

TAVEXWISE AS

ANNUAL REPORT

31 December 2017



## **ANNUAL REPORT**

**Beginning of financial year:** 01.01.2017

**End of financial year:** 31.12.2017

**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](mailto:info@tavexwise.com)

**Website address:** [www.tavexwise.com](http://www.tavexwise.com)

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## Management report

TavexWise AS started its actual economic activity in 2014.

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.

The Estonian Financial Supervisory Authority has licensed the company to offer money transition services. In addition to money remittance, the Payment Institutions and E-money Institutions Act lists many other ways to offer payment services, which are treated as payment services. To meet its clients' expectations, TavexWise's goal for 2018 is to expand their range of services and to apply for the licence that would enable the company to offer all payment services that are permitted by law. There are also plans to continue expanding their customer base and find new business partners to cooperate with.

Investments in intangible assets in 2017 increased almost two times compared to year 2016. In the second half of the year, TavexWise mainly dealt with the planning of new services, that are enabled by the European Payment Services Directive, which came into force in January 2018, and the new Payment Institutions and E-money Institutions Act. In connection with the planning of new services, in 2018, it is planned to increase investment in intangible assets even more, in order when the new licence application is satisfied, TavexWise can start to offer its customers other payment services in addition to money transition services.

Compared to 2016, the volume of transactions has decreased 5% but the number of transactions has increased. 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 2017 was about 20% lower than in 2016, the profitability of the transaction has increased almost as much.

| Key financial indicators per year | 2017    | 2016    |
|-----------------------------------|---------|---------|
| Revenue                           | 561 759 | 397 151 |
| Increase in revenue (%)           | 41%     | 39%     |
| Net profit/loss                   | 399 341 | 281 374 |
| Increase in profit (%)            | 42%     | 39%     |
| Net margin (%)                    | 71.09%  | 70.84%  |
| Current ratio                     | 36      | 34      |
| ROA (%)                           | 28.16%  | 27.93%  |
| ROE (%)                           | 28.86%  | 28.58%  |

Underlying formulas:

Increase in revenue (%) = (revenue 2017 – revenue 2016) / revenue 2016 \* 100

Increase in profit (%) = (net profit 2017 – net profit 2016) / net profit 2016 \* 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)

|  | 31.12.2017       | 31.12.2016       | Notes |
|--|------------------|------------------|-------|
| Assets   |                  |                  |       |
| Current assets                                 |                  |                  |       |
| Cash   | 1 027 190        | 616 410          | 2     |
| Receivables and prepayments                    | 207 203          | 170 129          | 3     |
| <b>Total current assets</b>                    | <b>1 234 393</b> | <b>786 539</b>   |       |
| Fixed assets                                   |                  |                  |       |
| Intangible fixed assets                        | 183 622          | 220 856          | 4     |
| <b>Total fixed assets</b>                      | <b>183 622</b>   | <b>220 856</b>   | 4     |
| <b>Total assets</b>                            | <b>1 418 015</b> | <b>1 007 395</b> |       |
| Liabilities and equity                         |                  |                  |       |
| Current liabilities                            |                  |                  |       |
| Short-term liabilities                         |                  |                  |       |
| Payables and prepayments                       | 34 194           | 22 915           |       |
| <b>Total short-term liabilities</b>            | <b>34 194</b>    | <b>22 915</b>    |       |
| <b>Total liabilities</b>                       | <b>34 194</b>    | <b>22 915</b>    |       |
| Equity   |                  |                  |       |
| Share capital at nominal value                 | 500 000          | 500 000          | 5     |
| Retained earnings (loss) from previous periods | 484 480          | 203 106          |       |
| Profit (loss) of the financial year            | 399 341          | 281 374          |       |
| <b>Total equity</b>                            | <b>1 383 821</b> | <b>984 480</b>   |       |
| <b>Total liabilities and equity</b>            | <b>1 418 015</b> | <b>1 007 395</b> |       |

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

(In euro)

|  | 2017           | 2016           | Note |
|--|----------------|----------------|------|
| Revenue                                    | 561 759        | 397 151        | 6    |
| Other operating revenue                    | 163            | 649            |      |
| Other operating expenses                   | -50 918        | -30 220        |      |
| Personnel expenses                         | -30 429        | -16 725        | 7    |
| Depreciation, amortisation and impairment  | -72 910        | -65 856        | 4    |
| <b>Total operating profit (loss)</b>       | <b>407 665</b> | <b>284 999</b> |      |
| Other finance income and costs             | -8 324         | -3 625         |      |
| <b>Profit (loss) before income tax</b>     | <b>399 341</b> | <b>281 374</b> |      |
| <b>Profit (loss) of the financial year</b> | <b>399 341</b> | <b>281 374</b> |      |

## Notes to the annual accounts

### Note 1 Accounting policies

#### General information

The annual accounts of TavexWise AS for the year 2017 have been prepared in accordance with the Estonian Financial Reporting Standard, 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.



