# AS POCOPAY

Group annual report for the financial year ended
31 December 2017

| | |
|---|---|
| Beginning of financial year: | 1 January 2017 |
| End of financial year: | 31 December 2017 |
| Business name: | AS Pocopay |
| Legal form of business: | Limited company defined as '*aktsiaselts*' under Estonian law |
| Business registry number: | 12732518 |
| Address: | Pärnu mnt 18, Tallinn 10141 |
| Chairman of the management board: | Indrek Neivelt |
| Telephone: | +372 660 0000 |
| E-mail: | info@pocopay.com |
| Corporate website: | www.pocopay.com |
| Core business: | Other financial service activities except insurance and pension funding not elsewhere classified (EMTAK 64991);<br>Other information technology and computer service activities (EMTAK 62091) |
| Auditor: | BDO Eesti AS |
| Accompanying documents: | Confirmations of the management board and the supervisory board<br>Independent auditor's report<br>Revenue according to the Estonian classification of economic activities (EMTAK) |

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# Business review

AS Pocopay offers retail customers payments and other financial services through unique mobile applications. Financial services are delivered both by using our own proprietary technology and by integrating the financial services of other suppliers. In addition, we have started offering services to third parties that wish to participate in the payments business.

The sales process for finding the customers is long and usually lasts for more than a year. This makes our financial results highly volatile. An unexpected last-minute change in a partner's strategy changed our initial plans and had a strong impact on our net result for 2017. Fortunately, we also had other options and at the beginning of 2018 signed a major contract with the next customer.

The banking market is transforming. There are new entrants that have a customer base and wish to develop their offering. Retail businesses, telecoms and digital lenders all have excellent opportunities. They can operate at a significantly lower cost base than the present banks. According to estimates, the cost base of new entrants to the retail banking market is half lower than that of the current operators. In addition to local growth, there is also a rise in cross-border business.

In the next three to four years, existing banks will have to cut their costs by at least a quarter. This cannot be done with the old technology. It is expected that three quarters of European banks will have to change their core banking system. Pocopay and its sister company PocoSys are using one of the newest and most efficient banking systems for individuals in Europe. We make joint offers and are flexible. We are prepared to both rent the system and sell the code.

Looking ahead, we are optimistic and confident that 2018 will be a lot more successful.

Financial highlights of 2017:

- At the end of December 2017, AS Pocopay's total assets amounted to 2,348 thousand euros.
- Net loss for the year amounted to 1,308 thousand euros, reflecting the initial costs incurred in starting up our business operations.
- At the end of December 2017, AS Pocopay had 15 full-time employees. In addition, we engage OÜ PocoSys and other service providers to support various aspects of our business.
- In December 2017, a restructuring of intra-group receivables was carried out in the course of which the terms and limits of intra-group liabilities were extended, the parent OÜ Poco Holding took over the liabilities of AS Pocopay and OÜ PocoSys to the group's main financing provider OÜ Trust IN and reciprocal receivables were offset.

Indrek Neivelt

# Consolidated financial statements

## STATEMENT BY THE MANAGEMENT BOARD

The management board acknowledges its responsibility for the preparation of the consolidated financial statements of AS Pocopay and its subsidiary (until 31 December 2016) OÜ PocoSys (hereafter together referred to as the 'group'). The consolidated financial statements for the financial year ended 31 December 2017 are presented on pages 6 to 37.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and they give a true and fair view of the group's financial position, financial performance and cash flows.

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires the management board to make estimates which affect assets and liabilities as at 31 December 2017 and income and expenses for the reporting period. These estimates are based on relevant information about the group's financial position and intentions and risk exposures as at 31 December 2017. The actual results of the recognised economic transactions may ultimately differ from those estimates.

The consolidated financial statements have been prepared taking into account all significant events affecting the values of assets and liabilities which occurred up to the date the date on which the financial statements were authorised for issue, i.e. 8 June 2018.

According to the assessment of the management board, AS Pocopay is a going concern

| **Name** | **Position** | **Signature** | **Date** |
|---|---|---|---|
| Indrek Neivelt | Chairman of the Management Board | ……………………… | ……………………... |
| Andreas Kotsjuba | Member of the Management Board | ……………………… | ……………………….... |
| Oksana Tolmatshova | Member of the Management Board | ……………………… | ……………………….... |

*In Tallinn on 8 June 2018*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In euros)

| As at 31 December | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 22,967 | 12,069 |
| Customer funds | | 346,057 | 285,023 |
| Trade and other receivables | 22 | 1,137,203 | 1,540,307 |
| Prepayments | 5 | 166,892 | 134,605 |
| Other current assets | | 62,502 | 0 |
| **Total current assets** | | **1,735,621** | **1,972,004** |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 62,270 | 62,499 |
| Intangible assets | 7 | 65,190 | 96,983 |
| Long-term financial assets | 8 | 484,632 | 1,750,607 |
| **Total non-current assets** | | **612,092** | **1,910,089** |
| **TOTAL ASSETS** | | **2,347,713** | **3,882,093** |

| | | | |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Amounts due to customers | | 346,057 | 285,023 |
| Trade and other payables | | 35,678 | 19,979 |
| Taxes payable | 11 | 22,905 | 94,187 |
| Payables to employees | | 33,028 | 41,430 |
| Other liabilities | | 4,892 | 3,642 |
| **Total current liabilities** | | **442,560** | **444,261** |
| **Non-current liabilities** | 10 | **0** | **250,763** |
| **TOTAL LIABILITIES** | | 442,560 | **695,024** |
| **EQUITY** | | | |
| Share capital and share premium | 12 | 4,414,000 | 4,414,000 |
| Other reserves | 12 | 67,129 | 41,101 |
| Accumulated losses | | -2,575,976 | -1,268,032 |
| **TOTAL EQUITY** | | **1,905,153** | **3,187,069** |
| **TOTAL LIABILITIES AND EQUITY** | | **2,347,713** | **3,882,093** |

The notes on pages 11 to 37 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In euros)

| **CONTINUING OPERATIONS** | **Note** | **2017** | **2016** |
|---|---|---|---|
| Revenue | 14 | 349,437 | 18,208 |
| Cost of sales | 15 | -1,232,088 | -834,935 |
| **GROSS LOSS** | | **-882,651** | **-816,727** |
| | | | |
| **Operating expenses** | | | |
| Product and IT development costs | 16 | -127,494 | -346,469 |
| Marketing expenses | 17 | -51,744 | -489,500 |
| General and administrative expenses | 18 | -250,973 | -254,089 |
| **Total operating expenses** | | **-430,211** | **-1,090,058** |
| | | | |
| **OPERATING LOSS** | | **-1,312,862** | **-1,906,785** |
| | | | |
| Finance income | 19 | 43,567 | 6,960 |
| Finance costs | 20 | -38,649 | -3,843 |
| **Net finance income** | | **4,918** | **3,117** |
| | | | |
| **LOSS BEFORE INCOME TAX** | | **-1,307,944** | **-1,903,668** |
| **LOSS FROM CONTINUING OPERATIONS** | | **-1,307,944** | **-1,903,668** |
| | | | |
| **DISCONTINUED OPERATION** | | | |
| **PROFIT FROM DISCONTINUED OPERATION** | 21 | **0** | **1,276,746** |
| | | | |
| **LOSS FOR THE FINANCIAL YEAR** | | **-1,307,944** | **-626,922** |
| | | | |
| **COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR** | | **-1,307,944** | **-626,922** |
| | | | |
| **COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE COMPANY, of which:** | | | |
| **Comprehensive expense from continuing operations** | | -1,307,944 | -1,903,668 |
| **Comprehensive income from discontinued operation** | 21 | 0 | 1,276,746 |

