ANNUAL REPORT

beginning of financial year: 01.01.2019
end of the financial year: 31.12.2019

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Management report

Wallester AS (hereinafter “Wallester”) is a fintech company that commenced its operations as a spin-off from the Norwegian credit provider Folkefinans AS who is one of the shareholders of Wallester as at 31 December 2019.

Wallester issues credit cards to its clients’ customers who are natural persons. In the provision of service, Wallester uses its own cloud-based technology solution in cooperation with third parties.

In December 2017, the Financial Supervision Authority issued a payment institution authorisation to Wallester.

Financial performance

The loss for 2019 was 1,379 thousand euros (2018: 754 thousand euros) and turnover was 251 thousand euros (2018: 345 thousand euros). The assets increased 30% as at the end of the year to 3,061 thousand euros (31 December 2018: 2,350 thousand euros); the increase was mainly due to development activities on Wallester’s platform.

The financial performance was as expected, given the development phase of the company and the fact that the first client was launched in mid-2018.

In 2019, the required additional capital was raised mainly from the existing investors.

Trends for 2020

In 2020, Wallester is planning to continue developing and to launch a new platform with advanced services. At the same time, the company will continue to actively find new clients and cooperation partners.

Wallester aims to offer its clients flexible and personalised solutions for the current and future payment methods.

Main risks

The company’s main financial risks are related to the general macroeconomic situation in Europe that directly affects our clients’ operating volumes. Business risks consist of the timely completion of the company’s development projects in the planned volume.

Wallester operates on the basis of socially, economically and environmentally responsible principles, paying great attention to compliance with regulations concerning their area of activity, including prevention of money laundering and terrorist financing.

Insofar as the company has no significant settlements in foreign currency or investments on the stock exchange, we consider the risks arising from these areas of activity to be low.

As with most service sectors, the period at the end of the year shows higher turnover numbers than the beginning of the year, but seasonality has no significant impact in Wallester’s area of activity.

Given the nature, extent and level of complexity of the company’s operations, the management board considers the control measures for risks to be sufficient.

Key ratios for the company:

	2019	**2018**
Return on sales (thousand euros)	252	321
Net loss (thousand euros)	-1,379	-754
Increase/decrease of loss	82.9%	62.8%

Net profitability	-547.2%	-235.0%
Current liability coverage ratio	3.6	1.4
ROA	-43.8%	-32.1%
ROE	-49.3%	-38.8%

Formulas used to calculate the ratios:

Net profitability (%) = net profit/return on sales * 100

Current liability coverage ratio (in times) = current assets/current liabilities

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

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

The annual accounts

Statement of financial position

(In Euros)

	31.12.2019	31.12.2018	Note
Assets			
Current assets			
Cash and cash equivalents	935 508	162 687	
Receivables and prepayments	275 567	413 616	2
Inventories	5 938	9 216	
Total current assets	**1 217 013**	**585 519**	
Non-current assets			
Property, plant and equipment	26 847	24 023	4
Intangible assets	1 817 052	1 740 429	5
Total non-current assets	**1 843 899**	**1 764 452**	
Total assets	**3 060 912**	**2 349 971**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	382 805	407 221	6
Total current liabilities	**382 805**	**407 221**	
Total liabilities	**382 805**	**407 221**	
Equity			
Issued capital	384 238	219 972	7
Share premium	3 514 377	1 584 261	
Other reserves	1 440 347	1 420 218	
Retained earnings (loss)	-1 281 701	-528 078	
Annual period profit (loss)	-1 379 154	-753 623	
Total equity	**2 678 107**	**1 942 750**	
Total liabilities and equity	**3 060 912**	**2 349 971**	

Income statement

(In Euros)

	2019	2018	Note
Revenue	251 549	320 623	8
Other income	220	25 585	
Work performed by entity and capitalised	496 534	398 097	
Raw materials and consumables used	-450 243	-309 514	9
Other operating expense	-208 988	-151 790	10
Employee expense	-1 019 806	-820 571	11
Depreciation and impairment loss (reversal)	-447 800	-212 088	
Other expense	-710	-3 991	
Operating profit (loss)	**-1 379 244**	**-753 649**	
Interest income	90	26	
Profit (loss) before tax	**-1 379 154**	**-753 623**	
Annual period profit (loss)	**-1 379 154**	**-753 623**	

Notes

Note 1 Accounting policies

General information

The Annual Report 2019 of Wallester AS was prepared in line with the Estonian financial reporting standards. The Estonian financial reporting standards is a collection of financial reporting requirements based on the internationally recognised accounting and reporting principles and aimed at the public, the main requirements of which are established with the Accounting Act of the Republic of Estonia and specified by the Guidelines of the Accounting Standards Board.

The Annual Report is prepared in euros.

Wallester AS has prepared the abbreviated Annual Report of small company, which consists of the balance, income statement and notes.

Cash and cash equivalents

Money in cash register and balances of bank accounts are reflected as cash and its equivalents.

