ANNUAL REPORT

beginning of the accounting year: 1 January 2017
end of the accounting year: 31 December 2017

business name: Wallester AS

Registry code: 11812882

Name of the street and house number: Pärnu mnt 20
City: Tallinn
County: Harju maakond
Postal code: 10141

e-mail address: info@wallester.eu

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Activity Report

In 2017, Wallester AS submitted an application to the Financial Supervision Authority for authorization for providing payment services. At the same time, Wallester AS actively developed its IT platform and signed the first agreements with its partners.

As the license from the Financial Supervision Authority was received on December 18 in 2017, business activities did not start in 2017.

The main area of activity of Wallester AS is the provision of payment services to legal entities. The payment services are planned to be offered in cooperation with the international card associations.

Future clients are creditors and merchants who, in cooperation with Wallester AS, want to offer their final customers international payment cards.

In 2017, Wallester AS acquired additional capital from its shareholders and was sufficiently capitalised to provide the service.

By the end of 2017, Wallester AS had 7 employees and in 2018, the company plans to hire new employees and complete the development of the payment services platform and issue the first payment cards.

In 2018, Wallester AS is actively seeking partners who have customers to provide with innovative payment solutions.

In the second quarter of 2018, the company plans to start offering services in Estonia and in 2019, in other parts of Europe as

well.

Annual accounts

Balance sheet
(in euros)

	31.12.2017	31.12.2016	Lisa nr
Assets			
Current assets			
Cash	470,704	196	
Receivables and prepayments	5,537	2,705	2
Total current assets	**476,241**	**2,901**	
Fixed assets			
Tangible assets	6,773	1,130	4
Intangible assets	1,413,068	0	5
Total fixed assets	**1,419,841**	**1,130**	
Total assets	**1,896,082**	**4,031**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	106,859	44,323	6
Total current liabilities	**106,859**	**44,323**	
Total liabilities	**106,859**	**44,323**	
Owner’s equity			
Share capital in nominal value	166,981	25,000	7
Share premium account	737,252	0	
Legal reserve	6	6	
Other reserves	1,413,068	0	7
Retained profit (loss)	–65,298	–1	
Profit (loss) for accounting year	–462,786	–65,297	
Total owner’s equity	**1,789,223**	**–40,292**	
Total liabilities and owner’s equity	**1,896,082**	**4,031**	

Income statement
(in euros)

	2017	2016	Lisa nr
Other operating revenue	126	0	
Miscellaneous operating expenses	–119,776	–65,268	8
Staff costs	–341,439	0	9
Depreciation and impairment of fixed assets	–1,722	–29	
Other operating expenses	–1	0	
Operating profit (loss)	**–462,812**	**–65,297**	
Interest income	26	0	
Profit (loss) before income tax	**–462,786**	**–65,297**	
Net profit (loss) for financial year	**–462,786**	**–65,297**	

Notes to Annual accounts

Note 1. Accounting principles

General information

The annual accounts of Wallester AS have been prepared in accordance with the Estonian Financial Reporting Standard. The Estonian Financial Reporting Standard is a body of financial reporting requirements directed at the public and based on the internationally accepted accounting and reporting principles, which principal requirements are established by the Accounting Act of the Republic of Estonia and specified by the guidelines of the Accounting Standards Board.

The annual accounts are presented in euros.

Wallester AS has prepared a condensed annual report of a small company, which consists of a balance sheet, income statement, and notes.

Cash

In cash flow statements, cash and cash equivalents are cash in hand and current account balances.

Receivables and prepayments

Receivables on purchasers are recognised as short-term receivables generated in the ordinary course of business, with the exception of receivables against other companies in the group. Accounts receivable from buyers have been valued on the balance sheet based on the amounts that are likely to be received. The outstanding receivables of each individual client are assessed separately, taking into account known information about the customer's solvency.

Doubtful receivables are recognised in the balance sheet as probable incomes (discounts are recognised separately on the balance sheet line 'doubtful receivables') and are stated as an expense in the income statement. Irrecoverable receivables have been withdrawn from the balance sheet. Collection of the previously down-written doubtful receivables are recognised as a reduction in the cost of doubtful receivables.