The notes on pages 11 to 37 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(In euros)

| | Note | 2017 | 2016 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss for the financial year | | -1,307,944 | -626,922 |
| *Adjustments for:* | | | |
| *Depreciation* | 7 | *17,666* | *21,293* |
| *Amortisation* | 7 | *31,789* | *382,017* |
| *Loss from write-off of non-current assets* | | *3,880* | *0* |
| *Gain on sale of discontinued operation* | 21 | | *-1,568,490* |
| *Sale of own shares* | | *0* | *108,000* |
| *Finance income* | 19 | *-43,567* | *-6,962* |
| *Finance costs* | 20 | *38,649* | *5,713* |
| *Share-based payment expense* | 13 | *26,028* | *40,549* |
| Change in customer funds | | 22,820 | 0 |
| Change in trade and other receivables | | 0 | -43,152 |
| Change in prepayments | 5 | -32,286 | 66,340 |
| Change in amounts due to customers | | 0 | 0 |
| Change in trade and other payables | | 15,700 | -102,320 |
| Change in taxes payable | 11 | -71,282 | -34,894 |
| Change in payables to employees | | -8,402 | 31,252 |
| Change in other liabilities | | 3,796 | 380,315 |
| Effect of non-cash transactions | | 485,805 | 0 |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **-817,348** | **-1,347,260** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net change in cash from sale of discontinued operation | 21 | 0 | -121,842 |
| Loans provided | | -158,850 | -3,120 |
| Repayment of loans provided | | 873,628 | 0 |
| Paid on acquisition of property, plant and equipment | | -22,032 | -45,908 |
| Proceeds from sale of property, plant and equipment | | 500 | 0 |
| Paid on acquisition of intangible assets | | 0 | -1,266,389 |
| Interest received | | 0 | 689 |
| **NET CASH FROM/USED IN INVESTING ACTIVITIES** | | **693,246** | **-1,436,570** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital (including share premium) | 12 | 0 | 1,900,000 |
| Proceeds from sale of own shares | 12, 22 | 75,000 | 0 |

The notes on pages 11 to 37 are an integral part of these consolidated financial statements.

| | | | |
|---|---|---|---|
| Proceeds from loans received | 22 | 60,000 | 450,000 |
| Repayment of loans received | 22 | 0 | -200,000 |
| Interest paid | 19, 22 | 0 | -849 |
| **NET CASH FROM FINANCING ACTIVITIES** | | **135,000** | **2,149,151** |
| **NET CASH FLOW** | | **10,898** | **-634,679** |
| | | | |
| Cash and cash equivalents at beginning of period | | 12,069 | 646,748 |
| Cash and cash equivalents at end of period | | 22,967 | 12,069 |
| **Increase/decrease in cash and cash equivalents** | | **10,898** | **-634,679** |

Non-cash transactions in the consolidated statement of cash flows mainly consist of the set-off of intra-group receivables and payables (invoices issued and received) against reciprocal loan balances.

The notes on pages 11 to 37 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In euros)

| | Share capital | Share premium | Own shares | Other reserves | Retained earnings/ accumulated losses | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2015** | **460,000** | **1,964,000** | **-18,000** | **3,952** | **-641,110** | **1,768,842** |
| Loss for the financial year | 0 | 0 | 0 | 0 | -626,922 | -626,922 |
| Issue of share capital | 115,000 | 1,785,000 | 0 | 0 | 0 | 1,900,000 |
| Share options | 0 | 0 | 0 | 37,149 | 0 | 37,149 |
| Sale of own shares | 0 | 90,000 | 18,000 | 0 | 0 | 108,000 |
| **Balance at 31 December 2016** | **575,000** | **3,839,000** | **0** | **41,101** | **-1,268,032** | **3,187,069** |

(In euros)

| | Share capital | Share premium | Own shares | Other reserves | Retained earnings/ accumulated losses | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2016** | **575,000** | **3,839,000** | **0** | **41,101** | **-1,268,032** | **3,187,069** |
| Loss for the financial year | 0 | 0 | 0 | 0 | -1,307,944 | -1,307,944 |
| Share options | 0 | 0 | 0 | 26,028 | 0 | 26,028 |
| **Balance at 31 December 2017** | **575,000** | **3,839,000** | **0** | **67,129** | **-2,575,976** | **1,905,153** |

Further information on share capital and other equity items is provided in note 12.

The notes on pages 11 to 37 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 General information

The consolidated financial statements of AS Pocopay for the financial year ended 31 December 2017 comprise the financial statements of AS Pocopay (the parent until 31 December 2016, legal form of business: limited company defined as '*aktsiaselts*' under Estonian law, also referred to as the 'company' in these financial statements) and its wholly-held subsidiary OÜ PocoSys (a subsidiary until 31 December 2016, legal form of business: limited company defined as '*osaühing*' under Estonian law; together with the parent referred to as the 'group'). In December 2016, AS Pocopay sold its shares in the subsidiary to its holding company, OÜ Poco Holding. After the sale of the subsidiary, AS Pocopay ceased to be a group. The group operated and AS Pocopay operates in Estonia with the purpose of offering its services in the euro area.

AS Pocopay is a payment institution registered in the Republic of Estonia whose core business is provision of financial services. OÜ PocoSys is a company offering information technology services. The legal address of both companies is Pärnu mnt. 18, Tallinn 10141.

The consolidated financial statements of AS Pocopay for the financial year ended 31 December 2017 comprise the financial information of AS Pocopay as a subsidiary of OÜ Poco Holding group. The ultimate parent of OÜ Poco Holding is OÜ Trust IN.

The management board of AS Pocopay authorised these consolidated financial statements for issue on 8 June 2018. Under the Republic of Estonia Commercial Code, the annual report including the financial statements needs to be approved by AS Pocopay's supervisory board and general meeting. Shareholders may decide not to approve the annual report prepared and authorised for issue by the management board and may demand that a new annual report be prepared

At 31 December 2017, AS Pocopay had 15 employees. In 2017, the average number of employees was also 15. Before the disposal of the subsidiary on 31 December 2016, the group had 39 employees. In 2016, the group's average number of employees was 38.  After the disposal of its investment in OÜ PocoSys, AS Pocopay had 20 employees; in 2016 its average number of employees was 33. All the staff worked under employment contracts.

**Discontinued operation**

In the comparative period, the group's discontinued operation was the subsidiary OÜ PocoSys, which was sold on 31 December 2016 to AS Pocopay's holding company OÜ Poco Holding. Since OÜ PocoSys's operations and results represented a major share of the group's operations and results and its cash flows could be clearly distinguished from those of the group, it has been classified as a discontinued operation. See note 21 *Discontinued operation* for information about the results of the discontinued operation.

## Note 2 Significant accounting policies

**Basis of preparation**

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies described in this note have been consistently applied to all periods presented unless described otherwise.

These consolidated financial statements have been prepared for the period 1 January 2017 to 31 December 2017 and the comparative period covers the period 1 January 2016 to 31 December 2016. In the statement of comprehensive income, expenses have been classified by function.

The financial statements have been prepared under the historical cost convention unless stated otherwise.

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards assumes use of certain accounting estimates. It also requires management to exercise judgement in the process of applying accounting policies. Areas that assume a higher level of judgement and where accounting estimates and assumptions have a significant effect on the information recognised in the financial statements are disclosed in note 3.

The consolidated statement of financial position as at 31 December 2016 comprises the separate financial information AS Pocopay after the sale of OÜ PocoSys. The consolidated statement of comprehensive income comprises income and expenses for 2017 and, as comparative information, the income and expenses of continuing operations and a discontinued operation (OÜ PocoSys) for 2016.

**New International Financial Reporting Standards, amendments to existing standards, and interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) which became effective for annual reporting periods beginning on or after 1 January 2017**

Amendments to IAS 7 *Statement of Cash Flows* (effective for annual reporting periods beginning on or after 1 January 2017). The amendments require additional disclosures about changes in liabilities arising from financing activities.

Amendments to IAS 12 *Income Taxes* (effective for annual reporting periods beginning on or after 1 January 2017). The amendments clarify how to account for deferred tax assets for unrealised losses related to debt instruments measured at fair value.

According to the company's assessment, the amendments did not have a material impact on its financial statements.

**New standards, amendments and interpretations effective for annual reporting periods beginning on or after 1 January 2018**

The company has not adopted early the following standards, which have been issued but were not yet effective for the reporting period (are effective for annual reporting periods beginning on or after 1 January 2018):

IFRS 9 *Financial Instruments* sets out a new framework for the classification and measurement of financial assets, rules for recognising the impairment of financial assets and principles for recognising financial liabilities and simplifies the hedge accounting requirements.

IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 replaced the previous revenue recognition guidance and established a five-step model for recognising and measuring revenue from contracts with customers. The new standard sets out a model for recognising and measuring gains and losses from the transfer of certain non-financial assets (including items of property, plant and equipment and intangible assets). The amendments clarify the recognition of expenses related to the entry into and performance of contracts with customers.

IFRS 16 *Leases* is effective for annual reporting periods beginning on or after 1 January 2019. The standard contains new principles for lease accounting, particularly in the accounts of the lessees that have to account for most leases as finance leases.

