables and prepayments

Trade receivables are recognized in the balance sheet at their amortized cost. Receivables from customers are measured in the balance sheet at their net realizable value. Receivables from each customer are assessed individually, taking into account the available information on the customer's solvency.

As TavexWise AS operates via its agents, trade receivables mainly arise from its agents through which the company provides payment services. When a customer has handed their money accompanied by the payment order over to the agent, TavexWise AS assumes a liability to the customer and a claim against the agent in the amount received from the customer.

Property, plant and equipment and intangible assets

Assets with a cost exceeding 3,200 euros and an estimated useful life of more than one year are recognized in the balance sheet as fixed assets.

Intangible assets are initially recognized at acquisition cost including the costs of acquisition and implementation of the asset. In the balance sheet, intangible assets are carried at their cost less accumulated depreciation and any accumulated impairment losses. Intangible assets are amortized using the straight-line method.

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At each report date it is assessed, whether there are any indications that the recoverable amount of intangible assets may have fallen below their book value. If any such indications exist, an impairment test will be carried out and the appropriateness of depreciation and amortization rates will be assessed.

The amortization rate of intangible assets is 20%.

The threshold for accounting for fixed assets is 3,200 euros.

Financial liabilities

Financial liabilities comprise trade payables, accrued expenses and other short- and long-term loan liabilities.

Financial liabilities are initially recognized at cost, which is equal to the fair value of the consideration paid or received for them. The cost of a financial liability includes all transaction expenses directly related to the liability.

Financial liabilities are recognized in the balance sheet at amortized cost and removed from the balance sheet when discharged or cancelled or expired.

Revenues

The revenue of the company is primarily earned from providing payment services and from the changes in currency prices related to the payment services. The revenue is recognized at the fair value of the consideration received or receivable for them after the service has been provided, i.e., at the moment when the customer's payment order is fulfilled.

The revenue from the changes in currency exchange rates arises at the moment receivables are settled with TavexWise's agents.

Taxation

As at 31.12.2018, the company has no tax prepayments. At the end of the year, the tax liability for labor taxes was declared at 4410 euros.

According to the Income Tax Act, corporate income tax is not levied on profits earned but on dividends distributed. The tax rate is 20/80 of the net dividends distributed. Since income tax is levied on dividends, not profits of the company, there are no temporary differences between the tax bases and carrying amounts of assets and liabilities and consequently also no deferred tax assets or liabilities arise.

The corporate income tax arising from the payment of dividends is calculated in the period in which dividends are declared. Corporate income tax is recognized as a liability and an income tax expense in the same period as dividends are declared.

Related parties

Parties are considered related if one party has a dominant influence over the other party or exerts significant influence on the operating decisions of the other party. Related parties include the Group's management board and supervisory board and private individual owners with significant shareholdings, except where the above cannot exert significant influence on the company's operating decisions. Additionally, related parties also include close family members and companies under the control or significant influence of the above.

Events after the report date

The annual accounts present significant factors affecting the valuation of assets and liabilities that appeared between the balance sheet date, i.e., 31.12.2018, and the reporting date, but are related to transactions in the reporting period or earlier periods.

Events, that took place after the report date, that are not taken under consideration when evaluating assets and liabilities, but which have significant impact on the result of the next financial year, are disclosed in the notes of the annual accounts.

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Note 2 Cash

(In euro)

	31.12.2018	31.12.2017
Bank account	1 470 083	944 148
Foreign account	109 542	83 036
Cash on hand	6	6
Total cash	1 579 631	1 027 190

Note 3 Receivables and prepayments

(In euro)

	31.12.2018	Within 12 months
Receivables from related parties	247 295	247 295
Other receivables	0	0
Accrued income	0	0
Prepayments	32 395	32 395
Deferred expenses	32 354	32 354
Other payed prepayment	41	41
Total receivables and prepayments	279 690	279 690

	31.12.2017	Within 12 months
Receivables from related parties	171 901	171 901
Other receivables	302	302
Accrued income	302	302
Prepayments	35 000	35 000
Deferred expenses	35 000	35 000
Total receivables and prepayments	207 203	207 203

