ANNUAL REPORT

the beginning of the financial year: 01.01.2015
the ending of the financial year: 31.12.2015

company name: GFC Good Finance Company AS

registry code: 12423254

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Short description

GFC is a payment institution, whose main activity is to open payment accounts for clients, the execution of their payments and issuing means of payment for clients, guided by all of the laws and legislative acts applied to payment institutions. The necessary authorization for the provision of payment services has been issued to the GFC by the Financial Supervision Authority, who also supervises GFC, by Decision No. 4.1-1/22 on June 5, 2013.

We see the provision of the services for effective handling of payments as our strategy and we have positioned ourselves as an alternative payment institution for banks. Our goal is to provide our customers with a quick and convenient means of payment through a payment service, and modern IT solutions.

In 2015, the main focus was to update internal procedures in the activity of GFC and the development of the services and products offered for a better customer service.

Since the authorization first issued to GFC did not include the right to issue means of payment, while the need for the provision of such services was evident considering existing habits (card payments) and future trends (an increase in the proportion of e-commerce), GFC applied for an authorization for the issue and acquisition of means of payment and payment instruments. The Financial Supervision Authority issued the authorization on October 23, 2015, by Decision No. 4.1-1/115.

The essence of the provision of new services is to provide clients with all the necessary payment services, on a daily basis, and it does not affect existing services. The services are complementary to each other and make GFC more attractive to clients, thereby increasing the competitiveness of GFC and having a positive effect on the development of GFC.

GFC is a member of SWIFT payment orders mediation environment (code GFCBEE22), through which clients' transactions are carried out, and where there is communication with correspondent banks. We are also a direct member of the MasterCard payment system as of December 2014. The total amount of GFC's clients' payment transactions in 2014 was 100,806 euros and in 2015, 523,537 euros.

By the decision of GFC's only shareholder GFC Holding OÜ (private limited company) on June 24, 2015, the share capital was increased by 34 new shares (nominal value of 1,260 euros), which was issued to the company of Moncornet Assets Inc. on the terms: the amount of the down payment is 42,840 euros, and the share premium is 149,250,40 euros. The size of the GFC share capital after its rise is 446,040 euros.

At the end of 2015, GFC requested permission to provide cross-border bank services in the Republic of Poland. The Financial Supervision Authority has issued an authorization by Decision No. 4.1-1/25 on February 29, 2016. GFC plans to serve clients in the Republic of Poland mainly through an online environment and means of payment.

In 2016, the development of payment services will continue, the focus will be on the involvement of additional personnel, product development, improving IT systems, and growing the client base.

The plan is to start issuing means of payment in the second half of 2016 when the product development cooperation project with the international card organization MasterCard will come to an end.

Main financial ratios:

	2015	2014
Quick ratio	5.3	12.9
Debt ratio	12.2%	7.7%

The formulas used for the calculation of ratios:

Quick ratio (times) = current assets/current obligation
Debt ratio (%) = total debts/total assets

ANNUAL ACCOUNTS

Statement of financial position

(in euros)

	31.12.2015	31.12.2014	Note nr
ASSETS			
Current assets			
Cash	48 890	79 371	2
Receivables and prepayments	123 994	56 665	3
Total current assets	**172 884**	**136 036**	
Fixed assets			
Receivables and prepayments	93 529	0	3
Total fixed assets	**93 529**	**0**	
Total assets	**266 413**	**136 036**	
Liabilities and owners' equity			
Liabilities			
Current liabilities			
Debts and prepayments	27 512	10 510	4
Provisions	4 966	0	
Liabilities and shareholders' equity	**32 478**	**10 510**	
Current liabilities	**32 478**	**10 510**	
Shareholders' equity			
Share capital	446 040	345 600	5
Share premium	149 250	0	
Retained earnings (loss)	-220 074	-52 101	
Retained profit (-loss)	-141 281	-167 973	
Total owner's equity	**233 935**	**125 526**	
Liabilities and shareholders' equity	**266 413**	**136 036**	

Consolidated income statement

(in euros)

	2015	2014	Note nr
Revenue	25 614	657	6
Other business earnings	87 418	0	7
Various operating expenses	-174 015	-59 008	8
Staff costs	-85 460	-110 195	9
Operating profit (-loss)	**-146 443**	**-168 546**	
Interest income	3	18	
Other financial income and expensess	5 159	555	
Profit (loss) before income tax	**-141 281**	**-167 973**	
Profit (loss) for the financial year	**-141 281**	**-167 973**	