Receivables and prepayments

Trade receivables record short-term receivables arising from normal operations of the company, except receivables from other companies of the group. Customer receivables are evaluated in the balance sheet according to the probably incoming payments. Unpaid receivables will be evaluated separately for each customer, depending on the available information concerning the customer’s solvency.

Doubtful receivables are discounted in the balance sheet down to the probably received sum (the discounting is recorded in the balance on a separate row “doubtful receivables”) and are reflected as expense in the income statement. Uncollectible receivables have been written off from the balance. Receipt of doubtful receivables discounted earlier is recorded as decreased expense of doubtful receivables.

Plant, property and equipment and intangible assets

Tangible fixed assets are assets used in the business activities of the company, the useful life of which exceeds one year and the value of which starts from 1000 EUR. Assets with the useful life exceeding one year but the value of which is less than 1000 EUR shall be transferred to expenses at the moment of recording the asset.

Tangible fixed assets are recorded in the balance sheet at the acquisition cost minus accumulated depreciation and possible allowances due to decrease in value.

Subsequent expenses to an object of tangible fixed assets are recorded as fixed asset if it is probable that the company can receive future economic benefit from the object and the acquisition cost of the object can be reliably measured. Other maintenance and repair costs are recorded as costs at the moment of their occurrence.

The straight-line method is used for depreciation. Depreciation rate is fixed separately for each object of fixed asset, depending on its useful lifetime. If an object of non-current asset consists of distinguishable components, which have different useful lifetimes, those components are recorded in accounting as separate objects and different depreciation rates will be determined according to their useful life.

The annual depreciation rates for non-current asset groups are following:
Other tangible fixed assets 20-40%

Depreciation calculation will start from the moment when the asset is usable according to aims planned by management and will be finished when final value exceeds residual value or the asset is finally removed from use. Every balance day the justification of the depreciation rates used, depreciation method and final value is assessed.

If the residual value of an asset (i.e. higher than the two following indicators: net sale price of the asset or use value of the asset) is smaller than its residual value, the objects of non-current assets will be discounted to their residual value.

Financial liabilities

All financial liabilities (supplier payables, taken loans, accrued expenses and other short- and long- term liabilities) are initially recorded in their acquisition cost including all direct costs related to purchase. The financial liabilities are recorded further by the method of corrected acquisition cost.

The corrected acquisition cost of current liabilities is usually equal to their nominal value, thus current liabilities are recorded in the balance sheet in the payable sum. Calculation of acquisition cost of long-term financial liabilities is performed using internal interest rate method.

Revenue recognition

Revenue from sale of goods is recorded when all material risks regarding the ownership have been transferred to the buyer and sales revenue and the costs connected with the transaction can be reliably determined.

Revenue from sale of services is recorded in offering the service.

Interest income is calculated using effective interest rate except in cases when receiving interest is uncertain. In those cases interest revenue is calculated on cash basis.

Taxation

Pursuant to the applicable legislation a company's profit is not taxable in Estonia, thus there are no deferred income tax claims or liabilities. Instead of profit Estonia taxes dividends paid from retained profits at the tax rate of 20/80 of the sum paid as net dividends.
The company's income tax related to the payment of the dividends is recorded in the income statement as income tax expense during the same period the dividends are declared, regardless of the fact for which period they have been declared or when they would be really paid.

Related parties

In the preparation of Wallester AS annual report the following has considered as related parties:
* owners (parent company and individuals who control or has a significant influence over parent company);
* management board and supervisory board;
* close relatives of the aforementioned persons and the companies related to them.

Note 2 Receivables and prepayments

(In Euros)

	31.12.2019	Within 12 months
Accounts receivable	15 299	15 299
Accounts receivables	15 299	15 299
Other receivables	151 515	151 515
Accrued income	151 515	151 515
Prepayments	108 753	108 753
Deferred expenses	3 485	3 485
Other paid prepayments	105 268	105 268
Total receivables and prepayments	**275 567**	**275 567**
	31.12.2018	**Within 12 months**
Accounts receivable	44 473	44 473
Accounts receivables	44 473	44 473
Tax prepayments and receivables	861	861
Other receivables	297 598	297 598

Accrued income	297 598	297 598
Prepayments	70 684	70 684
Deferred expenses	68 707	68 707
Other paid prepayments	1 977	1 977
Total receivables and prepayments	**413 616**	**413 616**

Note 3 Tax prepayments and liabilities
(In Euros)

	31.12.2019		31.12.2018	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	2 272	861	0
Personal income tax	0	17 875	0	21 743
Fringe benefit income tax	0	176	0	674
Social tax	0	30 985	0	37 846
Contributions to mandatory funded pension	0	1 781	0	1 952
Unemployment insurance tax	0	1 709	0	2 063
Total tax prepayments and liabilities	**0**	**54 798**	**861**	**64 278**

Note 4 Property, plant and equipment
(In Euros)