Note 4 Intangible assets

(In euro)

	Computer software	Total
31.12.2016		
Acquisition cost	342 382	342 382
Accumulated amortization	-121 526	-121 526
Net book value	220 856	220 856
Acquisitions and additions	35 676	35 676
Amortization costs	-72 910	-72 910
31.12.2017		
Acquisition cost	378 058	378 058
Accumulated amortization	-194 436	-194 436
Net book value	183 622	183 622

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Acquisitions and additions	43 773	43 773
Amortization costs	-82 852	-82 852
31.12.2018		
Acquisition cost	421 831	421 831
Accumulated amortization	-277 288	-277 288
Net book value	144 543	144 543

Note 5 Share capital

(In euro)

	31.12.2018	31.12.2017
Share capital	500 000	500 000
Number of shares (pcs)	500 000	500 000
Par value of a share	1	1

Note 6 Sales revenue

(In euro)

	2018	2017
Revenue by geographical areas		
Sales to EU countries		
Estonia	382 764	403 290
Latvia	1 183	846
Denmark	62 085	50 875
Bulgaria	13 018	14 336
Finland	7 838	5 833
Sweden	308 311	69 899
Poland	7 341	437
Total sales to EU countries	782 540	545 516
Sales to countries outside the EU		
Norway	15 426	16 243
Total sales to countries outside the EU	15 426	16 243
Total revenue	797 966	561 759
Revenue by activities		
Money remittance service	797 966	561 759
Total revenue	797 966	561 759

In 2018 the total volume of payment transactions was 167 186 316 euros. The sales revenue consists of the service fees received from payment services and from the additional payment transaction, revenue from converting currencies.

*Translation of the Estonian original***Note 7 Personnel expenses**

(In euro)

	2018	2017
Salary expenses	23 060	22 742
Social security charges	7 794	7 505
Total personnel expenses	30 854	30 247
Number of employees in full-time equivalent	3	5
Average number of employees by tipe of employment:		
Employee working under contract under the law of obligations, except self-employed entrepreneur	3	5

In 2018, in addition to the management board, there were employed for the company three employees who were working under the law of obligations.

Note 8 Related parties

(In euro)

Parent company of a reporting entity	Tavid AS
State where the parent company of a reporting entity is registered	Estonia

Balances with related parties by groups

(In euro)

	31.12.2018 Receivables	31.12.2018 Liabilities	31.12.2017 Receivables	31.12.2017 Liabilities
Parent company	74 476	0	44 657	0
Other companies belonging to the same group	140 874	295	63 484	5 016

Purchases and sales


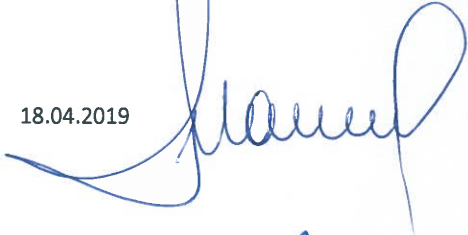

	2018 Purchases	2018 Sales	2017 Purchases	2017 Sales
Parent company	0	385 186	0	403 290
Other companies belonging to the same group	11 137	412 780	16 876	175 344

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SIGNATURES

TavexWise AS's management has prepared the management report and annual accounts for the financial year 2018.

The management board:

Name of the signatory	Role of the signatory	Date of signing
Kuno Rääk	Member of the Board	18.04.2019 
Jüri Martin	Member of the Board	18.04.2019 
Roman Lossman	Member of the Board	18.04.2019 

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of TavexWise AS

Opinion

We have audited the financial statements of TavexWise AS, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TavexWise AS as at 31 December 2018, and its financial performance for the year then ended in accordance with the Estonian Financial Reporting Standard.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (Estonia), and we have fulfilled our other ethical responsibilities in accordance with the requirements of code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information consists of management report, but does not consist of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Estonian Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tallinn, 18 April 2019



Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58



Liisi Semjonov
Authorised Auditor's number 682