Cash flow statement

(in euros)

	2015	2014	Lisa nr
Cash flow from operating activities			
Operating profit (loss)	-146 443	-168 546	
Changes in receivables and prepayments	-160 858	-7 496	
Changes in payables and prepayments	21 968	10 418	
Interest received	3	18	
Total cash flow from operating activities	**-285 330**	**-165 606**	
Cash flow from investing activities			
Proceeds from issuing of shares	249 690	145 600	5
Total cash flow from investing activities	**249 690**	**145 600**	
Total cash flow	**-35 640**	**-20 006**	
Cash and cash equivalents at beginning of period	79 371	98 822	2
Change in cash and cash equivalents	**-35 640**	**-20 006**	
The effect of changes in foreign exchange rates	5 159	555	
Cash and equivalents at end of period	48 890	79 371	2

Statements of changes in equity
(in euros)

				Total
	Share capital	Share premium	Retained profit (loss)	
31.12.2013	200 000		-52 101	147 899
Net profit/loss for financial year			-167 973	-167 973
Issue of equity	145 600			145 600
31.12.2014	345 600		-220 074	125 526
Net profit/loss for financial year)			-141 281	-141 281
Issue of equity	100 440			100 440
Other changes in equity		149 250		149 250
31.12.2015	446 040	149 250	-361 355	233 935

Further information about the entries concerning the share capital and the shareholders' equity is given in Appendix 5.

Notes to annual accounts

Note 1 Accounting principles

General information

GFC Good Finance Company AS (hereinafter GFC) annual accounts for 2015 have been prepared in accordance with the international financial reporting standards 2015 (IFRS) accepted by the European Union.

The annual accounts have been prepared using the acquisition cost principle except in cases described in the accounting policies given below.

The financial year began on 01 January 2015 and ended on 31 December 2015. The figures in the annual accounts are given in whole euros.

The assets and liabilities are evaluated in a weighted manner and on conservative grounds. The preparation of the annual accounts requires the provision of evaluations. These evaluations are based on the up-to-date information about the company's position as well as its intentions and risks as of the day of preparation of the annual accounts. The final result of the economic transactions appearing in the annual report can differ from the evaluations given in this period.

Amendments of accounting policies or information presentation

New standards and their impact on the report

IFRS 9 financial instruments: classification and measurement. The standard becomes obligatory for the company on January 1, 2018; it has not yet been adopted by the European Union. The new standard regulates the classification of financial assets and obligations, taking over most of the requirements of IAS39 for the classifications of financial obligations. IFRS 9 has also established a new model for the recognition of losses – the model of estimated credit loss. It also changes the requirements for hedge accounting in order to have a better relation between accounting and risk management. The company will assess the impact of the amendment to the financial statement.

The project of publication – amendments to IAS 1. The amendment of the standard is effective on January 1, 2016, or for report periods starting later, has not yet been adopted by the European Union. The amendments explain the standards of IAS 1 concerning the significance of the instructions, information aggregation, presentation of subtotals, the structure of financial reports, and the publications of accounting policies. The company will assess the impact of the amendment to the financial statement.

The company has decided not to adopt these standards, amendments, and interpretations before their mandatory application dates.

The rest of the new or amended standards or interpretations that do not yet apply do not presumably have any significant impact on the company.

Financial assets

GFC has the following financial assets: Cash and cash equivalents and other receivables.

Cash and cash equivalents and other receivables (accrued income, loans provided and other short-term and long-term receivables), except for receivables obtained for the purpose of resale are reported at adjusted acquisition cost. The adjusted acquisition cost of short-term receivables normally equals their nominal value (less instalments and possible write-downs), which is why short-term receivables are reported in the balance sheet as the amount likely to be received.

Cash and cash equivalents

The following is reported in the cash flow statement under cash and cash equivalents: cash in hand, bank account balance (except for overdraft), deposits for up to three months and placements into money market funds and other liquid funds which invest into instruments individually corresponding to the notion of cash and cash equivalents.