Amendments to IFRS 4 *Insurance Contracts* are effective for annual reporting periods beginning on or after 1 January 2018. The amendments introduce two options for companies issuing insurance contracts: temporary deferral of the application of IFRS 9 *Financial Instruments* (until 1 January 2021) if the company is predominantly engaged in the insurance business or full application of IFRS 9 but the volatility arising from the accounting for insurance contracts may be reclassified between profit or loss and other comprehensive income with the adjustment presented as a separate line item.

The company has not yet assessed the impact of the application of the new standards and amendments on its financial statements.

**New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) but not yet endorsed by the European Union**

*Annual improvements to IFRSs 2014-2016 Cycle* became effective in part for annual reporting periods beginning on or after 1 January 2017 and in part for annual reporting periods beginning on or after 1 January 2018. The improvements to IFRS 12 *Disclosure of Interests in Other Entities* became effective for annual reporting periods beginning on or after 1 January 2017 and the improvements to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures* became effective for annual reporting periods beginning on or after 1 January 2018.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation clarifies the recognition of exchange differences in foreign currency transactions in which advance consideration is paid or received.

Amendments to IFRS 2 *Share-based Payment* are effective for annual reporting periods beginning on or after 1 January 2018. The amendments clarify the classification and measurement of share-based payment transactions.

IFRIC 23 *Uncertainty over Income Tax Treatments* is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation clarifies the determination of taxable profit (tax loss), tax bases, tax rates, etc. when there is uncertainty over income tax treatments under IAS 12.

Amendments to IFRS 9 *Financial Instruments* are effective for annual reporting periods beginning on or after 1 January 2019. The amendments allow measurement of termination rights at amortised cost (or at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IAS 28 *Investments in Associates and Joint Ventures* are effective for annual reporting periods beginning on or after 1 January 2019. The amendments clarify that measurement of long-term interests in associates and joint ventures that in substance form part of the 'net investment' in the associate or joint venture and to which the equity method is not applied should be covered by IFRS 9 *Financial Instruments*.

*Annual Improvements to IFRS Standards 2015-2017 Cycle* became effective in part for annual reporting periods beginning on or after 1 January 2017 and will become effective in part for annual reporting periods beginning on or after 1 January 2019. The improvements contain amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes*, and IAS 23 *Borrowing Costs.*

IFRS 14 *Regulatory Deferral Accounts.* The European Commission has decided to postpone the endorsement process until the final standard is issued. The standard permits to continue to account for regulatory deferral accounts in accordance with the previous GAAP requirements.

The effective date for amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* has not been determined. The amendments address sales and contributions of assets between an investor and its associate or joint venture.

The company has not yet assessed the impact of the application of the amendments on its financial statements.

**Basis of consolidation**

A subsidiary is an entity that is controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A subsidiary is consolidated from the date the group gains control to the date when the group ceases to control the subsidiary.

In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined line by line. Intragroup balances and transactions, and any unrealised profits and losses resulting from intragroup transactions are eliminated.

**Parent company's separate primary financial statements**

The separate primary financial statements of AS Pocopay, the parent of the group until 2016, are disclosed in the notes to the consolidated financial statements in accordance with the requirements of the Estonian Accounting Act. The primary financial statements have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements.

**Discontinued operation**

A discontinued operation is a component that has been disposed of, or is classified as held for sale, and:
a) represents a separate major line of business or geographical area of operations,
b) is part of a specific plan to dispose of a separate major line of business or geographical area of operations, or
c) is a subsidiary acquired for resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The group has presented the net result of the discontinued operation on a separate line in its statement of comprehensive income and has disclosed an analysis of that amount in note 21 *Discontinued operation*. The details and relevant circumstances of the sale of the discontinued operation are disclosed in the same note.

**Functional and presentation currency**

These consolidated financial statements have been prepared and presented in euros, which is the group's functional currency and presentation currency.

For the purposes of the group's financial statements, foreign currency is any currency other than the euro.

A foreign currency transaction is recorded, on initial recognition, in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency quoted by the European Central Bank at the date of the transaction. At the reporting date, foreign currency monetary items are translated to the functional currency using the closing exchange rate of the European Central Bank. Exchange differences arising on translation are recognised in profit or loss in the period in which they arise.

**Classification of assets and liabilities as current and non-current**

In the consolidated statement of financial position, assets and liabilities are classified as current and non-current. An asset is classified as current when:

- the group expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- the group holds the asset for the purposes of trading;
- the group expects to realise the asset within twelve months after the reporting period;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- the group expects to settle the liability in its normal operating cycle;
- the group holds the liability for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period;
- the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

**Cash and cash equivalents**

Cash comprises cash on hand and demand deposits (current accounts). Cash equivalents are short-term (with a maturity of up to three months) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In the reporting period, the group's cash and cash equivalents consisted of demand deposits (current accounts) only.

Cash flows from operating activities are reported using the indirect method whereby profit or loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash flows from investing and financing activities are reported using the direct method.

**Financial assets**

A financial asset is any asset that is cash or a cash equivalent, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable.

Purchases and sales of financial assets are consistently accounted for using trade date accounting. The trade date is the date on which the group commits itself (e.g. signs a contract) to purchase or sell an asset. At initial recognition, a financial asset is measured at its cost, which is the fair value of the consideration given for it.

Any costs (including transaction costs) that are directly attributable to the acquisition of the financial asset are included in the initial measurement.

Financial assets are classified based on the purpose of their acquisition. The group's financial assets have been classified to the category of *Loans and receivables*, which includes the following classes (line items in the consolidated statement of financial position): *Cash and cash equivalents*, *Customer funds*, *Trade and other receivables*, *Other current assets* and *Long-term financial assets*.

Cash funds received from customers for the provision of payment services are recognised in the consolidated statement of financial position concurrently as assets in *Customer funds* and liabilities in *Amounts due to customers*. Such funds are held separately from own assets and assets not related to the provision of payment services.

After initial recognition, financial assets designated to the category of *Loans and receivables* are measured at amortised cost, i.e. at cost less any accumulated impairment losses. The carrying amount of such assets approximates their fair value.

At the end of each reporting period, the group assesses whether there is any objective evidence of impairment. A financial asset is impaired and an impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be estimated reliably. Evidence that a financial asset may be impaired includes the debtor's significant financial difficulty, breach of contract or insolvency, it becoming probable that the debtor will enter bankruptcy, etc.

In the case of financial assets belonging to the category of *Loans and receivables* the impairment loss is measured as the difference between the asset's carrying amount and the present value of its expected future cash flows discounted at the asset's original effective interest rate.

The carrying amount of the financial asset is reduced and the amount of the impairment loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the amount of the reversal is recognised in profit or loss.

A gain or loss arising on the sale of a financial asset, and a gain or loss arising from a change in the fair value of a financial asset measured at fair value that occurs between the trade date and the reporting date, is recognised in profit or loss.

A financial asset is derecognised when the group loses control of it.

**Property, plant and equipment**

Property, plant and equipment are tangible assets which are held for use in the group's operating activities, are expected to have a useful life exceeding one year and have an acquisition cost of at least 500 euros.

On initial recognition, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any costs directly attributable to its acquisition. After recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any impairment losses.

If an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately and depreciated over their individual estimated useful lives.

If the acquisition, construction or production of an asset takes a substantial period of time and is funded with a debt instrument, borrowing costs (including interest expense) attributable to it are capitalised, i.e. included in the cost of that asset. Borrowing costs are capitalised from the date they are incurred and the activities necessary for constructing or producing the asset are undertaken until the date when the asset is complete or active development of the asset is suspended for an extended period.

Subsequent costs on an item of property, plant and equipment are recognised in the carrying amount of the item or as a separate asset only if it is probable that future economic benefits associated with the asset will flow to the group and the cost of the asset can be measured reliably. The costs of day-to-day maintenance and servicing of property, plant and equipment are recognised as an expense as incurred.

Items of property, plant and equipment are depreciated using the straight-line method. Depreciation of an asset begins in the month in which the asset is implemented and ceases when the asset is fully depreciated or in the month which precedes the month in which the asset is withdrawn from use. The estimated useful lives assigned to new items of property, plant and equipment are 4 years for IT equipment (the annual depreciation rate: 25%) and 5 years for office equipment and fixtures (the annual depreciation rate: 20%).

The remaining useful lives are reviewed once a year during the annual stocktaking and the effects of changes in the useful life estimates are recognised in profit or loss in the current and future periods.