Tangible and intangible assets

Items of tangible assets are defined as the assets used by the enterprise in its operations with a useful life of over one year and costing from 1,000 euros. Assets with a useful life of more than one year but with an acquisition cost of less than 1,000 euros are written off as an expense at the time of commissioning of the asset.

In the balance sheet, tangible fixed assets are recognised as the acquisition cost of the asset minus accumulated depreciation and possible deductions resulting from the decrease in value.

Subsequent expenditure on items of tangible assets is recognised as a fixed asset if it is probable that the company will derive future economic benefits from the asset and the cost of the asset can be reliably measured. Other maintenance and repair costs are recognised as an expense at the time they are incurred.

Depreciation is calculated using the linear method. The depreciation rate is determined separately for each fixed asset, depending on its useful life. If a tangible asset consists of distinct components with different useful lives, these components are included in the accounting as separate assets and separate depreciation rates are determined in accordance with their useful life.

For tangible assets, yearly depreciation rates are
as follows: other tangible assets 20–40%

Depreciation will be calculated from the moment the asset becomes usable in accordance with the intended purpose of the management. Depreciation is no longer calculated if the residual value exceeds the carrying amount or the asset is retired. On each balance sheet date, the reasonableness of the depreciation rates used, the depreciation method, and the residual value is assessed.

If the recoverable amount of a fixed asset (that is, higher than the following: the asset's fair value minus costs to sell or its value in use) is less than its carrying amount, items of tangible assets are written down to their recoverable amount.

Intangible assets are initially recorded at their acquisition cost, which consists of the purchase price and the costs directly related

to the acquisition.
Intangible assets are recorded in the balance sheet at its acquisition cost, minus any accumulated depreciation and any impairment losses.

Depreciation is calculated using the linear method. The depreciation rate is assigned to each item of an intangible asset separately, depending on its useful life.

Financial liabilities

All financial liabilities (payables to suppliers, borrowings, accrued expenses, and other current and non-current liabilities) are initially recognised at their acquisition cost, which also includes all the accompanying costs. Subsequent recognition is carried out using the amortised cost method.

The adjusted acquisition cost of current liabilities is, as a rule, equal to their nominal value, therefore current liabilities are recognised in the balance sheet in the amount payable. The amortised cost of long-term financial liabilities is accounted for using the effective interest method.

Revenues

Revenue from the sale of goods is recognised when all material risks associated with the ownership have been transferred to the buyer, and the revenue from the sale and the transaction cost can be determined reliably.

Revenue from the sale of services is reflected in the provision of services.

Interest income is calculated using the effective interest rate, except in cases where the receipt of interest is uncertain.

In such cases, interest income is calculated on a cash basis.

Taxation

Pursuant to current legislation, profits of companies are not taxed in Estonia, therefore, there are no deferred tax claims or liabilities. Instead of profit, dividends distributed in Estonia from retained earnings are taxed at a rate of 20/80 of the amount paid out as a net dividend. Corporate income tax on dividends is recognised in income statement as an income tax expense in the same period as dividends are declared, regardless of the period for which they are declared or when they are actually paid out.

Related parties

During the preparation of the annual report of Wallester AS, the related parties are:
* the owners (the parent company and persons controlling the parent company or having a significant influence over it);
* executive and senior management;
* close family members of the aforementioned persons and companies controlled by them or significantly influenced by them.

Note 2. Receivables and prepayments

(in euros)

	31 December 2017	Residual maturity			Note No.
		during 12 months	during 1–5 years	over 5 years	
Prepaid and deferred taxes	5,087	5,087	0	0	3
Prepayments	450	450	0	0	
Other prepayments	450	450	0	0	

Total receivables and prepayments	**5,537**	**5,537**	**0**	**0**	

	31 December 2016	Residual maturity			Note No.
		during 12 month	during 1–5 years	over 5 years	
Prepaid and deferred taxes	2,705	2,705	0	0	3
Total receivables and prepayment	**2,705**	**2,705**	**0**	**0**	

Note 3. Prepaid taxes and taxes payable

(in euros)

	31 December 2017		31 December 2016
	Prepayments	**Tax arrears**	**Prepayments**
VAT	5,087	0	2,705
Personal income tax	0	8,669	0
Income tax on fringe benefits	0	241	0
Social tax	0	15,768	0
Mandatory funded pensions	0	950	0
Unemployment insurance premium	0	1,119	0
Total prepaid taxes and taxes payable	**5,087**	**26,747**	**2,705**

Tax authorities have the right to check the company's accounting for taxation purposes for up to 5 years from the date of filing the tax return and, in case of finding mistakes, make an additional assessment of tax, interest, and fines. In the opinion of the management of the company, there are no circumstances that could lead the tax authorities to make a significant tax assessment to the group.