Foreign currency transactions and foreign currency denominated financial assets and obligations
All other currencies besides the functional currency are considered as foreign currencies; the functional currency for companies in Estonia is euro. Transactions in foreign currencies are based on the exchange rates of the European Central Bank that are officially in force on the day of the transaction. Monetary assets and obligations fixed in foreign currency (claims and loans to be paid in cash) are revalued on the balance sheet date to the functional currency based on the current exchange rates of the European Central Bank. Exchange rate gains and losses that arise as a result of revaluation are presented in the income statement of the reporting period.

Financial burdens
All financial burdens are initially recognized at their cost, which includes all directly attributable costs. Further recognition takes place by using the method of amortized cost.

The amortized cost of short-term financial burdens generally equals their nominal value; therefore, short-term financial burdens are recognized at the amount payable. In order to calculate the amortized cost of the long-term financial burdens, they are initially recognized at the fair value of the amount received (net of transaction costs) and are then subsequently measured at the amortized cost by using the effective interest method.

Financial burdens are classified as short-term when they are due within twelve months from the balance sheet date; or if the company does not have an unconditional right to defer payment for more than 12 months after the balance sheet date. Loan commitments that have to be repaid within 12 months of the balance sheet date but which are refinanced long-term after the balance sheet date but before the confirmation of the annual accounts are recognized as short-term. The loan commitments, which the lender is entitled to call back on the balance sheet day due to the violation of the conditions set in the contract, are also recognized as short-term.

Statutory reserve
According to the Commercial Code, the statutory reserve capital is formed from annual net profit allocations. During every economic year, at least 1/20 of the net profit has to be transferred to the reserve, until the reserve amounts 1/10 of the share capital. The reserve may later be used to cover losses and to increase share capital. There can be no disbursements made to shareholders from the reserve.

Revenues
Revenue from the selling of the services is recognized after the provision of the service if the receipt of payment is probable and the amount of revenue and expenses related to the provision can be reliably determined.

The interest income is recognized if the receipt of the revenue is probable, and the amount of it can be reliably estimated. The interest income is recognized using the effective interest rate, expect in cases where the receipt of interest is uncertain. In such cases, the interest income is calculated on a cash basis.

Corporate income tax
Pursuant to the Income Tax Act, corporate profits for the accounting year are not subject to income tax in Estonia. The income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, payments not related to business and adjustments of transfer prices. The tax rate applicable to the profits distributed as dividends is 21/79 of the net amount paid. In certain circumstances it is possible to further distribute the dividends received without additional income tax expenses. The corporate income tax payable on dividends is reported as a liability and as income tax expenses in the income statement for the same period in which the dividends are declared irrespective of the fact for which period they are declared and when they will actually be paid. The obligation to pay income tax arises on the 10th day of the month following the month on which the dividends are paid.

Due to the specific nature of the country’s taxation system, for companies registered in Estonia there are no differences between tax bases and carrying values of assets and no deferred tax assets or liabilities arise. The conditional obligation to pay income tax which would have arisen had the dividends been paid on the retained profits is not reported in the balance sheet.

Risk management and description of the main risks

The principles of determination, management and control of the risks arising in the course of GFC’s operations are laid down in the risk management policy developed by the management board in accordance with the Payment Institutions and E-money Institutions Act (MERAS) The risk management strategy is based on the optimisation of the correlation between the profitability of the company’s commercial activities and the level of the risks assumed. The development of the risk assessment methods and determination of the numerical parameters for the criteria fall entirely within the competence of the company's management board. Risk management principles and methods are regularly review and adjusted as necessary.

A. Operational risk

The operational risk is a risk that the internal processes and/or systems will not function or will function inadequately due to a technical fault or malfunction, actions or omissions of the staff of the payment institution or external events.

To minimize possible losses GFC applies the four eye principle according to which a confirmation of two employees is necessary to make a payment or a transfer. Compliance assurance and internal audit play a significant role in operational risk assessment. .

B. Own funds

31.12.15	31.12.14	
446 040	345 600	Paid-up share capital
149 250	0	Premium
-220 074	-52 101	Retained profit/loss
-141 281	-167 973	Profit / loss for the current financial year
233 935	125 526	Tier 1 own funds
-125 000	-125 000	Minimum size of own funds per minimum size of the share
108 935	526	Surplus / deficit of net own funds

GFC's capital management meets the requirements established for capital as prescribed by the law of MERAS. The paying authority is obligated to ensure the prudential norms for reliability and for reducing the associated risks. There have been no problems in meeting those requirements in 2015. GFC own funds excess the limits prescribed by law.