An item of property, plant and equipment is derecognised when it no longer exists (has been destroyed, lost, etc.).

**Intangible assets**

An intangible asset is recognised only if:

- the asset is controlled by the group;
- it is probable that the expected future economic benefits attributable to the asset will flow to the group;
- the cost of the asset can be measured reliably.

Intangible assets comprise software used in the group's operating activity that is not an integral part of the related hardware. Development expenditure directly attributable to the development and testing of a separately identifiable item of software that is controlled by the group is recognised as an intangible asset if all of the following conditions are satisfied:

- completing the software so that it will be available for use or sale is technically feasible;
- management intends to complete the software and use or sell it;
- the software can be used or sold;
- it is possible to demonstrate how the software will generate probable future economic benefits;
- the group has adequate technical, financial and other resources to complete the development of the software and to use or sell it;
- the expenditure attributable to the development of the software can be measured reliably.

Capitalised software development expenditure comprises all directly attributable costs of development (the costs of services purchased, implementation and testing costs, and labour costs).

Expenditure that does not meet the above criteria is recognised as an expense in profit or loss. Development expenditure that has been initially recognised as an expense is not recognised as an intangible asset at a later date.

After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any impairment losses. The costs of banking software and mobile applications are amortised over their estimated useful lives which extend up to 4 years (the annual amortisation rate: 25%) using the straight-line method.

**Sales of property, plant and equipment and intangible assets**

Non-current assets whose sale in the next twelve months is highly probable are classified as current assets and measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

Gains and losses on the sale of property, plant and equipment and intangible assets are recognised in the net amount in profit or loss (in other operating income or other operating expenses).

**Impairment of non-financial assets**

Assets with an indefinite useful life (e.g. intangible assets not yet available for use) are not amortised but are tested for impairment at least annually. In the case of depreciable and amortisable assets, the group assesses whether there is any indication of impairment, i.e. whether any events or circumstances indicate that the asset's carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its:

- fair value less costs to sell;
- value in use.

When fair value less costs to sell cannot be determined, recoverable amount is measured based on value in use. Value in use is the present value of the future cash flows expected to be derived from an asset.

Assets may be assessed for impairment individually or in groups (cash-generating units). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is recognised immediately in profit or loss.

Based on the results of an impairment test, an impairment loss recognised in a prior period (for an asset other than goodwill) may be reversed either in part or in full.

**Financial liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable.

At initial recognition, a financial liability (except for a derivative financial instrument) is measured at its fair value minus transaction costs. After initial recognition, a financial liability is measured at its amortised cost.

The group has classified its financial liabilities to the category of *Financial liabilities measured at amortised cost.* The category includes the following classes (line items in the consolidated statement of financial position): *Amounts due to customers*, *Trade and other payables*, *Other liabilities* and *Non-current liabilities.*

According to management's assessment, due to the short maturities of the current liabilities and the contractual terms of the non-current liabilities, their carrying amount approximates their fair value.

A financial liability is derecognised when the underlying obligation is discharged or cancelled or expires.

**Share-based payments**

Under agreements made, the group receives services from its employees and incurs the obligation to settle the transactions with its own equity instruments. The arrangements are accounted for as equity-settled share-based payment transactions. The fair value of the share-based payments is determined using the Black-Scholes model. For accounting purposes, the fair value of equity instruments granted is measured at the measurement date, i.e. the date at which the parties agreed the share-based payment arrangement and its terms and conditions. Relevant expense is recognised in profit or loss and the corresponding effect is recognised in equity in *Other reserves* on a pro rata basis over the term of the agreement. Vesting conditions other than market conditions, such as the condition that an employee remain in the group's employ, are taken into account on estimating at each reporting date the number of equity instruments granted that will eventually vest. The effect of subsequent revisions is recognised in profit or loss and as an adjustment to liabilities.

**Taxation**

**Corporate income tax**

Under the Estonian Income Tax Act, a company registered in Estonia does not pay tax on the profit that has been earned but on the profit that has been distributed. According to the Income Tax Act, dividends paid and other disbursements made from profit are subject to income tax regardless of the recipient. In 2017 and 2016, the income tax rate was 20% and the amount of tax payable was calculated as 20/80 of the amount of the net distribution. The income tax payable on a dividend distribution is recognised as a liability and an expense in the period in which the dividend is declared regardless of the period for which the dividend is declared or the period in which it is actually distributed. The obligation to pay income tax arises on the 10$^{th}$ day of the month following the disbursement of the dividends.

Because of the specific nature of the taxation system, there are no temporary differences between the tax bases and carrying amounts of the assets of companies registered in Estonia that could result in deferred tax assets or liabilities. The contingent income tax liability reflecting the maximum tax obligation that would arise if all of the retained earnings were distributed as dividends is not recognised in the statement of financial position.

**Value added tax**

AS Pocopay and OÜ PocoSys are persons liable to value added tax (VAT-registered businesses). OÜ PocoSys has reclaimed the full amount of input VAT paid on purchases related to its business and has charged the full amount of VAT on its sales. Due to the provision of exempt financial services, in 2016 and 2017 AS Pocopay's ratio of taxable supply to total supply was 98%. Expenses from the ratio of taxable and total supply are reported within operating expenses.

**Related parties**

For the purposes of these consolidated financial statements, parties are related if one has control of the other or significant influence over the other's financial and operating decisions. In considering related party relationships, attention is paid to the actual substance of the relationship and not merely the legal form.

**Employee benefits**

Short-term employee benefits include consideration given (payments made) by the group in exchange for services rendered by employees. The group has no obligation to pay termination benefits at rates exceeding those required by the law.

**Provisions and contingent liabilities**

A provision is recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is management's best estimate. The actual outcome of a transaction may differ from current estimates.

Promises, guarantees and other possible and present obligations whose existence is uncertain or whose cost cannot be measured with sufficient reliability but which may transform into liabilities in the future, are disclosed in the notes to the consolidated financial statements as contingent liabilities.

**Share capital and own shares**

Share capital comprises ordinary shares issued by the company. Own (treasury) shares repurchased by the company are reported in equity in a negative amount (at cost with a minus).

**Statutory capital reserve**

Under the Estonian Commercial Code, companies are required to use their net profit for the year to set up a capital reserve. Every year, the parent company has to transfer to the statutory capital reserve at least one twentieth of its net profit for the year until the reserve reaches one tenth of share capital. The capital reserve may be used for covering losses and increasing share capital. The capital reserve may not be used for making distributions to shareholders.

AS Pocopay does not have a capital reserve because the company ended the prior financial years with a loss.

**Leases**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a series of payments, the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. All other leases are classified as operating leases.

As a lessee, the group recognises operating lease payments as an expense on a straight-line basis over the lease term.

**Revenue**

Revenue is measured at the fair value of consideration received or receivable. Revenue comprises the amounts received or receivable for goods and services sold, including any discounts and rebates allowed but excluding value added tax. Revenue is recognised when the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the group.

Revenue from the rendering of services is recognised in the period in which the service is rendered by reference to the stage of completion of the transaction when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the revenue and the costs incurred in connection with the provision of the service can be measured reliably.

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods have been transferred to the buyer and the amount of the revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Note 3 Significant judgements and accounting estimates

The preparation of financial statements requires application of accounting estimates and assumptions that affect the amounts recognised as assets and liabilities. Although the estimates are based on management's best judgement and knowledge, they may differ from the actual results. The effect of a change in an accounting estimate is recognised in the period of the change. Listed below are the estimates which have the most critical effect on the information recognised and disclosed in these financial statements.

Management has prepared these financial statements on a going concern basis. According to forecasts made, AS Pocopay has no intention or need to cease operations and according to management's assessment as at the date these financial statements are authorised for issue there is no doubt about the company's ability to continue as a going concern.

According to management's estimates, trade and other current receivables which at 31 December 2017 totalled 1,137,203 euros are collectible. Current receivables are mainly due from AS Pocopay's parent OÜ Poco Holding and according to management's assessment forecasts of the financial position of OÜ Poco Holding provide reasonable assurance for regarding receivables  from the parent as collectible items.

In 2017, the group carried out a restructuring of loans. According to the policy adopted , the group borrows funds through the holding company which re-lends the funds to the subsidiaries when necessary. AS Pocopay's loan from OÜ Poco Holding was offset against the holding company's liability for the acquisition of the shares in OÜ PocoSys.