*Translation of the Estonian original*

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 31.12.2017, the company has no tax liabilities or prepayments.

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., 31.12.2017, 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.



*Translation of the Estonian original***Note 2 Cash**

(In euro)

|                   | 31.12.2017       | 31.12.2016     |
|-------------------|------------------|----------------|
| Bank account      | 944 148          | 556 748        |
| Deposit           | 0                | 0              |
| Foreign account   | 83 036           | 59 656         |
| Cash on hand      | 6                | 6              |
| <b>Total cash</b> | <b>1 027 190</b> | <b>616 410</b> |

**Note 3 Receivables and prepayments**

(In euro)

|  | 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           |
| <b>Total receivables and prepayments</b> | <b>207 203</b> | <b>207 203</b>   |

|  | 31.12.2016     | Within 12 months |
|--|----------------|------------------|
| Receivables from related parties         | 165 463        | 165 463          |
| Other receivables                        | 2 548          | 2 548            |
| Accrued income                           | 2 548          | 2 548            |
| Prepayments                              | 2 118          | 2 118            |
| Deferred expenses                        | 2 118          | 2 118            |
| <b>Total receivables and prepayments</b> | <b>170 129</b> | <b>170 129</b>   |

Receivables from related parties include 108 141 euros of accounts receivable from agents as at 31.12.2017; 16 598 euros of customers' funds held by agents; 47 162 euros of funds paid to customers, which have not been settled between the agents and TavexWise as at the end of the year.

**Note 4 Intangible assets**

(In euro)

|                            | Computer software | Total          |
|----------------------------|-------------------|----------------|
| <b>31.12.2015</b>          |                   |                |
| Acquisition cost           | 324 102           | 324 102        |
| Accumulated amortization   | -55 670           | -55 670        |
| <b>Net book value</b>      | <b>268 432</b>    | <b>268 432</b> |
| Acquisitions and additions | 18 280            | 18 280         |
| Amortization costs         | -65 856           | -65 856        |
| <b>31.12.2016</b>          |                   |                |

*Translation of the Estonian original*

|                            |                |                |
|----------------------------|----------------|----------------|
| Acquisition cost           | 342 382        | 342 382        |
| Accumulated amortization   | -121 526       | -121 526       |
| <b>Net book value</b>      | <b>220 856</b> | <b>220 856</b> |
| Acquisitions and additions | 35 676         | 35 676         |
| Amortization costs         | -72 910        | -72 910        |
| <b>31.12.2017</b>          |                |                |
| Acquisition cost           | 378 058        | 378 058        |
| Accumulated amortization   | -194 436       | -194 436       |
| <b>Net book value</b>      | <b>183 622</b> | <b>183 622</b> |

**Note 5 Share capital**

(In euro)

|                        | <b>31.12.2017</b> | <b>31.12.2016</b> |
|------------------------|-------------------|-------------------|
| Share capital          | 500 000           | 500 000           |
| Number of shares (pcs) | 500 000           | 500 000           |
| Par value of a share   | 1                 | 1                 |

As of 30.09.2015, the share capital of TavexWise AS is 500 000 euros.

As at the date of the general meeting of shareholders that approved the annual accounts, the list of TavexWise AS's registered shareholders holding over 10% of the votes determined by the shares was as follows:

## 1. Tavid AS

Registry number: 10055700  
 Address: Aia 5, 10111 Tallinn  
 Type of share: ordinary share  
 Number of shares: 500 000  
 Par value of a share: 1  
 Date of acquisition and subscription of the shares: 07.04.2014

As at 31.12.2017, the retained earnings of the company were 883 821 euros.