According to the management’s assessment, there were no significant risks in the economic year of 2015. Management believes that it has taken all the necessary measures to ensure the sustainability and growth of GFC in the current conditions. According to the management, the company is continually active.

Note 2 Cash

(in euros)

	31.12.2015	31.12.2014
Bank accounts EUR	41 606	77 226
Bank accounts USD	6 920	621
Cass EUR	353	43
Customers funds EUR	11	1 481
Total cash and cash equivalents	**48 890**	**79 371**

Note 3 Receivables and prepayments
(in euros)

	31.12.2015	Distribution by deadline	
		during 12 months	during 1 - 5 years
Trade receivables	100 400	100 400	0
Accounts receivable from buyers	100 400	100 400	0
Prepayments	73 594	23 594	50 000
Future period expenses	73 594	23 594	50 000
Prepayments for services	16 810	0	16 810
Deposit	26 719	0	26 719
Total receivables and prepayments	**217 523**	**123 994**	**93 529**
	31.12.2014	**Distribution by deadline**	
		during 12 months	**during 1 - 5 years**
Prepayments	56 665	56 665	0
Future period expenses	56 665	56 665	0
Total receivables and prepayments	**56 665**	**56 665**	**0**

Note 4 Debts and prepayments
(in euros)

	31.12.2015	during 12 months
Trade creditors	18 796	18 796
Employee-related liabilities	4 773	4 773
Taxes payable	3 932	3 932
Payables to customers	11	11
Total debts and prepayments	**27 512**	**27 512**
	31.12.2014	**during 12 months**
Trade creditors	2 908	2 908
Employee-related liabilities	6 121	6 121
Payables to customers	1 481	1 481
Total debts and prepayments	**10 510**	**10 510**

The VAT debt that appears with the submission of value added tax return is recognized under tax arrears, which pay date was in January 2016, and on which it was also paid.

Note 5 Share capital
(in euros)

	31.12.2015	31.12.2014
Share capital	446 040	345 600
Number of shares	354	320
Nominal value of shares	1 260	1 080

The nominal value of the so far issued 320 shares was increased in 2015 from 1,080 euros to 1,260 euros, which increased the share capital to 57,600 euros and there were 34 new shares issued with the nominal value of 1,260 euros, which increased the share capital even more, to 42,840 euros. The issue of shares took place at a share premium of 149,250 euros.

GFC share capital as of December 31, 2015, consists of 354 (December 31, 2014: 320) ordinary shares with a nominal value of 1,260 (December 31, 2014: 1,080) euros, which have been paid in full. Specific information about share capitals and the continuity of economic activity is presented in appendix 9.

Note 6 Sales revenue
(in euros)

	2015	2014
Sales revenue by geographical area		
Sales revenue in the European Union countries		
Estonia	25 614	657
Total sales revenue in the European Union countries	**25 614**	**657**
Total sales revenue	**25 614**	**657**
Sales revenue by business area		
Sales revenue from payment transactions	10 214	657
Other income	15 400	0
Total sales revenue	**25 614**	**657**

Note 7 Other operating revenue
(in euros)

	2015	2014
Development activity	85 000	0
Other	2 418	0
Total other operating revenue	**87 418**	**0**

Note 8 Various operating expenses

(in euros)

	2015	2014
Rent	21 015	804
Various office expenses	54 583	8 574
Various operating expenses	95 925	49 630
Other	2 492	0
Total various operating expenses	**174 015**	**59 008**

Note 9 Staff costs

(in euros)

	2015	2014
Wages and salaries	60 178	78 108
Social taxes	20 074	25 966
Reserve holidays	5 208	6 121
Total staff costs	**85 460**	**110 195**
The average number of full time employees	6	3

Note 10 Transactions with related parties

(in euros)

Name of the parent company	GFC Holding OÜ
The country where the parent company is registered	Estonia

Balances with related parties

2015	Purchase
CEOs and senior management and private owners of significant participation and the entrepreneurs under their dominant or significant influence.	14 674

Fees assessed for CEOs and higher management and other significant advantages.		
	2015	2014
Calculated fees	39 353	59 082

The parties are considered related if one party acquires control over the other party or significant influence over the business decisions of the other party. Related parties include the board of directors and supervisory boards and private owners of significant participation. In addition, related parties include close family if the aforementioned people and the companies are under their control or influence.

