

ANNUAL REPORT

Beginning of financial year: 01.01.2020
End of financial year: 31.12.2020

Business name: TavexWise AS

Registry code: 12641402

Name of street/farm, Pärnu mnt 186
house and apartment number:
City: Tallinn
County: Harju County
Postal code: 11314

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Management report

TavexWise AS started its economic activities in December 2014. TavexWise AS has been issued an activity licence by the Financial Supervision Authority which enables it to offer money transfer services to customers. The company provides payment intermediation services through eight agents who are located in different European countries: 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. Since 2016, TavexWise has been offering a money transfer service in the Philippines in cooperation with BDO Unibank and since 2020 payments to the Ukraine in cooperation with Privat Bank.

The company has changed and reassessed its risk appetite, which, together with the generally changing financial environment, also affects the dynamics of TavexWise's payment transactions. The share of customers with a large cash turnover in our customer base has decreased and we focus mainly on individuals and small businesses.

The economic and health crisis that started from the spread of the Covid-19 virus in the first quarter of 2020 has also left its mark on the performance result of TavexWise AS. Both the number and total volume of transactions fell compared to the previous financial year – by 33% and 43%, respectively, and the average transaction volume decreased by 15%.

The company still retained its profitability. The net profit earned per transaction increased by 39%. At the 11% decline in turnover, the operating profit of the company reduced by 7% compared to the previous year, but accounted for 74% of the turnover, the corresponding indicator in 2019 was 71%. In 2020, labour costs decreased by 7% and operating expenses by 25% compared to the previous year.

Like in the previous financial year, in the reporting year we also improved our IT and risk assessment systems to keep up with changes in legislation, and speed up and simplify customer service processes. We coordinated and supplemented our internal procedures and documentation with the requirements arising from the ever-changing legal and financial environment.

One of the important steps in 2021 is to hire a development manager for the company who is also expected to become a member of the management board of TavexWise AS in the nearest future.

Key performance indicators	2020	2019
Sales revenue	743,003	833,577
Revenue growth compared to the previous year, %	-10.9%	4.5%
Net profit/loss	550,952	594,094
Profit growth compared to the previous year, %	-7.3%	-0.4%
Net profit margin (net profit / sales revenue), %	74.2%	71.3%
Current assets	3,158,519	2,553,958
Current liabilities	33,286	42,950
Current ratio (current assets / current liabilities)	95	59
Total assets	3,158,519	2,617,231
Return on assets (ROA) (net profit / total assets), %	17.4%	22.7%
Total equity	3,125,233	2,574,281
Return on equity (ROE) (net profit / total equity), %	17.6%	23.1%

It is difficult to forecast what the next years will look like. The company is financially strong and we believe we can survive also a great recession.

Management Board
of TavexWise AS

Financial statements

Balance sheet

(euros)

	31.12.2020	31.12.2019	Note no.
Assets			
Current assets			
Cash	3,000,091	2,271,568	2
Receivables and prepayments	158,428	282,390	3
Total current assets	3,158,519	2,553,958	
Fixed assets			
Intangible assets	0	63,273	4
Total fixed assets	0	63,273	
Total assets	3,158,519	2,617,231	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	33,286	42,950	
Total current liabilities	33,286	42,950	
Total liabilities	33,286	42,950	
Equity			
Share capital at nominal value	500,000	500,000	5
Retained profit (loss)	2,074,281	1,480,187	
Profit (loss) for financial year	550,952	594,094	
Total equity	3,125,233	2,574,281	
Total liabilities and equity	3,158,519	2,617,231	

Profit and loss statement

(euros)

	2020	2019	Note no.
Sales revenue	743,003	833,577	6
Other operating revenue	0	1,730	
Miscellaneous operating expenses	-78,938	-104,736	
Labour costs	-48,168	-51,638	7
Depreciation and impairment of fixed assets	-63,273	-84,420	4
Other operating charges	-19	-244	
Operating profit (loss)	552,605	594,269	
Other financial revenue and expenses	-1,653	-175	
Profit (loss) before income tax	550,952	594,094	
Profit (loss) for financial year	550,952	594,094	

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purposes

30. 06. 2021

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Notes of financial statements

Note 1 Accounting policies

General information

The 2020 financial statements of TavexWise AS have been prepared in compliance with the Estonian Financial Reporting Standard, which is based on internationally recognised accounting and reporting principles. The basic requirements of the Estonian Financial Reporting Standard are established in the Accounting Act and supplemented by the guidelines issued by the Estonian Accounting Standards Board. Pursuant to the Accounting Act, the abridged financial statements of a small company have been prepared.