		Total
	Other property, plant and equipment	
31.12.2017		
Carried at cost	8 524	8 524
Accumulated depreciation	-1 751	-1 751
Residual cost	6 773	6 773
Acquisitions and additions	25 072	25 072
Depreciation	-7 822	-7 822

31.12.2018		
Carried at cost	33 596	33 596
Accumulated depreciation	-9 573	-9 573
Residual cost	24 023	24 023
Acquisitions and additions	14 508	14 508
Depreciation	-10 889	-10 889
Disposals (in residual costs)	-795	-795
31.12.2019		
Carried at cost	46 431	46 431
Accumulated depreciation	-19 584	-19 584
Residual cost	26 847	26 847

Disposed property, plant and equipment at selling price

	2019	2018
Machinery and equipment	794	0
Computers and computer systems	794	0
Total	**794**	**0**

Note 5 Intangible assets

(In Euros)

	Other intangible assets	Total
31.12.2017		
Carried at cost	1 413 068	1 413 068
Accumulated depreciation	0	0
Residual cost	1 413 068	1 413 068
Acquisitions and additions	531 627	531 627
Depreciation	-204 266	-204 266

31.12.2018		
Carried at cost	1 944 695	1 944 695
Accumulated depreciation	-204 266	-204 266
Residual cost	1 740 429	1 740 429
Acquisitions and additions	513 534	513 534
Depreciation	-436 911	-436 911
31.12.2019		
Carried at cost	2 458 229	2 458 229
Accumulated depreciation	-641 177	-641 177
Residual cost	1 817 052	1 817 052

Note 6 Payables and prepayments

(In Euros)

	31.12.2019	Within 12 months	Note
Trade payables	30 645	30 645	
Employee payables	84 693	84 693	
Tax payables	54 798	54 798	3
Other payables	162 631	162 631	
Other accrued expenses	162 631	162 631	
Prepayments received	50 038	50 038	
Other received prepayments	50 038	50 038	
Total payables and prepayments	**382 805**	**382 805**	
	31.12.2018	**Within 12 months**	**Note**
Trade payables	33 270	33 270	
Employee payables	90 337	90 337	
Tax payables	64 278	64 278	
Other payables	203 439	203 439	
Other accrued expenses	203 439	203 439	

Prepayments received	15 897	15 897	
Other received prepayments	15 897	15 897	
Total payables and prepayments	**407 221**	**407 221**	

Note 7 Share capital
(In Euros)

	31.12.2019	31.12.2018
Share capital	384 238	219 972
Number of shares (pcs)	384 238	219 972
Nominal value of shares	1	1

Note 8 Net sales
(In Euros)

	2019	2018
Net sales by geographical location		
Net sales in European Union		
Estonia	251 549	320 623
Total net sales in European Union	**251 549**	**320 623**
Total net sales	**251 549**	**320 623**
Net sales by operating activities		
Payment services	251 549	320 623
Total net sales	**251 549**	**320 623**

Note 9 Goods, raw materials and services
(In Euros)

	2019	2018
Goods purchased for resale	8 571	20 406
Services purchased for resale	441 672	289 108
Total goods, raw materials and services	**450 243**	**309 514**

Note 10 Miscellaneous operating expenses

(In Euros)

	2019	2018
Leases	-14 219	-8 462
Energy	**-8 051**	**-6 488**
Miscellaneous office expenses	-12 097	-19 831
Travel expense	-16 880	-24 607
Training expense	-3 213	-6 954
Consultation costs	-92 187	-27 734
Accounting and audit costs	-25 414	-11 503
Other	-36 927	-46 211
Total miscellaneous operating expenses	**-208 988**	**-151 790**

Note 11 Labor expense

(In Euros)

	2019	2018
Wage and salary expense	772 344	622 410
Social security taxes	227 333	191 011
Option program	20 129	7 150
Total labor expense	**1 019 806**	**820 571**
Average number of employees in full time equivalent units	17	14

Note 12 Related parties

(In Euros)

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2019	**2018**
Remuneration	251 700	175 660

Independent Auditor's Report

To the Shareholder of Wallester AS

Our opinion

In our opinion, the abridged financial statements present fairly, in all material respects, the financial position of Wallester AS (the Company) as at 31 December 2019, and its financial performance for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Company's abridged financial statements comprise:
- the balance sheet as at 31 December 2019;
- the income statement for the year then ended; and
- the notes to the abridged financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the abridged financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

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

Our opinion on the abridged 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 abridged financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the abridged 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 the Management Board and those charged with governance for the abridged financial statements

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

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

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

Auditor's responsibilities for the audit of the abridged financial statements

Our objectives are to obtain reasonable assurance about whether the abridged 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 ISAs 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 abridged financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the abridged financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the abridged financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the abridged financial statements, including the disclosures, and whether the abridged financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AS PricewaterhouseCoopers

Lauri Past
Auditor's certificate no. 567

Märten Padu
Auditor's certificate no. 513

17 December 2020
Tallinn, Estonia