According to management's estimates, the outstanding balance of the long-term loan provided to OÜ PocoSys, which at 31 December 2017 amounted to 228,798 euros, is collectible (see also note 8).  OÜ PocoSys is a company belonging to OÜ Poco Holding group and according to management's assessment forecasts of the financial position of OÜ PocoSys provide reasonable assurance for regarding the loan provided to PocoSys as a collectible item. At 31 December 2017, the outstanding balance of the loan provided to OÜ PocoSys accounted for less than 16% of the outstanding balance of the same loan at 31 December 2016.

The useful lives of property, plant and equipment and intangible assets (carrying amounts at 31 December 2017 62,270 euros and 65,190 euros respectively, see also note 7) are estimated based on management's assessment of the periods over which the assets are expected to be used which are outlined in note 2 in paragraphs *Property, plant and equipment* and *Intangible assets*. To demonstrate that intangible assets generate sufficient economic benefits, management tested them for impairment by analysing their value in use. Value in use was determined based on an analysis of the discounted future cash flows expected to be derived from the assets on the basis of their estimated sales volumes which confirmed that at the reporting date the carrying amount of intangible assets was sufficiently recoverable.

## Note 4 Risk and capital management

**Risk management**

The services provided by AS Pocopay expose it to the following significant risks:

| **Risk** | **Potential impact on operations** | **Risk mitigation strategies** |
|---|---|---|
| **Business continuity risk** | The risk that AS Pocopay will not be able to deliver its payment services continuously (without interruption) due to the failure of, or disruption in, the IT solutions or payment systems used by it. | Constant monitoring of the operation of the IT systems and performance of regular internal audits. |
| **Business partner risk** | The risk that failures or disruptions related to the services provided and the products supplied by AS Pocopay's business partners which are used in the delivery of AS Pocopay's payment services may jeopardise provision of AS Pocopay's payment services. | Differentiation of partner relationships and regular quality reviews performed on business partners' products and services. |
| **Operational risk** | The risk that employees will act illegally or work processes will prove inadequate which will cause material damage to AS Pocopay's operations, reputation or other interests. | Provision of risk management training on the commencement of employment, recruitment of qualified staff, backup arrangements for critical functions, monitoring of the quality and uninterrupted operation of processes. |
| **Regulatory risk** | The risk that in the legal environment where AS Pocopay provides its payment services regulations will change significantly so that AS Pocopay will not be able to deliver its payment services efficiently and conveniently. | Consistent monitoring of regulatory developments to be up–to-date on changes being considered which could affect the operation of AS Pocopay. |
| **Fraud and money laundering risk** | The risk that a customer will use the services or products provided by AS Pocopay to commit fraud or money laundering. | AS Pocopay's staff observe legal and internal anti-money laundering requirements (in particular those imposed by the internal control system and measures). AS Pocopay's compliance control function monitors and checks the compliance of the staff's activities with legal and other relevant requirements. |

| Risk | Potential impact on operations | Risk mitigation strategies |
|---|---|---|
| **Business risk** | The risk that significant changes will take place in the business environment which may affect the business rationale of AS Pocopay's operations. This includes the risks resulting from the activities of customers and business partners and rapid technological innovation. | The management board and area managers analyse the business environment where AS Pocopay operates as well as the changes taking place in that environment and their impact on the business of AS Pocopay on a regular basis. |
| **Liquidity risk** | The risk that AS Pocopay will not be able to discharge its financial commitments on time and in full. Liquidity risk exposures result from the following financial liabilities (line items in the consolidated statement of financial position): amounts due to customers, trade and other payables, other liabilities and non-current liabilities, which at 31 December 2017 amounted to 386,627 euros. | Liquidity risk is mitigated by making sure that AS Pocopay has, at any time, sufficient liquid funds to meet its current liabilities as they fall due. Customer assets are held separately from other assets.<br>According to management's assessment, liquidity risk is insignificant because current assets exceed current liabilities roughly four-fold and at 31 December 2017 financial assets exceeded financial liabilities more than four-fold. |
| **Compliance risk** | The risk that by breaching a law, code, or other rule AS Pocopay may fail to comply with the standards and practices expected by customers and supervisory authorities. Non-compliance may result in disciplinary action by the supervisory authorities, criminal proceedings, penalties and/or loss of an activity licence. | AS Pocopay's compliance control function monitors and checks compliance with regulatory and other relevant requirements. |
| **Credit risk** | The risk that a counterparty will fail to discharge its monetary obligations and will thus cause a financial loss for AS Pocopay. Credit risk exposures result from the following financial assets (line items in the consolidated statement of financial position): customer funds, trade and other receivables, a long-term loan provided and accrued interest, which at 31 December 2017 amounted to 1,800,091 euros. | AS Pocopay's funds are placed with credit institutions licensed in the European Union. According to management's assessment, credit risk is insignificant because current receivables and the non-current loan provided are due from companies belonging to the group of OÜ Poco Holding which is the parent of AS Pocopay and forecasts of the financial position of OÜ Poco Holding group provide reasonable assurance for regarding the receivables and the loan as collectible items. |

All competent staff are involved in preventing and mitigating the risks related to the activities of AS Pocopay. Risk prevention and mitigation is ensured by observance of internal rules and regulations as well as relevant legal and regulatory requirements (including those outlined in the guidelines issued by the Estonian Financial Supervision Authority).

**Capital management**

AS Pocopay's objectives in capital management are as follows:

- to maintain own funds above regulatory requirements with a sufficient buffer that would cover possible losses that may be incurred during the year;
- to offer the shareholder the desired return on invested capital.

Requirements to own funds are outlined in the Estonian Payment Institutions and E-money Institutions Act. As at 31 December 2017, AS Pocopay was in compliance with all capital requirements and its own funds exceeded the level required by law.

## Note 5 Prepayments

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Prepaid and recoverable taxes | 15,862 | 1,000 |
| Prepayments for services | 135,237 | 126,246 |
| Lease prepayments | 14,867 | 6,187 |
| Prepayments to suppliers | 926 | 1,172 |
| **Total prepayments** | **166,892** | **134,605** |

The item of *Prepaid and recoverable taxes* includes the balances of VAT settlements.

## Note 6 Subsidiary

Since 31 December 2016, the sole owner of OÜ PocoSys, a company providing information technology services, has been AS Pocopay's holding company OÜ Poco Holding. AS Pocopay and OÜ PocoSys are both subsidiaries of OÜ Poco Holding and belong to the same group.

## Note 7 Property, plant and equipment and intangible assets

(In euros)

| | **Property, plant and equipment** | | **Internally generated intangible assets** | **Total property, plant and equipment and intangible assets** |
|---|---|---|---|---|
| | **IT equipment** | **Office equipment** | **Banking software and mobile applications** | |
| **At 31 December 2015** | | | | |
| **Cost** | 34,435 | 30,244 | 867,323 | **932,002** |
| Accumulated depreciation/ amortisation | -2,193 | -1,381 | 0 | **-3,574** |
| **Carrying amount** | **32,242** | **28,863** | **867,323** | **928,428** |
| Additions | 31,611 | 14,292 | 1,266,392 | **1,312,295** |
| Depreciation/amortisation | -12,742 | -8,551 | -382,017 | **-403,310** |

| | | | | |
|---|---|---|---|---|
| Assets sold, at cost | -28,959 | 0 | -2,006,540 | **-2,035,499** |
| Depreciation/amortisation of assets sold | 5,739 | 0 | 351,829 | **357,568** |
| **At 31 December 2016** | | | | |
| **Cost** | 37,087 | 44,536 | 127,175 | **208,798** |
| Accumulated depreciation/ amortisation | -9,196 | -9,932 | -30,188 | **-49,316** |
| **Carrying amount** | **27,891** | **34,608** | **96,983** | **159,482** |
| Additions | 0 | 22,036 | 0 | 22,036 |
| Depreciation/amortisation | -8,111 | -9,554 | -31,793 | -49,458 |
| Assets sold and written off, at cost | -1,166 | -6,648 | 0 | -7,814 |
| Depreciation/amortisation of assets sold and written off | 447 | 2,770 | 0 | 3,217 |
| **At 31 December 2017** | | | | |
| **Cost** | 35,921 | 59,924 | 127,175 | 223,020 |
| Accumulated depreciation/ amortisation | -16,860 | -16,715 | -61,985 | -95,560 |
| **Carrying amount** | 19,061 | 43,209 | 65,190 | 127,460 |

Assets sold in 2016 include the assets of the subsidiary OÜ PocoSys which was disposed of.