According to § 335 of the Commercial Code, if a company capitalises the development-related expenditure as intangible assets and the development expenditure has not completely depreciated, profit cannot be distributed unless the sum of the reserves which can be used for the distribution of profit and the retained profit from previous periods at least equals the undepreciated development expenditure.

At the end of 2017, the residual value of capitalized development expenses was 183 622 euros. The maximum amount of distributable profit is 700 199 euros and the resulting income tax liability 140 040 euros. A total of 560 159 euros could be distributed as dividends.

The calculation of the maximum potential income tax liability is based on the assumption that the amount of net dividends to be distributed and the income tax expense shown in the income statement for the year 2017 may not exceed the distributable profit as at 31.12.2017.

*Translation of the Estonian original***Note 6 Sales revenue**

(In euro)

|  | 2017           | 2016           |
|--|----------------|----------------|
| Revenue by geographical areas                  |                |                |
| Sales to EU countries                          |                |                |
| Estonia  | 403 290        | 240 786        |
| Latvia   | 846            | 1 641          |
| Denmark  | 50 875         | 28 696         |
| Bulgaria                                       | 14 336         | 22 436         |
| Finland  | 5 833          | 10 214         |
| Sweden   | 69 899         | 32 212         |
| Poland   | 437            | 19 071         |
| <b>Total sales to EU countries</b>             | <b>545 516</b> | <b>355 056</b> |
| Sales to countries outside the EU              |                |                |
| Norway   | 16 243         | 42 095         |
| <b>Total sales to countries outside the EU</b> | <b>16 243</b>  | <b>42 095</b>  |
| <b>Total revenue</b>                           | <b>561 759</b> | <b>397 151</b> |
| Revenue by activities                          |                |                |
| Money remittance service                       | 561 759        | 397 151        |
| <b>Total revenue</b>                           | <b>561 759</b> | <b>397 151</b> |

In 2017 the total volume of payment transactions was 169 229 611 euros. The sales revenue consists of the service fees received from payment services and from the additional payment transaction, revenue from converting currencies.

**Note 7 Personnel expenses**

(In euro)

|   | 2017          | 2016          |
|---|---------------|---------------|
| Salary expenses   | 22 742        | 12 500        |
| Social security charges   | 7 505         | 4 225         |
| <b>Total personnel expenses</b>   | <b>30 247</b> | <b>16 725</b> |
| Number of employees in full-time equivalent   | 5             | 5             |
| Average number of employees by type of employment:  |               |               |
| Employee working under contract under the law of obligations, except self-employed entrepreneur | 5             | 0             |



*Translation of the Estonian original***Note 8 Related parties**

(In euro)

**Balances with related parties by groups**

(In euro)

|   | <b>31.12.2017</b>  | <b>31.12.2017</b> | <b>31.12.2016</b>  |
|---|--------------------|-------------------|--------------------|
|   | <b>Receivables</b> | <b>Liability</b>  | <b>Receivables</b> |
| Parent company                              | 44 657             | 0                 | 111 467            |
| Other companies belonging to the same group | 63 484             | 5 016             | 53 996             |

**Purchases and sales**

|   | <b>2017</b>      | <b>2017</b>  | <b>2016</b>      | <b>2016</b>  |
|---|------------------|--------------|------------------|--------------|
|   | <b>Purchases</b> | <b>Sales</b> | <b>Purchases</b> | <b>Sales</b> |
| Parent company                              | 0                | 403 290      | 0                | 240 786      |
| Other companies belonging to the same group | 16 876           | 175 344      | 272              | 156 365      |

*Translation of the Estonian original***SIGNATURES**

TavexWise AS's management has prepared the management report and annual accounts for the financial year 2017.

**The management board:****Name of the signatory****Role of the signatory****Date of signing**

Kuno Rääk

Member of the Board

28.06.2018

Jüri Martin

Member of the Board

28.06.2018

Roman Lossman

Member of the Board

28.06.2018

Translation of the Estonian Original

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Tavexwise AS

### *Opinion*

We have audited the financial statements of AS Tavexwise, which comprise the balance sheet as at 31 December 2017, 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 AS Tavexwise as at 31 December 2017, and its financial performance for the year then ended in accordance with Estonian generally accepted accounting principles.

### *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 generally accepted accounting principles, 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, 28 June 2018



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



Liisi Semjonov  
Authorised Auditor's number 682