The financial statements were prepared using the acquisition cost method, except in the cases where otherwise described in the notes below.

The profit and loss statement of TavexWise AS has been prepared on the basis of profit and loss statement layout no. 1 specified in Annex 1 to the Accounting Act.

The financial statements have been prepared in euros.

Financial assets

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

Financial assets are initially recognised at their acquisition cost, which is equal to the fair value of the consideration paid or payable for the financial asset in question. The initial acquisition cost includes all transaction costs directly attributable to the financial assets.

Financial assets are taken off the balance sheet when the company loses the right to the cash flow generated by the financial assets or assigns the cash flow generated by the financial assets and most of the risks and benefits related to the financial assets to a third party.

Purchases and sales of financial assets are recognised consistently on the value date, i.e. on the day when the company becomes the owner of the purchased financial asset or forfeits the right of ownership to the sold financial asset.

Cash

Cash in hand and in bank that does not bear any significant risk of changes in their market value are recognised as cash and cash equivalents.

Receivables and prepayments

Trade receivables are recognised in the balance sheet at the adjusted acquisition cost. Accounts receivable have been assessed in the balance sheet based on the probability of their receipt. Accounts receivable from each customer are assessed separately, considering the information known about the solvency of the customer.

As TavexWise AS operates through agents, receivables arise mainly from agents through whom the company offers money transfer services. If the customer has given his money together with the payment order to the agent, TavexWise AS has a liability to the customer and at the same time a receivable from the agent to the extent of the amount given by the customer.

Tangible and intangible assets

Assets that cost more than 3,200 euros and whose useful life exceeds one year have been recognised in the balance sheet as fixed assets.

Intangible assets are recognised at acquisition cost that comprises the price of the assets and expenses allowing for use. Intangible assets are recognised in the balance sheet at their acquisition cost less accumulated depreciation and potential write-downs resulting from impairment. Intangible assets are depreciated using the straight-line method.

Assessments are performed on every reporting date to ascertain whether there are any indications that the recoverable amount of the fixed asset may have fallen below its book value. A value test is carried out and the relevance of the depreciation rates is assessed if such indications are found.

The depreciation rate for intangible assets is 20%.

Threshold for recognition of fixed assets 3,200

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Financial liabilities

Financial liabilities include trade creditors, accrued expenses and other short-term and long-term payables.

Financial liabilities are initially registered at their acquisition cost that is equal to the fair value of the consideration paid or received for the financial liability in question. The initial acquisition cost includes all the transaction costs directly associated with the financial liability.

Financial liabilities are recognised in the balance sheet at their adjusted acquisition cost and are taken off the balance sheet if they have been settled, terminated or expired.

Income

The main income comes from the provision of money transfer services and related currency price changes. Revenue is recognised at the fair value of the consideration received or receivable, after the service has been provided, i.e. when the payment order given by the customer is executed.

Income from currency price changes arises when receivables from agents of TavexWise are set off.

Taxation

Pursuant to the Income Tax Act, dividends to be paid out are subject to income tax in Estonia instead of corporate profits. For dividends paid out, the tax rate is 20/80 on net dividends. Since dividends to be disbursed are the object of income tax instead of corporate profits, there are no differences between the taxable amounts and carrying amounts of assets and liabilities that could entail deferred tax receivable or payable.

The corporate income tax related to the payment of dividends is calculated in the period when the dividends are declared. Corporate income tax is recognised as a liability and an income tax expense in the same period as the dividends are declared.

Related parties

Parties are considered to be related if one party has dominant influence over another or exerts significant influence on the business decisions of another. Related parties include the Group's Management Board and Supervisory Board, and private persons who are major shareholders, unless these persons are not able to exercise a significant influence on the business-related decisions of the company. Close relatives of the persons listed above and the companies controlled by them or under their significant influence are also deemed to be related parties.

Events after the reporting date

The financial statements disclose the major events which occurred between the balance sheet date (31 December 2020) and the date of preparation of the financial statements and which affect the valuation of assets and liabilities, but which are related to transactions conducted in the accounting period or in previous periods.

Events after the reporting date, which have not been considered in the assessment of assets and liabilities, but which considerably affect the results of the following financial year, have been disclosed in the notes to the financial statements.

Note 2 Cash

(euros)

	31.12.2020	31.12.2019
Cash at bank	2,862,871	2,109,073
Foreign bank account	137,214	62,489
Cash in hand	6	6
Cash in transit	0	100,000
Total cash	3,000,091	2,271,568

As TavexWise AS has no bank account at Estonian financial institutions, the sums recognised as Cash at bank as of 31.12.2020 and 31.12.2019 are held as demand deposit on the bank accounts owned by Tavid AS.