## Note 8 Long-term financial assets

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| MasterCard security deposit | 167,801 | 190,401 |
| Citadele Bank security deposit | 0 | 62,500 |
| Long-term loan to OÜ PocoSys | 228,798 | 1,450,543 |
| Accrued interest receivable from OÜ Poco Sys | 88,033 | 47,163 |
| **Total long-term financial assets** | **484,632** | **1,750,607** |

The MasterCard and Citadele Bank security deposits secure card and payment transactions respectively. The MasterCard security deposit is denominated in US dollars. The deposit agreement with Citadele Bank was terminated in March 2018. Therefore, in the financial statements as at 31 December 2017 it is reported in other current assets.

The long-term loan to OÜ PocoSys matures in January 2019 and accrues interest at a fixed rate of 5% of the outstanding balance per year. Accrued interest is to be settled together with loan principal (see note 22).

## Note 9 Operating leases

**AS Pocopay as a lessee – operating leases**

AS Pocopay rents office premises under an operating lease. The minimum amount of non-cancellable future operating lease payments has been calculated taking into account the non-cancellable periods of the lease and the rental growth rate agreed in the terms and conditions of the lease. The lease contract has been signed for a fixed term that expires on 30 September 2022. The operating lease contract includes the clause that rental will increase automatically every year from 1 October by the rise in the consumer price index. The tenant must also cover additional expenses based on monthly invoices which are included in the expenses of the current month.

The minimum amount of future operating lease rentals breaks down as follows:

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Not later than 1 year | 89,286 | 31,194 |
| Later than 1 year and not later than 5 years | 334,823 | 0 |
| **Total** | **424,109** | **31,194** |

The period's operating lease expenses on office premises of 48,622 euros (2016: 76,741 euros) were recognised as operating expenses. Half of the minimum amount of future operating lease rentals will be transferred to the sister company OÜ PocoSys, which uses 50% of the premises covered by the lease.

## Note 10 Non-current liabilities

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Long-term loan liability | 0 | 250,000 |
| Operating lease liabilities | 0 | 763 |
| **Total non-current liabilities** | **0** | **250,763** |

The long-term loan was provided by OÜ Trust IN. The loan's maturity date was January 2018 and interest rate was fixed at 5% of the outstanding balance per year (see note 22). In December 2017, the loan and accrued interest liabilities were offset against the receivable from the parent (parent's liability to AS Pocopay) for the sale of the shares in OÜ PocoSys.

## Note 11 Taxes payable

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Value added tax | 0 | 63,685 |
| Social security tax | 13,725 | 18,130 |
| Personal income tax | 7,085 | 9,638 |
| Unemployment insurance contributions | 943 | 1,250 |
| Statutory funded pension contributions | 698 | 912 |
| Income tax on fringe benefits | 454 | 572 |
| **Total taxes payable** | **22,905** | **94,187** |

The tax administrator may audit group companies' tax accounting within five years after the deadline for the submission of a tax return. On the detection of a misstatement or omission, the tax administrator may charge additional tax, late payment interest and penalty payments. The group's management is not aware of any circumstances that might cause the tax administrator to determine a significant amount of additional tax to be paid by the group.

## Note 12 Equity

**Share capital and share premium**

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Share capital | 575,000 | 575,000 |
| Share premium | 3,839,000 | 3,839,000 |
| **Total share capital and share premium** | **4,414,000** | **4,414,000** |
| Number of shares | **575,000** | **575,000** |
| Par value of a share (in euros) | 1 | 1 |

In January 2016 the company issued 40,000 ordinary shares and in June 2016 75,000 ordinary shares through direct placements, raising a total of 1,900,000 euros. Out of this amount, 115,000 euros was recognised as share capital and 1,785,000 euros was recognised as share premium. After the sale of own shares in 2016, share premium grew by 90,000 euros. Both at 31 December 2017 and 31 December 2016 share capital consisted solely of ordinary shares.

| | **Number of shares** |
|---|---|
| **Number of shares at 31 December 2015** | **460,000** |
| Issue of shares (non-public offering) | 115,000 |
| **Number of shares at 31 December 2016** | **575,000** |
| **Number of shares at 31 December 2017** | **575,000** |

According to the articles of association, at 31 December 2017 the company's minimum and maximum authorised share capital amounted to 300,000 euros and 1,200,000 euros respectively. All shares that have been issued have been fully paid for.

**Other reserves**

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| Share options | 67,129 | 41,101 |
| **Total other reserves** | **67,129** | **41,101** |

In 2015, a reserve of 3,952 euros was recognised for an employee share option plan. In 2016, the reserve was increased by 37,149 euros and in 2017 by 26,028 euros.

| Shareholder structure at 31 December 2017 | Number of shares | Interest, % |
|---|---|---|
| 1. OÜ Poco Holding | 575,000 | 100.00 |
| **Total** | **575,000** | **100.00** |
| **Shareholder structure at 31 December 2016** | **Number of shares** | **Interest, %** |
| 1. OÜ Poco Holding | 575,000 | 100.00 |
| **Total** | **575,000** | **100.00** |

## Note 13 Share-based payments

To provide incentives to its management board and employees, AS Pocopay has implemented a share option plan which entitles the members of the management board and the employees, subject to certain terms and conditions, to purchase ordinary shares in AS Pocopay (equity-settled share-based payments).

In 2015-2017, AS Pocopay signed agreements under which share options were issued that grant the holder the right to exercise the option after 36 months have passed since the signature of the agreement and demand transfer of the ordinary shares that have been earned to the recipient of the option. Under the agreements, the members of the management board and the employees are entitled to acquire a total of 54,000 ordinary shares at a pre-agreed price.

| | Management board | | Employees | |
|---|---|---|---|---|
| | **Weighted average exercise price (In euros)** | **Number of share options** | **Weighted average exercise price (In euros)** | **Number of share options** |
| Outstanding at 31 December 2015 | 2.0 | 9,000 | 13.2 | 8,500 |
| Granted during the period | 13.8 | 6,000 | 13.7 | 31,500 |
| Cancelled during the period | - | - | 13.2 | -2,000 |
| Outstanding at 31 December 2016 | 6.7 | 15000 | 13.6 | 38,000 |
| Granted during the period | - | - | 13.8 | 1,000 |
| **Outstanding at 31 December 2017** | **6.7** | **15,000** | **13.6** | **39,000** |

The exercise prices of share options outstanding at 31 December 2017 and 31 December 2016 ranged from 2.0 to 13.8 euros.

At 31 December 2017 the options' weighted average remaining time to expiry was 1.4 years, at 31 December 2016 2.2 years.

| The weighted average fair values of options granted to the management board and employees in the reporting period was 1.7 euros. The fair value of equity-settled share-based payments is determined using the Black-Scholes model and the fair value of options granted in 2017 was measured using the key valuation inputs outlined in the table below. | **2017** | **2016** |
|---|---|---|
| **Input** | **Employees** | **Employees** |
| Weighted average value of the share on signature of option agreement (in euros) | 12.0 | 11.9 |
| Exercise price (in euros) | 13.8 | 13.7 |
| Expected volatility | 27% | 27% |
| Life of the option agreement (in months) | 36 | 36 |
| Risk-free interest rate | 0.6% | 0.6% |

| | **2017** | **2016** |
|---|---|---|
| **Input** | **Management board** | **Management board** |
| Weighted average value of the share on signature of option agreement (in euros) | - | 12.0 |
| Exercise price (in euros) | - | 13.8 |
| Expected volatility | - | 27% |
| Life of the option agreement (in months) | - | 36 |
| Risk-free interest rate | - | 0.6% |

AS Pocopay has not been operating long. Therefore, expected volatility was estimated by reference to the EURO STOXX 50 volatility index. The model has been used without taking into account dividends because based on management's estimates during the period of the share option plan no dividends will be paid.

In 2017, the services received from employees under the share option plan were recognised in remuneration expenses in an amount of 26,028 euros, (2016: 40,549 euros) of which 10,845 euros (2016: 19,739 euros) was attributable to the management board (note 22) and 15,182 euros (2016: 20,810 euros) to employees.

To meet its obligations under the share option plan, AS Pocopay has signed a contingent share repurchase option agreement with the controlling shareholder under which the company may purchase shares in OÜ Poco Holding to execute the share option plan.

## Note 14 Revenue

| (In euros) | **2017** | **2016** |
|---|---|---|
| Payment service revenue | 27,445 | 18,169 |
| Sales of IT services | 300,990 | 0 |
| Sales of services of an insurance intermediary | 228 | 69 |
| Sales of management and financial services | 12,100 | 0 |
| Other revenue | 8,674 | 0 |
| **Total revenue** | **349,437** | **18,208** |

Payment service revenue comprises service and card fees charged for payment services and the fees for related financial services.