Note 4. Tangible assets

(in euros)

		Total
	Other tangible assets	
31 December 2015		
Acquisition cost	0	0
Accumulated depreciation	0	0
Carrying amount	0	0
Purchases and improvements	1,159	1,159
Depreciation for the period	–29	–29
31 December 2016		
Acquisition cost	1,159	1,159
Accumulated depreciation	–29	–29
Carrying amount	1,130	1,130
Purchases and improvements	7,365	7,365
Depreciation for the period	–1,722	–1,722
31 December 2017		
Acquisition cost	8,524	8,524
Accumulated depreciation	–1,751	–1,751

Carrying amount	6,773	6,773

Note 5. Intangible assets

(in euros)

	Other intangible assets	Total
31 December2016		
Acquisition cost	0	0
Accumulated depreciation	0	0
Carrying amount	0	0
Purchases and improvements	1,413,068	1,413,068
31 December 2017		
Acquisition cost	1,413,068	1,413,068
Accumulated depreciation	0	
Carrying amount	1,413,068	1,413,068

Intangible assets include Visa Associate Membership, Visa VEAS server access rights, and settlement account usage rights.
Management estimates that all of the following criteria are met for intangible assets:
(a) there are technical and financial opportunities and a positive intention to carry out the project;
(b) the company is able to use or sell the assets created;
(c) the future economic benefits of intangible assets can be estimated;
(d) the amount of development costs can be measured reliably.

To determine the need for write-down of intangible fixed assets, the management of the company has carried out an impairment test. In the impairment test, the recoverable amount of an intangible asset was evaluated by assessing the asset's value in use. The valuation of the asset in use was performed using the discounted cash flow method. Cash flow projections are based on cash flows related to immaterial fixed assets only.
The value in use of intangible fixed assets was calculated using operating profit from the cash flows for the years 2018–2020. Compared to the business plan and future cash flow projections, there were no major deviations in the company's performance in 2017, therefore, as of 31 December 2017, a write-down was not necessary.

Note 6. Payables and prepayments

(in euros)

	31 December 2017	Residual maturity			Note No.
		during 12 months	during 1–5 years	over 5 years	
Payables to suppliers	36,059	36,059	0	0	
Payables to employees	19,191	19,191	0	0	
Taxes payable	26,747	26,747	0	0	3
Other payables	24,862	24,862	0	0	
Other accrued expenses	24,862	24,862	0	0	
Total payables and prepayments	**106,859**	**106,859**	**0**	**0**	

	31 December 2016	Residual maturity			Note No.
		during 12 months	during 1–5 years	over 5 years	
Payables to suppliers	35,005	35,005	0	0	
Other payables	9,318	9,318	0	0	
Other accrued expenses	9,318	9,318	0	0	
Total payables and prepayments	**44,323**	**44,323**	**0**	**0**	

Note 7. Share capital

(in euros)

	31 December 2017	31 December 2016
Share capital	166,981	25,000
Number of shares (pcs)	166,981	25,000
Nominal value of shares	1	1

During the increase in share capital in 2017, 141,981 new shares with a nominal value of 141,981 euros were issued with a share premium of 737,252 euros. Shares were paid in cash.

In February 2017, the general meeting of shareholders decided to set up a voluntary reserve in the amount of 1,413,068 euros. The voluntary reserve was established by the non-monetary contribution of Folkefinans AS Eesti filiaal.