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Note 3 Receivables and prepayments

(euros)

	31.12.2020	Within 12 months
Receivables from related parties	135,399	135,399
Other receivables	4,634	4,634
Accrued income	4,634	4,634
Prepayments	18,395	18,395
Deferred expenses	18,395	18,395
Total receivables and prepayments	158,428	158,428
	31.12.2019	Within 12 months
Receivables from related parties	250,384	250,384
Prepayments	32,006	32,006
Deferred expenses	31,965	31,965
Other prepayments made	41	41
Total receivables and prepayments	282,390	282,390

Note 4 Intangible assets

(euros)

	Computer software	Total
31.12.2018		
Acquisition cost	421,831	421,831
Accumulated depreciation	-277,288	-277,288
Residual cost	144,543	144,543
Purchases and improvements	3,150	3,150
Depreciation cost	-84,420	-84,420
31.12.2019		
Acquisition cost	424,981	424,981
Accumulated depreciation	-361,708	-361,708
Residual cost	63,273	63,273
Depreciation cost	-63,273	-63,273
31.12.2020		
Acquisition cost	424,981	424,981
Accumulated depreciation	-424,981	-424,981
Residual cost	0	0

Note 5 Share capital

(euros)

	31.12.2020	31.12.2019
Share capital	500,000	500,000
Number of shares (pcs)	500,000	500,000
Nominal value of shares	1	1

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Note 6 Sales revenue

(euros)

	2020	2019
Sales revenue by geographical regions		
Sales to European Union Member States		
Estonia	330,619	172,627
Latvia	802	1,291
Denmark	28,562	53,013
Bulgaria	11,206	10,677
Finland	1,696	3,142
Sweden	304,992	587,302
Poland	9,665	-1,033
Total sales to European Union Member States	687,542	827,019
Sales to outside European Union Member States		
Norway	55,461	6,558
Total sales to outside European Union Member States	55,461	6,558
Total sales revenue	743,003	833,577
Sales revenue by areas of activity		
Payment intermediation service	743,003	833,577
Total sales revenue	743,003	833,577

The volume of payment transactions in 2020 was 54,658,709 euros. Sales revenue consists of the service fee received from payment transactions and additional payment transaction income arising from currency conversions.

Note 7 Labour costs

(euros)

	2020	2019
Salaries and wages	36,000	38,593
Social taxes	12,168	13,045
Total labour costs	48,168	51,638
Average number of employees in full-time equivalents	1	1
Average number of employees by type of work:		
Person working under employment contract	1	1

In 2020, in addition to the Management Board, one person working under an employment contract worked for TavexWise.

Note 8 Related parties

(euros)

Name of the parent company of accounting entity	Tavid AS
Country of incorporation of the parent company of the accounting entity	Estonia

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Balances with related parties by group

	31.12.2020		31.12.2019	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	37,154	0	32,331	0
Other companies belonging to the same consolidation group	70,882	10,641	190,636	12,132

Purchases and sales of goods and services

	2020		2019	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Parent company	0	329,057	0	169,892
Other companies belonging to the same consolidation group	13,408	425,792	12,303	673,254

As TavexWise AS has no bank account at Estonian financial institutions, then as demand deposit on the bank accounts owned by Tavid AS was held 2 862 871 euros as of 31.12.2020 and 2 109 073 euros as of 31.12.2019.

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30. 06. 2021

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Signatures of executive management to Annual Report 2020

The executive management of TavexWise AS has prepared the management report and financial statements for 2020 and the information in the statements is true and complete. The management board is of the opinion that the company is a going concern.

The 2020 financial statements of TavexWise AS have been prepared in compliance with the Estonian Financial Reporting Standard, which is based on internationally recognised accounting and reporting principles. Current report presents a fair and true view of the financial positions and economic performance of the company.



Kuno Rääk
Chairman of the Management Board
Signed on 29th of June 2021

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholder of TavexWise AS

Opinion

We have audited the financial statements of TavexWise AS (the Company), which comprise the balance sheet as at December 31, 2020 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 the Company as at December 31, 2020, and its financial performance for the year then ended in accordance with Estonian financial reporting standard.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). 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 International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Management report 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 Management report and, in doing so, consider whether the Management report 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 in the Management report, 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 of the financial statements in accordance with 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 ISA (EE)s 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 ISA (EE)s, 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.

Janno Greenbaum
Sworn Auditor

License number 486

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License number 3

Pärnu road 22, 10141 Tallinn

June 30, 2021