## Note 15 Cost of sales

| (In euros) | 2017 | 2016 |
|---|---|---|
| Payment service costs | -698,550 | -163,916 |
| IT costs | -76,404 | -66,305 |
| Remuneration expenses | -331,721 | -373,913 |
| Taxes on remuneration expenses | -110,574 | -124,638 |
| Depreciation and amortisation | -31,710 | -36,941 |
| Other costs related to product sales | 16,871 | -69,222 |
| **Total cost of sales** | **-1,232,088** | **-834,935** |

## Note 16 Product and IT development costs

| (In euros) | 2017 | 2016 |
|---|---|---|
| Remuneration expenses | -86,714 | -124,418 |
| Taxes on remuneration expenses | -28,905 | -42,647 |
| Depreciation and amortisation | -3,367 | -109,551 |
| Other product and IT development costs | -8,508 | -69,853 |
| **Total product and IT development costs** | **-127,494** | **-346,469** |

## Note 17 Marketing expenses

| (In euros) | 2017 | 2016 |
|---|---|---|
| Remuneration expenses | -13,435 | -138,115 |
| Taxes on remuneration expenses | -4,478 | -46,011 |
| Depreciation and amortisation | -7,857 | -2,656 |
| Other marketing expenses | -25,974 | -302,718 |
| **Total marketing expenses** | **-51,744** | **-489,500** |

## Note 18 General and administrative expenses

| (In euros) | 2017 | 2016 |
|---|---|---|
| Accounting, audit and legal expenses | -15,854 | -29,698 |
| Financial supervision charges | -7,486 | -878 |
| Consulting and training expenses | 0 | -1,430 |
| Remuneration expenses | -103,127 | -137,850 |
| Taxes on remuneration expenses | -34,376 | -45,950 |
| Depreciation and amortisation | -10,383 | -2,143 |
| Other general and administrative expenses | -79,747 | -36,140 |
| **Total general and administrative expenses** | **-250,973** | **-254,089** |

## Note 19 Finance income

| (In euros) | 2017 | 2016 |
|---|---|---|
| Foreign exchange gain | 2,208 | 5,604 |
| Interest income on loans provided | 40,870 | 0 |
| Interest income on bank accounts and deposits | 489 | 1,356 |
| **Total finance income** | **43,567** | **6,960** |

## Note 20 Finance costs

| (In euros) | 2017 | 2016 |
|---|---|---|
| Foreign exchange loss | -25,272 | -447 |
| Interest expense on loans | -13,377 | -3,396 |
| **Total finance costs** | **-38,649** | **-3,843** |

## Note 21 Discontinued operation

**Revenue and expenses of discontinued operation**

| (In euros) | 2017 | 2016 |
|---|---|---|
| **Discontinued operation** | | |
| Gain on sale of discontinued operation | 0 | 1,568,490 |
| Interest income | 0 | 2 |
| Total expenses | 0 | -291,746 |
| Lease of premises | 0 | -10,000 |
| Remuneration expenses | 0 | -18,220 |
| Social security charges of remuneration expenses | 0 | -6,059 |
| Depreciation and amortisation | 0 | -252,019 |
| Interest expense | 0 | -1,870 |
| Other expenses | 0 | -178 |
| **Profit before tax** | **0** | **1,276,746** |
| **Total profit from discontinued operation** | **0** | **1,276,746** |

| (In euros) | 2017 | 2016 |
|---|---|---|
| Receivable for sale of discontinued operation | 0 | 1,430,000 |
| **Total** | **0** | **1,430,000** |
| Net change in cash from sale of discontinued operation | 0 | -121,842 |
| **Total** | **0** | **1,308,158** |
| Change in net assets (excluding cash) | | |
| Property, plant and equipment at carrying amount | 0 | -23,220 |
| Intangible assets at carrying amount | 0 | -1,654,712 |

| | | |
|---|---|---|
| Receivables and prepayments | 0 | -68,058 |
| Trade and other payables | 0 | 10,030 |
| Taxes payable | 0 | 28,657 |
| Payables to employees | 0 | 16,529 |
| Short-term loan liability | 0 | 450,000 |
| Long-term loan provided and interest receivable | 0 | 1,497,706 |
| Reserve for share-based payments | 0 | 3,400 |
| **Total change in net assets (excluding cash)** | **0** | **260,332** |
| **Gain on sale of discontinued operation before tax** | **0** | **1,568,490** |
| **Gain on sale of discontinued operation** | **0** | **1,568,490** |

**Cash flows from discontinued operation**

| (In euros) | **2017** | **2016** |
|---|---|---|
| Cash flows from operating activities | 0 | -80,100 |
| Cash flows from investing activities | 0 | -321,558 |
| Cash flows from financing activities | 0 | 521,000 |
| **Net cash flow from discontinued operation** | **0** | **119,342** |
| | | |
| **Cash and cash equivalents at beginning of period** | **0** | **2,500** |
| **Cash and cash equivalents at end of period** | **0** | **121,842** |
| **Increase in cash and cash equivalents** | **0** | **119,342** |

## Note 22 Transactions with related parties

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

- the parent and the person controlling the parent and other owners with significant influence;
- other companies belonging to the parent’s group;
- members of AS Pocopay’s management and supervisory boards and their close family members,
- companies under the control or significant influence of the above persons.

For greater transparency, the owners of AS Pocopay decided to reorganise the group’s structure so that different business lines would be in different legal entities owned by a single holding company. In November 2016, holding company OÜ Poco Holding was established, after which owners made non-monetary capital contributions consisting of all the shares (100%) in AS Pocopay.

On 31 December 2016, OÜ Poco Holding purchased the shares in AS Pocopay's subsidiary OÜ PocoSys and became the new parent (consolidating entity). Both AS Pocopay and OÜ PocoSys are the subsidiaries of OÜ Poco Holding (see note 12, shareholder structure as at 31 December 2016 and 2017).

Intra-group transactions which have been eliminated on consolidation are not disclosed in this note.

**Transactions conducted with related parties**
(In euros)

| | **2017** | **2016** |
|---|---|---|
| AS Pocopay's parent company: | | |
| Loan received | 0 | 450,000 |
| Loan repaid | 325,921 | 200,000 |
| Interest expense | 0 | 3,397 |
| Sale of own shares | 0 | 108,000 |
| Sale of shares in OÜ PocoSys | 0 | 1,430,000 |
| Other owners with significant influence and companies related to them: | | |
| Services purchased for acquisition of intangible assets | 0 | 352,711 |
| Persons with significant influence over AS Pocopay's parent: | | |
| Loan received | 60,000 | 0 |
| Interest expense | 13,373 | 0 |
| Other companies of the group of AS Pocopay's parent: | | |
| Loans provided | 193,914 | 0 |
| Repayment of loans provided | 1,415,660 | 0 |
| Interest income | 40,870 | 0 |
| Fee for use of intangible assets (purchase) | 420,000 | 0 |
| Resale of rental and utilities services | 17,887 | 0 |
| Sales of management and accounting services | 12,100 | 0 |

In 2017 the group's borrowing and intra-group relending function was centralised and assigned to OÜ Poco Holding, The interest rate of both amounts borrowed and relent was 5% of the outstanding balance per year (see notes 19 and 20).

**Balances with related parties**

| (In euros) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| AS Pocopay's parent | | |
| Trade and other receivables | 1,137,079 | 1,538,000 |

| | | | |
|---|---|---|---|
| Other companies of the group of AS Pocopay's parent: | | | |
| Long-term loans provided | | 228,798 | 1,450,543 |
| Accrued interest receivable | | 88,033 | 47,163 |
| Persons with significant influence over AS Pocopay's parent | | | |
| Trade payables and amounts due to customers | | 0 | 11,651 |
| Long-term loan liabilities | | 0 | 250,000 |
| Accrued interest payable | | 0 | 2,548 |
| Members of the management board: | | 170,609 | 176,686 |
| Remuneration with taxes | | 159,763 | 156,947 |
| Share-based payments | 13 | 10,846 | 19,739 |
| Trade and other payables | | 0 | 73,050 |

Trade and other receivables as at 31 December 2017 include, among other things, an amount receivable for the sale of the discontinued operation (the subsidiary OÜ PocoSys).