Note 8. Miscellaneous operating expenses

(in euros)

	2017	2016
Rent and hire	–1,127	0
Various office expenses	–12,608	–533
Expenses for travel in duty	–4,689	–1,883
Consultation costs	–65,769	–59,905
Accounting and auditing costs	–7,193	–548
IT costs	–19,405	–1,025
Other	–8,985	–1,374
Total miscellaneous operating expenses	**–119,776**	**–65,268**

Note 9. Staff costs

(in euros)

	2017	2016
Wages and salaries	255,186	0
Social taxes	86,253	0
Total staff costs	**341,439**	**0**
The average number of employees (in full-time equivalent units)	5	0

Note 10. Related party transactions

(in euros)

Balances with related parties by groups

	31 December 2017	31 December 2016
	Liabilities	Liabilities
Members of the executive and higher management and individuals with a significant participation and companies under their control or significant influence	3,192	6,692

2017	Loans received	Loans repayments
Members of the executive and higher management and individuals with a significant participation and companies under their control or significant influence		
Brandberg OÜ	1,750	3,250
Ingles Investments OÜ	1,000	3,000
Formentor OÜ	3,250	3,250

2016	Loans received	Loans repayments
Members of the executive and higher management and individuals with a significant participation and companies under their control or significant influence		
Brandberg OÜ	1,500	0
Ingles Investments OÜ	2,000	0
Formentor OÜ	0	0

Remuneration and other significant benefits provided to the executive and higher management		
	2017	2016
Remuneration provided	138,984	0

Digital signatures of the report

Date of completing the report: 25 June 2018

The accuracy of data of the annual report of Wallester AS (registry code: 11812882) for 1 January 2017 – 31 December 2017 has been electronically confirmed by:

Name of the signatory	Role of the signatory	Time of signing
VEIKO-JOEL KOKK	Member of the Management Board	26 June 2018
AINAR NURK	Member of the Management Board	26 June 2018
HELEN AAVISTO	Member of the Management Board	26 June 2018
TÕNU VANAJUUR	Member of the Management Board	26 June 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Wallester AS

Opinion

We have audited the annual accounts of Wallester AS (company), which comprise the balance sheet as at 31 December 2017 and the income statement and the annexes to the annual accounts for the year that ended on the aforementioned date, including the summary of significant accounting policies for the year.

In our opinion, the included annual accounts present fairly, in all significant respects, the financial position of the company as at 31 December 2017, and the financial result for the year then ended in accordance with the Estonian financial reporting standard.

Basis for the opinion

We have conducted the audit in accordance with international auditing standards (Estonia). Our responsibilities under those standards are further described in the section 'Auditor's responsibilities in connection with the audit of the annual accounts' of our report. We are independent of the company in accordance with the Code of Ethics for Professional Accountants (Estonia) (Code of Ethics (EE)) and have fulfilled our other ethical obligations in accordance with the requirements of the Code of Ethics (EE). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The management is responsible for other information. Other information covers the activity report; however, it excludes the annual accounts and our sworn auditor's report.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance thereon.

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

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

Responsibilities of the management and those charged with governance for the annual accounts

The management is responsible for the preparation and fair presentation of the annual accounts in accordance with the Estonian financial reporting standard and for such internal control as the management determines necessary to enable the preparation of annual accounts that are free from significant misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, information related to going concern and using the going concern principle of accounting unless the 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.

Sworn auditor's responsibilities for the audit of the annual accounts

Our objective is to obtain reasonable assurance about whether the annual accounts as a whole are free from significant 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 auditing standards (Estonia) will always detect a significant misstatement when it exists. Misstatements can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with international auditing standards (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of significant misstatement of the annual accounts, 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 significant 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 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 the management;
- make conclusions on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a significant 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 significant uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts 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 annual accounts, including the disclosures, and whether the annual accounts 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.

/signed digitally/
Kersti Soodla
Sworn auditor number 406
Audiitorteenuse OÜ
Activity licence number of the audit firm 73
8 Rotermanni Street, Tallinn, Harju County, 10111
26 June 2018

Digital signatures of auditors

The auditor's report enclosed to the annual report of Wallester AS (registry code: 11812882) for 1 January 2017 – 31 December 2017 has been digitally signed by:

Name of the signatory	Role of the signatory	Time of signing
KERSTI SOODLA	Sworn auditor	26 June 2018

Proposal for covering loss

(in euros)

	31 December 2017
Retained earnings (loss) of previous periods	–65,298
Profit (loss) for the financial year	–462,786
Total	**–528,084**
Coverage	
Increase (decrease) of other reserves	–528,084
Total	**–528,084**

Cover the loss from voluntary reserves

Means of communication

Type	Content
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E-mail address	**info@wallester.eu**