In 2015, the pay for the management was 39,353 (2014: 59,082) euros; there were no other significant advantages. The fees were not paid to the members of the council, and they did not get any advantages.

Note 11 Going concern

For GFC, financial year 2015 ended with a loss. The annual accounts have been prepared based on the fact that GFC is a going concern. In the opinion of the management board, the loss shall not create economic difficulties in 2016 because according to the cash flow forecast GFC will be able to meet all its short-term obligations.

As of 31 December 2013, GFC shareholders' capital was 233 935 euros. (2014: 125 526) . The shareholders are ready to immediately provide financial support and make additional investments to ensure that GFC is a going concern.

Signatures of the executive management

The date of the finalization of the report: 08.07.2016

GFC Good Finance Company AS (registry code: 12423254) 01.01.2015 - 31.12.2015 the accuracy of the data of annual report is electronically confirmed:

Signatory name	Signatory role	Date of signing
ANDRES KIVI	Member of the management board	08.07.2016

Independing sworn auditor's report

GFC Good Finance Company AS for shareholders

We have audited the annual accounts of GFC Good Finance Company AS, which contains the balance sheet as of December 31, 2015, revenue report, the report of the amendments of the capital and the report of cash flow concerning the economic year, which ended on the aforementioned date, the summary of calculation principles used in the preparation of the annual report and other explanatory notes. Audited annual accounts are presented on pages 4 to 14.

Management's obligation concerning financial statements

The management team is responsible for the preparation and fair submission of the annual accounts in accordance with international financial reporting standards, as they have been adopted by the European Union, and for the internal control, which the management considers necessary, in order to allow the preparation of the annual accounts, which is without misstatements that could arise from fraud or error.

Statutory auditor's obligation

Our responsibility is to express an opinion about the annual accounts on the basis of the audit. We carried out our audit in accordance with the international auditing standards (Estonia), which require that we are in accordance with the requirements of ethics and we plan and perform the audit to acquire a reasonable assurance that the annual accounts do not contain significant misstatements.

The audit includes the procurement of audit evidence concerning figures presented in the annual accounts and public information, in order to carry out the necessary procedures. The selected procedures depend on the decisions of the statutory auditor, including the assessment of risks that the annual accounts may contain misstatements arising from fraud or errors. In assessing such risks, the statutory auditor considers the internal control, which is relevant for the preparation and fair recognition of the economic unit's annual accounts, in order to plan relevant audit procedures in the given conditions, but not about the performance of the economic unit's internal control for the purpose of the publication of the opinion. The audit also includes the assessment of the relevance and justification of the accounting principles and the general presentation of the annual accounts.

We believe that the audit evidence we have collected provides a sufficient and appropriate basis for the opinion of the audit.

Opinion

We believe that the included annual accounts recognize the financial condition of the GFC Good Finance Company AS fairly in all of its parts, as of December 31, 2015, and the financial performance of the economic year, which ended on that date, and cash flows in accordance with international financial reporting standards as adopted by the European Union.

/digitally signed/
Madis Valk

The number of the statutory auditor: 551 Donoway Estonia OÜ
The license number of the audit entrepreneur: 256
Jõe 2b, 10151 Tallinn
July 8, 2016

The digital signatures of the auditors

GFC Good Finance Company AS (registry code: 12423254) 01.01.2015 - 31.12.2015 the auditor’s report added to the report of the economic year is digitally signed

The name of the signatory	The role of the signatory	Time of signing
MADIS VALK	Statutory auditor	08.07.2016

Proposal for loss coverage
(in euros)

	31.12.2015
Retained profit/loss	-220 074
Net profit/loss for financial year	-141 281
Total	**-361 355**
coverage	
Retained earnings (loss) after allocation (coverage)	-361 355
Total	**-361 355**

The distribution of the sales revenue by the fields of activity

Field	EMTAK code	Sales revenue(EUR)	Sales revenue %	Main field
Other financial services, except insurance and pension funding	64991	10214	39.88%	Yes
Other activities which support the business activities	82991	15400	60.12%	No

Means of communication

Category	Content
Phone	+372 6290050
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