The members of the supervisory board were not remunerated in the reporting or the comparative period.

## Note 23 Parent company's separate primary financial statements

### Parent company's statement of financial position

(In euros)

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 22,967 | 12,069 |
| Customer funds | 346,057 | 285,023 |
| Trade and other receivables | 1,137,203 | 1,540,307 |
| Prepayments | 166,892 | 134,605 |
| Other current assets | 62,502 | 0 |
| **Total current assets** | **1,735,621** | **1,972,004** |
| **Non-current assets** | | |
| Property, plant and equipment | 62,270 | 62,499 |
| Intangible assets | 65,190 | 96,983 |
| Long-term financial assets | 484,632 | 1,750,607 |
| **Total non-current assets** | **612,092** | **1,910,089** |
| **TOTAL ASSETS** | **2,347,713** | **3,882,093** |

| | | |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Amounts due to customers | 346,057 | 285,023 |
| Trade and other payables | 35,678 | 19,978 |
| Taxes payable | 22,905 | 94,187 |
| Payables to employees | 33,028 | 41,430 |
| Other liabilities | 4,892 | 3,643 |
| **Total current liabilities** | **442,560** | **444,261** |
| **Non-current liabilities (loans)** | **0** | **250,763** |
| **TOTAL LIABILITIES** | **442,560** | **695,024** |
| **EQUITY** | | |
| Share capital and share premium | 4,414,000 | 4,414,000 |
| Other reserves | 67,129 | 41,101 |
| Accumulated losses | -2,575,976 | -1,268,032 |
| **TOTAL EQUITY** | **1,905,153** | **3,187,069** |
| **TOTAL LIABILITIES AND EQUITY** | **2,347,713** | **3,882,093** |

## Parent company's income statement

(In euros)

| | **2017** | **2016** |
|---|---|---|
| Revenue | 349,437 | 136,613 |
| Cost of sales | -1,232,088 | -832,693 |
| **GROSS LOSS** | **-882,651** | **-696,080** |
| Other income | 0 | 62,506 |
| **Operating expenses** | | |
| Product and IT development costs | -127,494 | -777,393 |
| Marketing expenses | -51,744 | -486,641 |
| General and administrative expenses | -250,973 | -252,555 |
| **Total operating expenses** | **-430,211** | **-1,516,589** |
| **Gain on sale of the subsidiary** | **0** | **1,427,500** |
| **OPERATING LOSS** | **-1,312,862** | **-722,663** |
| | | |
| Finance income | 43,567 | 54,123 |
| Finance costs | -38,649 | -3,844 |
| **Net finance income** | **4,918** | **50,279** |
| | | |
| **LOSS BEFORE INCOME TAX** | **-1,307,944** | **-672,384** |
| **LOSS FOR THE FINANCIAL YEAR** | **-1,307,944** | **-672,384** |

## Parent company's statement of cash flows

(In euros)

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Cash flows from continuing operations** | | |
| Loss for the financial year | -1,307,944 | -672,384 |
| *Adjustments for:* | | |
| *Depreciation* | *17,666* | *20,731* |
| *Amortisation* | *31,789* | *130,561* |
| *Loss on write-off of non-current assets* | *3,880* | *0* |
| *Gain on sale of the subsidiary* | *0* | *-1,427,500* |
| *Sale of own shares* | *0* | *108,000* |
| *Finance income* | *-43,567* | *-54,123* |
| *Finance costs* | *38,649* | *3,844* |
| *Share-based payment expense* | *26,028* | *37,149* |
| Change in trade and other receivables (incl. deposits) | 22,820 | 0 |
| Change in trade and other receivables | 0 | -281,356 |
| Change in prepayments | -32,286 | 14,637 |
| Change in trade and other payables | 15,700 | 3,229 |
| Change in taxes payable | -71,282 | -63,551 |
| Change in payables to employees | -8,402 | 14,723 |
| Change in other liabilities | 3,796 | 3,468 |
| Effect of non-cash transactions | 485,805 | 0 |
| **NET CASH USED IN OPERATING ACTIVITIES** | **-817,348** | **-2,162,573** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Loans provided | -158,850 | -367,000 |
| Repayment of loans provided | 873,628 | 296,000 |
| Paid on acquisition of property, plant and equipment | -22,032 | -41,798 |
| Proceeds from sale of property, plant and equipment | 500 | 0 |
| Paid on acquisition of intangible assets | 0 | -488,647 |
| Interest received | 0 | 688 |
| **NET CASH FROM/USED IN INVESTING ACTIVITIES** | **693,246** | **-600,757** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of share capital (including share premium) | 0 | 1,882,000 |
| Proceeds from sale of own shares | 75,000 | 0 |
| Proceeds from loans received | 60,000 | 450,000 |
| Repayment of loans received | 0 | -200,000 |
| Interest paid | 0 | -849 |
| **NET CASH FROM FINANCING ACTIVITIES** | **135,000** | **2,131,151** |
| **NET CASH FLOW** | 10,898 | **-632,179** |

| | | |
|---|---|---|
| Cash and cash equivalents at beginning of period | 12,069 | 644,248 |
| Cash and cash equivalents at end of period | 22,967 | 12,069 |
| **Increase/decrease in cash and cash equivalents** | **10,898** | **-632,179** |

## Parent company's statement of changes in equity

(In euros)

| | Share capital | Share premium | Own shares | Other reserves | Retained earnings/ accumulated losses | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2015** | **460,000** | **1,964,000** | **-18,000** | **3,952** | **-595,648** | **1,814,304** |
| Loss for the financial year | 0 | 0 | 0 | 0 | -672,384 | -672,384 |
| Increase of share capital | 115,000 | 1,785,000 | 0 | 0 | 0 | 1,900,000 |
| Share options | 0 | 0 | 0 | 37,149 | 0 | 37,149 |
| Sale of own shares | 0 | 90,000 | 18,000 | 0 | 0 | 108,000 |
| **Balance at 31 December 2016** | **575,000** | **3,839,000** | **0** | **41,101** | **-1,268,032** | **3,187,069** |
| Loss for the financial year | 0 | 0 | 0 | 0 | -1,307,944 | -1,307,944 |
| Share options | 0 | 0 | 0 | 26,028 | 0 | 26,028 |
| **Balance at 31 December 2017** | **575,000** | **3,839,000** | **0** | **67,129** | **-2,575,976** | **1,905,153** |

# Confirmations of the management board and the supervisory board

The management board prepared the business review and the consolidated financial statements of AS Pocopay and authorised them for issue of 8 June 2018. The supervisory board of AS Pocopay has reviewed the group annual report submitted by the management board, including the business review and the consolidated financial statements, and the accompanying independent auditor's report and has approve their presentation to the general meeting.

The annual report is signed by all members of the management and supervisory boards.

| **Name** | **Position** | **Signature** | **Date** |
|---|---|---|---|
| Indrek Neivelt | Chairman of the Management Board | ……………………… | …………………….. |
| Andreas Kotsjuba | Member of the Management Board | ……………………… | ..…………………….. |
| Oksana Tolmatshova | Member of the Management Board | ……………………… | ..…………………….. |
| Tea Trahov | Chairman of the Supervisory Board | ……………………… | …………………….. |
| Linnar Viik | Member of the Supervisory Board | ……………………… | …………………….. |
| Liivi Kompus | Member of the Supervisory Board | ……………………… | …………………….. |

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ESTONIA

# INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

**To the Shareholder of AS Pocopay**

## Opinion

We have audited the consolidated financial statements of AS Pocopay, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Pocopay as at 31 December 2017 and its consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (Code of Ethics (EE)) and we have fulfilled our other ethical responsibilities 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

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

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

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

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 Consolidated Financial Statements

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

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

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

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

*/signature/* 

Sven Siling
Certified Public Accountant, licence no. 502

*/signature/*

Margit Viks
Certified Public Accountant, licence no. 526

BDO Eesti AS
Audit firm activity licence no. 1
A. H. Tammsaare tee 47, 11316 Tallinn

8 June 2018

# Revenue according to the Estonian classification of economic activities (EMTAK)

The revenue of the group's parent according to EMTAK:

(In euros)

| EMTAK code | Activity in EMTAK | 2017 | 2016 |
|---|---|---|---|
| 62091 | Other information technology and computer service activities | 300,990 | 118,405 |
| 64991 | Other financial service activities except insurance and pension funding not elsewhere classified | 27,445 | 18,208 |
| 82991 | Other business support service activities not elsewhere classified | 21,002 | 0 |